

# Establishing a Business in Japan: Overview

*The following is a summary of the most common business forms available under Japanese domestic rules that foreign companies use when establishing their Japanese operations.*

*As a result of a revision to Japan's Commercial Code, the following changes became effective on May 1, 2006 in respect to business types:*

- The YK Law was abolished when the Corporation Law took effect but the previous YK continues to exist as a Special YK although its legal form is a KK pursuant to the Law Concerning Coordination, Etc. of Related Laws in Connection with the Enforcement of the Corporation Law (the "Coordination Law.")
- A new Japanese LLC will be established under the Corporation Law
- The minimum share capital requirement for KK's was abolished

	<b>Representative Office</b>	<b>Branch Office</b>	<b>Kabushiki Kaisha (KK)</b>
<b>Legal Status</b>	Not legally separate from parent company	Not legally separate from parent company	Separate legal entity
<b>Registration</b>	No formal registration	Register with Legal Affairs Bureau within 14 days of commencement of trade.	Formal registration requirements with Legal Affairs Bureau.
<b>Liability</b>	No separate liability from that of parent entity.	No separate liability from that of parent entity.	Limited liability.
<b>Minimum Share Capital</b>	N/A	N/A	¥1
<b>Activities</b>	Limited to purchasing, storage and auxiliary functions, for parent company only.	Generally no restriction on activities.	Generally no restriction on activities.
<b>Management</b>	No formal management is required in Japan under domestic rules.	At least one resident branch manager.	At least three directors, amongst which there is a requirement for one resident representative director and one statutory auditor  Further requirements if the company deemed to be large.
<b>Bookkeeping and Accounts</b>	No requirement to keep books and records in Japan	Required to keep sufficient books and records to back up the entries on the tax return.	KK should prepare and retain books and records in Japan for 10 years.
<b>Independent Audit</b>	N/A	No requirement.	Required if company has liabilities of ¥20 billion or more, or share capital greater than ¥500m
<b>Tax</b>	Not taxed in Japan provided that the activities have not created a Permanent Establishment	Subject to corporation tax on Japanese source income or profits attributable to the Japanese branch where there is a treaty in place.	Subject to corporation tax on worldwide profits.
<b>Repatriation of Profits</b>	N/A	N/A	Domestic withholding tax
<b>General Time for Formation</b>	N/A	Approx 3-4 weeks.	Approx 4-6 weeks.