

Current Situation regarding Asian Legal Business and Challenges which Japanese Law Firms are facing (Summary)

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There are currently over 32,000 lawyers (*bengoshi*) registered in Japan (current as of 1 July 2012) who, in addition to performing traditional legal services such as so-called civil lawsuits and other legal disputes, domestic-relations cases and insolvency cases, perform legal services in various fields such as corporate legal affairs including M&A and international commercial transactions, financial affairs including the issuance of securities and securitisation, etc., and intellectual property rights-related legal affairs, etc.

Matters handled by *bengoshi* cover a wide range of disciplines, and among them there is a category called as “international matters (*shogai-anken*)”, which make up a certain percentage of the services performed by *bengoshi* (law firms) in Japan.

In Japan, the provision of services related to international matters was initially commenced at the initiative of foreign law firms. However, Japanese law firms developed the market for international matters from the 1960s onwards, and eventually became the major provider of international legal services in Japan. Services performed by law firms handling international matters (international law firms) can be roughly categorised into the following two types: (i) in-bound services, referring to the provision of legal services to foreign companies in accordance with the laws of Japan; and (ii) out-bound services, referring to the assistance of Japanese companies’ expansion overseas. Legal services actually having been performed by Japanese law firms were in-bound services, which mainly consisted of U.S. companies’ expansion into Japan, and out-bound services remained a so-called “niche” area. Within such out-bound services, one of the areas in which Japanese law firms were capable of becoming involved proactively was Asian legal business. That was considered due to the underlying circumstances that, (i) from the viewpoint of the provider of legal services, there already existed law firms with world-wide networks in the U.S. and Europe (especially US and UK law firms), the area of which was one of the major targets of out-bound destination for Japanese companies, and therefore Japanese *bengoshi*

could only play a relatively minor role there; and (ii) the demand for legal services increased along with Japanese companies' expansion of factories to Taiwan and South Eastern Asian countries, which occurred in the process of post-war reconstruction, and Japanese companies' rushed expansion into People's Republic of China, triggered by the economic reforms of the country.

However, with the subsequent enactment of the Act on Special Measures concerning the Handling of Legal Services by Foreign Lawyers and the sequence of deregulatory measures, various services were opened up to foreign business - particularly, in-bound legal services which was the prime source of earnings for many Japanese international law firms. It consequently became possible for "foreign" law firms to perform any services through a foreign law joint enterprise. Combined with the recent rapid increase in the population of the legal profession in Japan, Japanese international law firms (Japanese bengoshi) were forced to face competition in an unprecedented scale, and were required to undergo change. This tendency was exacerbated by the contraction of domestic legal services and international in-bound services caused by the credit crunch occurring in the autumn of 2009. Faced with this situation, Japanese law firms (especially international law firms) changed their previous management policies of focusing on domestic legal services and in-bound services, and drastically steered into the direction of proactive expansion of out-bound services targeting the Asian market, and accelerated their affiliations with overseas law firms and establishment of overseas branches (local offices), etc.

In this report, I would like to explain how Japanese law firms expanded their areas of work in relation to the PRC, which developed into an economic power ranked second in the world in terms of the size of its GDP, as well as various Asian countries listed as "post-China" candidates such as Vietnam, Indonesia and India. At the same time I would like to explain about the contents of legal services provided by Japanese law firms, and analyse the tendencies, etc. of each country and services type. Furthermore, I would like to attempt a comparative observation in accordance with the circumstances in the respective countries, in relation to the future vision of Asian legal business and the challenges currently being faced by Japanese law firms.