Expanding your company into Japan is something to celebrate. However, you’ll need a thorough understanding of all Japanese subsidiary laws before you can decide where you should establish your company and what kind of corporation works best for your needs.

**How to Set up a Subsidiary in Japan**

Before you start the Japan subsidiary setup process, decide what kind of business structure to use. The four most common include:

- **Godo-Kaisha**: A business similar to an LLC in the US
- **Goshi-Kaisha**: A limited liability company
- **Gomei-Kaisha**: A general partnership organization
- **Kabushiki-Kaisha (KK)**: A joint-stock corporation

The KK model is the most popular business structure in Japan, and it is best for foreign companies looking to establish a subsidiary.

Liability in both the KK and Goshi-Kaisha models is limited to the assets the equity participants choose to contribute. You can establish both by using a similar procedure:

- Check the availability of the name you want to use. Branch offices must use the company name, but subsidiaries can choose any name they want.
- Choose and register the company’s representatives.
- Establish an office and open bank accounts in Japan to pay employees.

**Japan Subsidiary Laws**

Japan subsidiary laws state that a KK must have at least three directors. One should be designated as a representative director and hold the corporate seal. This director will represent the company in transactions. Additionally, at least one of the three directors must reside in Japan.

**Benefits of the Japan Subsidiary Setup**

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A subsidiary is not for everyone, but it carries many benefits for US companies wanting to expand to Japan.

Japanese subsidiaries can operate independently from the US parent company. They can tailor operations based on Japanese cultural norms and offer additional services that meet the needs of individuals in the nation.

Subsidiaries also do not transfer liability to the US parent company, so your US business will not be held responsible for any compliance issues. The parent company can operate without fear of reprisal for anything that happens in their Japanese subsidiary.

What Do You Need to Set up a Subsidiary in Japan?

The subsidiary setup process involves a significant amount of time and money. The timeframe of each step in the process can range from a few days or a few weeks, resulting in a months-long wait to expand your company in Japan. Filing articles and paperwork can cost from 450 to 20,800 Japanese yen.

You will also need to hire individuals to work as directors in the Japan office or move current employees to Japan, often creating a significant strain on your resources. Companies cannot hire employees until they officially set up a subsidiary, meaning you could lose valuable talent while you file the paperwork, find an office, and create bank accounts.

The easier option to expand into Japan is to work with a global PEO. Globalization Partners is with you every step of the way through the subsidiary process. We hire employees on your behalf so that you can start working before officially establishing your subsidiary.

Globalization Partners takes the stress out of employment compliance and Japan subsidiary laws. As the employer of record, we place your company’s liability on our shoulders. Any litigation or compliance issues fall to us instead of you so that all you need to worry about is operating your business.
Contact us today to learn more about our comprehensive solution and start working with us for all your Japan subsidiary needs.