

5-1-1987

## Corporate Extortion in Japan: Sokaiya Endure Commercial Code Amendment

Dean L. Rostrom

Follow this and additional works at: <https://digitalcommons.law.byu.edu/lawreview>



Part of the [Business Organizations Law Commons](#), and the [Comparative and Foreign Law Commons](#)

---

### Recommended Citation

Dean L. Rostrom, *Corporate Extortion in Japan: Sokaiya Endure Commercial Code Amendment*, 1987 BYU L. Rev. 699 (1987).  
Available at: <https://digitalcommons.law.byu.edu/lawreview/vol1987/iss2/12>

This Comment is brought to you for free and open access by the Brigham Young University Law Review at BYU Law Digital Commons. It has been accepted for inclusion in BYU Law Review by an authorized editor of BYU Law Digital Commons. For more information, please contact [hunterlawlibrary@byu.edu](mailto:hunterlawlibrary@byu.edu).

## COMMENT

### Corporate Extortion in Japan: *Sōkaiya* Endure Commercial Code Amendment

#### I. INTRODUCTION

*Sōkaiya*<sup>1</sup> shareholders are professional racketeers who acquire a relatively small number of shares in various corporations in order to gain access to each corporation's general shareholders' meetings. *Sōkaiya* extort monetary benefits from corporate management in two ways: (1) by offering their help in assuring a shareholders' meeting without incident, or (2) by making veiled threats to cause trouble at shareholders' meetings. This note will investigate the history and trends of *sōkaiya* extortion in Japan in light of recent legal attempts to quash *sōkaiya* activities. Initially, part II will offer a brief historical sketch of shareholders' rights and *sōkaiya* development in Japan. Part III will outline the 1982 Japanese Commercial Code revision that was aimed at eliminating *sōkaiya*, and will show how the revision has both strengthened and weakened the *sōkaiya*'s position. Finally, part IV will draw a conclusion as to the effectiveness of the 1982 Commercial Code revision in eliminating *sōkaiya* extortion in corporate Japan.

#### II. HISTORY OF SHAREHOLDERS' RIGHTS AND *SŌKAIYA* DEVELOPMENT IN JAPAN

The success of *sōkaiya* in extorting corporate management is due partly to the relatively recent development of widespread public ownership of corporations in Japan. Prior to World War II, shares of large corporations in Japan tended to be closely held.<sup>2</sup> However, during the American occupation following

---

1. *Sōkaiya* literally means "general meeting specialists." Martin and Lewis, *Japan's Corporate Bouncers*, NEWSWEEK, Aug. 11, 1986, at 38.

2. Yazawa, *The Legal Structure for Corporate Enterprise: Shareholder-Management Relations Under Japanese Law*, in LAW IN JAPAN: THE LEGAL ORDER IN A CHANG-

World War II, occupation authorities promoted "corporate democracy" in Japan, attempting to strengthen shareholders' rights by breaking up *zaibatsu* (large corporate combines), and by sponsoring amendments to the Japanese Commercial Code.<sup>3</sup> Today, shares are spread nearly as widely in Japan as they are in the United States.<sup>4</sup>

The rapid dispersal of shares in the postwar period did not, however, engender a rapid recognition of legitimate shareholders' rights by corporate management. In Japan, corporate directors generally come from within the company and are thus committed to the organization and its interests, rather than to the shareholders and their interests.<sup>5</sup> "[T]he organization itself is the primary consideration [in management's view]; profits are sought to preserve and expand the organization, rather than the organization existing to increase profits for the benefit of the shareholders."<sup>6</sup> Accordingly, management's primary interest is to preserve the autonomy of the corporation's managerial core. Thus, management tends to resist any usurpation of its authority by shareholders.

This reluctance to bow to shareholders' rights appears to have allowed *sōkaiya* to gain a foothold in Japanese corporate society. Corporate managers learned that they could retain the desired autonomy by paying *sōkaiya* to suppress shareholder dissent. *Sōkaiya*'s threats of exposing potentially embarrassing information have also helped induce management payoffs.<sup>7</sup> Furthermore, because *sōkaiya* are identified as probably the most informed observers of Japanese corporate activities,<sup>8</sup> management has found it advantageous to have *sōkaiya* on its side. In short, corporate tolerance of *sōkaiya* stems from management's interest in retaining control of shareholders' meetings, as well as

ING SOCIETY 547, 549 (A. von Mehren ed. 1963).

3. *Id.* at 548-49.

4. *Id.* at 549.

5. Ames, *Buying a Piece of Japan, Inc.: Foreign Acquisitions in Japan*, 27 HARV. INT'L L.J. 541, 551 (1986).

6. *Id.*

7. One source claims that *sōkaiya* ask company executives questions concerning embarrassing information which *sōkaiya* gather by such means as approaching hostesses at bars frequented by business executives. Murata, *Stamping Out Sokaiya: Revised Law to Eliminate Uniquely Japanese Corporate Practice*, Japan Times, June 4, 1982, at 14, col. 2.

8. *Sokaiya vs. Companies-Sokaiya Suffer Big Losses But Not Out of the Game-But Did the Shareholders Really Win?* JAPAN LAWLETTER 33, 40 (July-Aug. 1983) [hereinafter *Sokaiya vs. Companies*].

its interest in avoiding the embarrassment of *sōkaiya* interrogation during the annual meetings.

Prior to 1983, *sōkaiya* were widespread and powerful. In 1982, the Municipal Police Department (MPD) estimated that 500 *sōkaiya* groups were in existence, with a combined membership of 6,300 persons<sup>9</sup> of which some 3,500 were operating in Tokyo.<sup>10</sup> Of this number, one-quarter were estimated to have been affiliated with the nation's organized crime syndicates such as the Yamaguchi-*gumi* and Sumiyoshi-*rengo* gangs.<sup>11</sup>

Attendance at shareholders' meetings was big business for *sōkaiya*, netting them an estimated \$435 million in 1981.<sup>12</sup> Payment came in various forms. *Sōkaiya* groups sold the target companies extremely expensive newsletter subscriptions, sold back company shares at a very high premium, and charged companies for over-priced night club bills at *sōkaiya*-affiliated establishments. In addition, *sōkaiya* received gift certificates from corporations.<sup>13</sup> In exchange for these "favors," *sōkaiya* ensured that company meetings would uneventfully conclude following management's short presentation. A 1982 survey found that ninety-five percent of the companies surveyed anticipated shareholders' meetings to end in under thirty minutes due to *sōkaiya*'s support of management.<sup>14</sup> Moreover, nearly ninety percent of the 609 companies surveyed openly admitted contact with *sōkaiya*, and half said that they had contact with more than a hundred *sōkaiya*.<sup>15</sup>

---

9. Shibata, *Paying for Peace Among Japanese Shareholders*, Fin. Times, June 30, 1982, at 19 (LEXIS, Nexis library, Omni file). See also *MPD to Increase Heat on "Sokaiya" Extortionists*, Japan Times, June 22, 1982, at 2, col. 6 [hereinafter *MPD*].

10. Shibata, *Test for Japan's "Sokaiya Code,"* Fin. Times, June 28, 1985, at 29 (LEXIS, Nexis library, Omni file).

11. This estimate is from a survey conducted by the state-run NHK Broadcasting Network. *Shadow of the Sokaiyas: Japan's Protection Thugs Ensure Rubber Stamp Stockholder Meetings*, United Press Int'l, Sept. 29, 1982, Tuesday BC Cycle (LEXIS, Nexis library, Omni file). See also *MPD*, *supra* note 9, at 2, col. 6.

One *yakuza* (underworld syndicate) member, Issei Ishihara, claims that of the *sokaiya* who have resumed participation in company meetings since the 1982 Commercial Code revisions, eighty percent are now members of organized underworld syndicates. Martin, *Japan's Crime Syndicates Use Loophole to Take Over Corporate Gadfly Businesses*, Asian Wall St. J., July 8, 1985, at 23, col. 1.

12. Martin and Lewis, *supra* note 1.

13. Hashimoto, *Japan's 'Professional' Stockholders Profit by Putting Firms on the Hotseat*, Christian Science Monitor, Nov. 19, 1984, at 15, col. 1.

14. *Extortionist Shareholders May Die with New Law*, Associated Press, Oct. 9, 1982, Saturday BC Cycle. (LEXIS, Nexis library, Omni file) [hereinafter *Extortionist Shareholders*].

15. *Id.*

### III. 1982 REVISION OF THE JAPANESE COMMERCIAL CODE

In October 1982, the Japanese Diet (Parliament) revised the Commercial Code (Shōhō).<sup>16</sup> In theory, the revised Commercial Code would (1) weaken, and ideally eliminate, the ubiquitous presence of *sōkaiya* from Japanese corporate society, and (2) would strengthen the rights of legitimate shareholders. Despite these objectives, however, *sōkaiya* are far from extinct. On the contrary, it appears that as a result of the 1982 revision, *sōkaiya* may in some ways have newly created powers.

#### A. Provisions Aimed at Weakening *Sōkaiya*

The revised Commercial Code aims to stamp out *sōkaiya* by (1) prohibiting companies from paying *sōkaiya*, (2) preventing *sōkaiya* from accepting corporate benefits, and (3) increasing the cost and number of shares needed to attend and participate in annual shareholders' meetings.

Article 294-2 of the revised Commercial Code prohibits the compensation of *sōkaiya*. It states that "a stock company shall not offer any property interest to any person with respect to the exercise of rights of shareholders."<sup>17</sup> The abstract language of Article 294-2 is designed to cover not only the giving of money to *sōkaiya*, but also the conveyance of other benefits such as gift certificates and entertainment. If a benefit is "gratuitously offered" to a specific shareholder, "[i]t shall be presumed that the interest has been offered with respect to the exercise of rights of shareholders,"<sup>18</sup> and is, therefore, illegal. Article 294-2 also prohibits *sōkaiya* from retaining any property interest given by a company.<sup>19</sup> Article 497 stipulates criminal penalties for the violation of these laws.<sup>20</sup> In effect, Article 294-2 holds companies criminally liable for compensating *sōkaiya*; and *sōkaiya*, in turn, are prohibited from accepting any corporate remuneration.

16. SHŌHŌ (COMMERCIAL CODE), LAW NO. 48 OF 1899 (AS AMENDED), translated in *DOING BUSINESS IN JAPAN* app. 5A (Z. Kitagawa ed. 1986). [hereinafter *Doing Business in Japan*].

17. SHŌHŌM, *supra* note 16, art. 294-2, *DOING BUSINESS IN JAPAN* at app. 5A-110.10.

18. *Id.*

19. *Id.*

20. Art. 497 stipulates penalties of not more than six months imprisonment or a fine not exceeding 300,000 yen if "a manager or any other employee offers a property interest to another on the company's account with respect to the exercise of shareholders rights . . ." SHŌHŌ, *supra* note 16, art. 497, *DOING BUSINESS IN JAPAN* at 5A-163. These penalties also apply to a person who knowingly obtains the interest. *Id.*

The Commercial Code also makes it harder for *sōkaiya* to attend shareholder meetings. Prior to 1982, *sōkaiya* owning a minimal number of shares could participate in any corporation's annual shareholders' meeting by making proposals or requesting explanations. The revised Code limits this privilege in three ways. First, the right to propose particular matters or to request explanations is now restricted to shareholders owning a minimum of 300 shares or at least one percent of the company's shares.<sup>21</sup> Second, the minimum par value of shares issued at the time of incorporation has been significantly increased, thereby making the purchase of shares more costly.<sup>22</sup> Third, fractional shareholders can no longer exercise voting rights pertaining to those fractional shares.<sup>23</sup>

These measures have made it more expensive for *sōkaiya* to purchase the shares necessary to attend the annual shareholders' meeting. In essence, the revised Commercial Code intends to eliminate *sōkaiya*, not only by prohibiting the exchange of property between management and shareholders, but also by increasing the cost of participating in shareholders' meetings.

### 1. Police Enforcement of the Revised Commercial Code

Police have attempted to restrict *sōkaiya* through enforcement of the new Commercial Code. In enforcing the provisions of the new Code, police arrested eighty-one *sōkaiya* in 1983 for receiving compensation from corporations.<sup>24</sup> Furthermore, to remind management that *sōkaiya* payoffs are strictly forbidden, police have arrested a number of corporate officials. For example, in April 1984 police arrested a minor executive of Isetan De-

---

21. SHŌHŌ, *supra* note 16, art. 232-2, DOING BUSINESS IN JAPAN at app. 5A-72.

22. Prior to the 1982 amendment, companies' shares were allowed a par value as low as 50 yen. At that time, *sokaiya* needed only to buy one share, often priced between 100 and 1,000 yen, to attend a shareholders' meeting. See *Finance Law (Commercial Code Revision)*, JAPAN LAWLETTER 1, 3 (July, 1982). See also Young, *Amendments to Company Law Strengthen Internal Auditing Procedures*, East Asian Executive Reports, vol. 3, no. 8, Aug. 15, 1981, at 13 (LEXIS, Nexis library, Omni file). The revised Commercial Code requires both shares with par value and those without par value to be issued at 50,000 yen or more. SHŌHŌ, *supra* note 16, arts. 166, 168-3, DOING BUSINESS IN JAPAN at app. 5A-43 to 45.

23. When a company makes a gratis issue of shares or a stock dividend, any amounts that do not constitute one trading unit will not be issued but merely recorded on the company's books. Although those fractional units will receive their dividends or gratis issues, they will not be able to vote. SHŌHŌ, *supra* note 16, arts. 230-2, 230-6, 230-7, DOING BUSINESS IN JAPAN at app. 5A-67 to 69.

24. *Sokaiya Aim at IBM and GM*, JAPAN LAWLETTER 44, 46 (June 1984).

partment Stores,<sup>25</sup> a prestigious Tokyo department store. This action was probably intended to serve as a warning to other corporations, since a large number of corporations would hold their annual meetings in June. In 1986, a couple of weeks before the June peak in annual meetings, police arrested an official of Sogo Department Stores after he allegedly left a significant amount of department store gift certificates for *sōkaiya*.<sup>26</sup> In January 1987, police struck again, this time arresting three officials of Konishiroku Photo Industry Company for previous payoffs to *sōkaiya*.<sup>27</sup>

Arrests of corporate officials are infrequent, however, due in part to the difficulty of proving the existence and purpose of payments.<sup>28</sup> Moreover, the revised Commercial Code only provides for relatively minor penalties of not more than six months imprisonment or a fine not exceeding 300,000 yen against company officials found guilty of paying *sōkaiya*.<sup>29</sup> Consequently, the periodic arrests appear to do little more than partially discourage dealings with *sōkaiya* by reminding firms that police officers have not forgotten their determination to do away with *sōkaiya*.

Police officers have also helped combat *sōkaiya* activity by other means. In 1983, police held a special seminar, attended by representatives of over 700 companies, to teach companies how to deal with *sōkaiya*.<sup>30</sup> The police also created a special head-

25. Akiharu Ueda, chief secretary to the president of Isetan Department Stores, was arrested April 30, 1984. Ueda was charged with paying for a night of entertainment for *sōkaiya*, giving them hundreds of dollars worth of negotiable gift certificates, and requesting their assistance in assuring an uneventful annual meeting. Martin, *In Japan, Attempts to Stop Sokaiya Haven't Fared Well*, Wall St. J., June 12, 1984, at 40, col. 4; Japan Times, June 1, 1984, at 2, col. 1.

26. *Shareholdings-Sokaiya et. al*, JAPAN LAWLETTER 3, 4 (July-Aug. 1986) [hereinafter *Shareholdings*].

27. *3 Konishiroku Officials Nabbed for Rewarding Sokaiya*, Jiji Press Ticker Service, Jan. 19, 1987 (LEXIS, Nexis library, Omni file).

28. Martin, *supra* note 25.

29. See SHŌHŌ, *supra* note 16, art. 497, DOING BUSINESS IN JAPAN at app. 5A-163. *Sōkaiya* have also been leniently dealt with. November 1986 marks the first time a *sōkaiya* received an unsuspended prison sentence since the stricter Commercial Code was enacted in 1982. The Nagoya District Court sentenced Kazuyoshi Sato to five months in prison for violating the Commercial Code provisions prohibiting *sōkaiya* racketeers. Sato accepted a total of 2.5 million yen (\$15,256) in 1985 and 1986 from executives of Noritake Company, the nation's leading maker of china tableware. "*Sokaiya*" Found Guilty in Noritake Case, Jiji Press Ticker Service, Nov 20, 1986 (LEXIS, Nexis library, Omni file).

30. *Sokaiya Practicing for June-Record Breaking Shareholder Meetings Continue*, JAPAN LAWLETTER 14, 15 (May 1983) [hereinafter *Sokaiya Practicing for June*].

quarters to handle *sōkaiya* during June 1984, the peak season of shareholders' meetings.<sup>31</sup>

## 2. *The Effect of the 1982 Amendment on Weakening Sōkaiya*

Initially, the revised Commercial Code appears to have been rather successful in restricting *sōkaiya* support of management in shareholders' meetings. This success is demonstrated by the fact that in 1983 approximately 900 *sōkaiya* were operating in Tokyo, compared to 3,500 before the revisions, and only about 100 of those were particularly active.<sup>32</sup> Despite this initial success, however, significant numbers of *sōkaiya* still exist and continue to extort money from companies. The National Police Agency estimates that nearly 1,000 *sōkaiya* were operating in Tokyo in 1986.<sup>33</sup> Moreover, large numbers of *sōkaiya* continue to attend shareholders' meetings. On June 27, 1986, 750 (about 83.5%) of the companies having June shareholders' meetings deliberately held their annual meetings on that day.<sup>34</sup> Despite this attempt to overwhelm *sōkaiya*, and despite the 5,168 policemen from the National Police Agency assigned to attend shareholders' meetings around Japan,<sup>35</sup> the number of *sōkaiya* reportedly attending annual meetings during that day reached a total of 586, up from 508 in 1985.<sup>36</sup> *Sōkaiya* continue to persist as a visible element of corporate Japan.

Another indication of the effectiveness of the revised Commercial Code may be found in the relative length of shareholders' meetings. A 1982 survey found ninety-five percent of companies' shareholders' meetings ended in less than thirty minutes (due to *sōkaiya* support of management),<sup>37</sup> but in 1983, only fifty-seven percent of the companies anticipated such short meetings.<sup>38</sup> Police note that of 200 shareholders' meetings held between January and May 1983, the average meeting lasted one hour and twenty-one minutes, compared to twenty-three min-

---

31. Japan Times, May 25, 1984, at 2, col. 1.

32. Koshihara, "Sokaiya" Active, Despite Legal Changes, Japan Times, July 5, 1983, at 6, col. 3.

33. See *Shareholdings*, supra note 26.

34. *Id.*

35. *Police Mobilized for Shareholders Meetings*, Kyodo News Service, June 27, 1986, (LEXIS, Nexis library, Omni file); Japan Times, June 28, 1986, at 2, col. 7 [hereinafter *Police Mobilized*].

36. *Shareholdings*, supra note 26, at 5.

37. See *Extortionist Shareholders*, supra note 14.

38. *Shareholders Meetings*, JAPAN LAWLETTER 27, 28 (Mar. 1984).



utes in 1982.<sup>39</sup> The lengthier meetings indicate that in 1983 *sōkaiya* were not controlling shareholders' meetings on behalf of management.

The implementation of the revised Commercial Code has caused *sōkaiya* to engage in new tactics. Prior to the new Code, *sōkaiya* typically supported management in its efforts to expeditiously conclude the annual meetings. Following the revision, when companies refused to pay *sōkaiya* in accordance with the new Code, *sōkaiya* have significantly prolonged the meetings and harassed management in an effort to extort continued payment for their services. Several companies reported annual meetings lasting record-breaking lengths of time due to *sōkaiya* grilling of corporate management.<sup>40</sup> But by 1985, the average length of the shareholders' meetings for the approximately 800 companies holding annual meetings in June had again diminished to thirty-two minutes,<sup>41</sup> a drastic reduction from the average of one hour and twenty-one minutes in 1983.<sup>42</sup> Explanations for this trend include the probable continuance of payoffs to *sōkaiya* by many companies, and *sōkaiya* having given up on firms that consistently refuse to pay them.<sup>43</sup>

### B. Strengthening Legitimate Shareholders

The second objective of the revised Commercial Code is to increase the rights of legitimate shareholders. But by increasing shareholders' rights, the new Code may have inadvertently strengthened the *sōkaiya*'s position by increasing shareholders' authority to harass management.

Article 232-3 of the revised Commercial Code gives shareholders the right to "demand the inclusion of particular matters in the agenda of a general meeting by filing with a director a written application six weeks before the general meeting."<sup>44</sup> Furthermore, Article 237-2 of the amended Code dictates that com-

39. *Sokaiya vs. Companies*, *supra* note 8, at 39.

40. The Isuzu Corporation shareholders' meeting in January, 1983 lasted a record-breaking five hours and fifty minutes. *Japan Times*, Jan. 30, 1983, at 2, col. 1. Sony Corporation's January 1984 meeting was a record-breaking 13½ hours. *Japan Times*, Jan. 31, 1984, at 1, col. 7; *Sony's Longest Day*, *FORTUNE*, Mar. 5, 1984, at 8. These long meetings are in stark contrast to the fifteen to thirty minute meetings which prevailed prior to 1982.

41. *Shareholders Meetings*, *JAPAN LAW LETTER* 18, 19 (July 1985).

42. *Sokaiya vs. Companies*, *supra* note 8, at 40.

43. See *supra* note 40 and accompanying text.

44. SHŌHŌ, *supra* note 16, art. 232-2, *DOING BUSINESS IN JAPAN* at app. 5A-72.

pany executives must explain matters requested by shareholders at the annual meeting, provided the shareholder has given a written request for the explanation within a reasonable time prior to the meeting.<sup>45</sup> *Sōkaiya* are using the strengthened shareholders' rights under the revised Commercial Code to demand explanations and to harass management in an effort to extort continued payments. For example, one observer states that "[o]ne man has attended ten shareholder meetings, always bringing a *Roppō Zensho* (a compendium of Japanese law) in order to handle procedures and grill management."<sup>46</sup> If management refuses to answer the shareholders' inquiries, they face the possibility of lawsuits and of having the annual meeting and subsequent meetings declared invalid.

Two suits have recently been filed by *sōkaiya* in the district courts in Osaka and Yokohama to nullify shareholders' meetings.<sup>47</sup> In these suits, the *sōkaiya* claim that they exercised their rights under the new Commercial Code to submit written questions in advance, but that the corporation ignored their requests and cut off questioning in the annual meeting.<sup>48</sup> These suits are significant because they will provide the first court decisions defining the types of questions which management must respond to and those which may be ignored. If the courts find that the corporations improperly ignored the shareholders' questions, the courts will likely follow a 1983 ruling which held that improper procedures at shareholders' meetings may invalidate the meeting and possibly necessitate the holding of another.<sup>49</sup> This development gives significant leverage to *sōkaiya*, because management

---

45. SHŌHŌ, *supra* note 16, art. 237-3, DOING BUSINESS IN JAPAN at app. 5A-74.

46. *Sokaiya Practicing For June*, *supra* note 30, at 15.

47. *Shareholders Meetings*, JAPAN LAWLETTER 12 (June 4, 1985).

48. *Id.*

49. In 1970, a shareholder of the Chisso Corporation attempted to present a motion to pay compensation to victims of mercury poisoning in the now infamous Minamata case, but he was ignored by management who closed the meeting four minutes after it started. The Supreme Court (SAIKŌ SAIBANSHO), in June 1983, affirmed decisions by the Osaka District Court and Osaka High Court, holding the whole shareholders' meeting invalid. The Supreme Court further held that when a shareholders' meeting is held invalid, it becomes necessary to hold another shareholders' meeting since statements approved in later years based on the assumed validity of statements approved in the invalid meeting also become invalid. *Chisso Corp. v. Goto*, 1082 HANJI 9 (Saikōsai 1983). See also *Japan Times*, June 8, 1983, at 2, col. 1; JAPAN LAWLETTER 37 (July-Aug. 1983). For an interesting discussion on problems with Japanese shareholder meetings in general, see 1079 SHŌJI HŌMU 18 (1986) and 1078 SHŌJI HŌMU 2 (1986).

must either resume payments or face the threat of disruptions at shareholders' meetings.

#### IV. CONCLUSION

The implementation of the revised Japanese Commercial Code was a well-intentioned but imperfect attempt at eliminating *sōkaiya* from Japanese corporate society. The government sought to force *sōkaiya* out of business by forbidding company payoffs to *sōkaiya* and by prohibiting *sōkaiya*'s receipt of corporate benefits, as well as by making it more costly for *sōkaiya* to become legitimate shareholders. Yet, even as the new Code made it more difficult for *sōkaiya* to engage in their former activities, the Code, by strengthening shareholders' rights to participate in meetings, may have provided new opportunities for *sōkaiya* to extort companies.

Five years have passed since the Japanese Commercial Code was revised. Nevertheless, significant numbers of *sōkaiya* still exist. The National Police Agency estimates that nearly 1,000 *sōkaiya* were operating in Tokyo in 1986.<sup>50</sup> Moreover, large numbers of *sōkaiya* continue to attend shareholders' meetings on a regular basis. The number of *sōkaiya* reportedly attending annual meetings on June 27, 1987 represented an increase of nearly ninety persons over the previous year and may be an indication of increasing *sōkaiya* activity.<sup>51</sup>

The inherent difficulty of proving the existence of corporate payoffs to *sōkaiya*, as well as the inadvertent strengthening of *sōkaiya* authority to question management, will continue to plague police in their efforts to enforce the revised Commercial Code. Until the corporations themselves take a firm stand against *sōkaiya* extortion, *sōkaiya* will remain a visible element of corporate Japan.

*Dean L. Rostrom*

---

50. See *Shareholdings*, *supra* note 26.

51. *Id.* at 4.