

## Comparison between Japan “Branch Office” and “Subsidiary Co.”

	Branch Office	Subsidiary Company	
		Kabushiki-Kaisha {(Kabushiki Joto Seigen Kaisha) (If No Committee is Established)}	Godo-Kaisha Limited Liability Co (LLC)
<b>Capital</b>	No capital (same as HO)	1 yen or more <b>(*1)</b>	1 yen or more <b>(*1)</b>
<b>Number of investors</b>	Not applicable	1 or more	1 or more
<b>Liability of equity participants / parent co. toward creditors</b>	Unlimited	Limited to amount of equity participation	Limited to amount of equity participation
<b>Transfer of equity participation share</b>	Not applicable	May be transferred freely in principle. May be stipulated in articles of incorporation so that approval of Board of Directors is needed for transfer of shares.	Unanimous approval of equity participants (members) required
<b>Number of executives required</b>	Representative in Japan - 1 or 2 <b>(*2)</b>	Appointment of 1 or more <b>(*2)</b> . Representative director with right to execute business. If no representative director is appointed, executive officers each have the right of representation.	No legally stipulated min. In principle, all members are executive officers, but a representative member may be appointed <b>(*2)</b> .
<b>Legally stipulated term of office for executives</b>	No legally stipulated term	2 years in principle. Extendable up to 10 years	No legally stipulated term
<b>Regular general meeting of shareholders / members</b>	Not required	In principle, must be held every year	Not required
<b>Possibility of public offer of stock</b>	Not applicable	Possible	Not possible
<b>Possibility of reorganization into joint-stock corporation</b>	Not possible. Need to separately close branch office and establish joint-stock corporation <b>(*3)</b>	N/A	Possible
<b>Distribution of profits and losses</b>	C/o Parent Co.	Allocated according to equity participation ratio	May be allocated at a different ratio from equity participation ratio if specified in articles of association
<b>Taxation of profits</b>	Income arising within Japan is in principle taxed	Taxed on profits according to a K.K. Co and profits allocated to shareholders	Taxed on profits according to a G.K. Co and profits allocated to members

**(\*1)** Establishment with zero yen capital is theoretically possible but in practice to incorporate without paying capital is not possible.

**(\*2)** At least one representative must be a “Resident in Japan”. [Except for subsidiary company under new regulation effective Mar’15, however in case of a G.K. Co. in such case investor must be an overseas company]

**(\*3)** Refer to "Closure of branch office" for details.

Disclaimer: This information is for illustration purpose, no warranty is given that it is free from error or omission, and Sarkar Office® cannot be held liable for any decision made based on this information only.

## Comparison between Japan K.K. Co. and G.K. Co.

	<b>K.K. Co.</b> <b>(Kabushiki Joto Seigen Kaisha)</b> <b>[If No Committee is Established]</b>	<b>G.K. Co.</b> <b>(Godo-Kaisha)</b> <b>[Limited Liability Co] LLC</b>
<b>Transfer of equity participation share</b>	May be transferred freely in principle. May be stipulated in articles of incorporation so that approval of Board of Directors is needed for transfer of shares.	Unanimous approval of equity participants (members) required
<b>Number of executives required</b>	Appointment of 1 or more required. Representative director with right to execute business. If no representative director is appointed, executive officers each have the right of representation.	No legally stipulated minimum. In principle, all members are executive officers, but a representative member may be appointed.
<b>Legally stipulated term of office for executives</b>	2 years in principle. Extendable up to 10 years	No legally stipulated term
<b>Possibility of a Company to be a Director</b>	Not possible	Possible. However, the co should nominate an individual staff from the co.
<b>Director must be from shareholder /member</b>	Not necessarily	In principle, all members are executive officers, but may be stipulated otherwise in "Articles of Association"
<b>Regular general meeting of shareholders / members</b>	In principle, must be held every year	Not required
<b>Possibility of public offer of stock</b>	Possible	Not possible
<b>Possibility of reorganization</b>	A joint-stock corporation (KK) may be reorganized into a limited liability company (LLC) (GK).	A limited liability company (LLC) (GK) may be reorganized into a joint-stock corporation (KK)
<b>Distribution of profits and losses</b>	Allocated according to equity participation ratio	May be allocated at a different ratio from equity participation ratio if specified in Articles of Association

Disclaimer: This information is for illustration purpose, no warranty is given that it is free from error or omission, and Sarkar Office® cannot be held liable for any decision made based on this information only!.

## Comparison of different types of legal business entity in Japan

Foreign companies or individuals generally engage in business operations by establishing a branch office, subsidiary company, or limited liability partnership, and the legal differences between each of these are summarized in the following table.

		Subsidiary Company		Partnership Business
	Branch Office	Kabushiki-Kaisha (K.K. Co.) (Joint-stock Corporation) {(Kabushiki Joto Seigen Kaisha) (If No Committee is Established)}	Godō-Kaisha (G.K. Co.) Limited Liability Co (LLC)	Limited Liability Partnership (LLP)
<b>Restrictions on equity participation</b>	Notification not required with the Bank of Japan (Except certain industries)	Notification must be filed to the Bank of Japan	Notification must be filed to the Bank of Japan	Notification not required with Bank of Japan (Except certain industries)
<b>Capital</b>	No capital (same as HO)	1 yen or more (*1)	1 yen or more (*1)	2 yen or more (if 2 Partners)
<b>Number of investors</b>	Not applicable	1 or more	1 or more	2 or more (*3)
<b>Liability of equity participants / parent co. toward creditors</b>	Unlimited	Limited to amount of equity participation	Limited to amount of equity participation	Limited to amount of equity participation
<b>Transfer of equity participation share</b>	Not applicable	May be transferred freely in principle. May be stipulated in articles of incorporation so that approval of Board of Directors is needed for transfer of shares.	Unanimous approval of equity participants (members) required	Unanimous approval of partners required
<b>Number of executives required</b>	Representative in Japan - 1 or 2(*2)	Appointment of 1 or more (*2). Representative director with right to execute business. If no representative director is appointed, executive officers each have the right of representation.	No legally stipulated min. In principle, all members are executive officers, but a representative member may be appointed (*2).	No legally stipulated min. All partners are executive officers (*3).
<b>Possibility of a Company to be a Director</b>	Not applicable	Not possible	Possible. However, the co must nominate a staff from the co. (*2)	Not applicable
<b>Director /Executive must be from shareholder /member</b>	Not applicable	Not necessarily	In principle, all members are executive officers, but may be stipulated otherwise in "Articles of Association"	Not applicable
<b>Legally stipulated term of office for executives</b>	No legally stipulated term	2 years in principle. Extendable up to 10 years	No legally stipulated term	No legally stipulated term
<b>Regular general meeting of shareholders (members)</b>	Not required	In principle, must be held every year	Not required	Not required
<b>Possibility of public offer of stock</b>	Not applicable	Possible	Not possible	Not possible
<b>Possibility of reorganization into joint-stock corporation</b>	Not possible. Need to separately close branch office and establish joint-stock corporation (*4)	N/A	Possible	Not possible. Need to separately dissolve partnership and establish joint-stock corporation
<b>Possibility of reorganization</b>	Not possible. Need to separately close branch office and establish KK or GK (*4)	A joint-stock corporation (KK) may be reorganized into a limited liability company (GK).	LLP (GK Co) may be reorganized into a KK	Not possible. Need to separately dissolve partnership and establish a KK or GK Co.
<b>Distribution of profits and losses</b>	C/o Parent Co.	Allocated according to equity participation ratio	May be allocated at a different ratio from equity participation ratio if specified in articles of association	May be freely allocated with the unanimous approval of partners
<b>Taxation of profits</b>	Income arising within Japan is in principle taxed	Taxed on profits according to a K.K. Co and profits allocated to shareholders	Taxed on profits according to a G.K. Co. and profits allocated to members	No taxation on LLP. Taxation of profits allocated to partners



# SARKAR OFFICE JAPAN KK

[www.sarkaroffice.com](http://www.sarkaroffice.com)

---

(\*1) Establishment with zero yen capital is theoretically possible but in practice to incorporate without paying capital is not possible.

(\*2) At least one representative must be a "Resident in Japan". [Except for subsidiary company under new regulation effective Mar'15, however in case of a G.K. Co. in such case investor must be an overseas company]

(\*3) One or more partner must be an individual who has an address in and is resident in Japan for more than 1 year, or a Japanese corporation.

(\*4) Refer to "Closure of branch office" for details.

Disclaimer: This information is for illustration purpose, no warranty is given that it is free from error or omission, and Sarkar Office® cannot be held liable for any decision made based on this information only!

## Comparison regarding directors of Kabushiki-Kaisha (joint-stock corporations) (if a committee is established)



	Small and medium companies (joint-stock corporations with capital of less than 500 million yen and total liabilities of less than 20 billion yen)		Large companies (joint stock corporations with capital of 500 million yen or more or total liabilities of 20 billion yen or more)	
	Kabushiki Joto Seigen Kaisha (joint-stock corporations subject to restrictions on the transfer of issued shares)	Kokai Kaisha (publicly traded joint-stock corporations that are not Kabushiki Joto Seigen Kaisha)	Kabushiki Joto Seigen Kaisha (joint-stock corporations subject to restrictions on the transfer of issued shares)	Kokai Kaisha (publicly traded joint-stock corporations that are not Kabushiki Joto Seigen Kaisha)
<b>Directors</b>	<b>No.</b>	Appointment of 3 or more required		
	<b>Term</b>	1 year		
<b>Board of directors (3 or more directors)</b>		Establishment required		
<b>Representative director</b>		Appointment not possible		
<b>Executive</b>	<b>No.</b>	Appointment of 1 or more required. Appointment of representative executive officer if 2 or more(*)		
	<b>Term</b>	1 year		
<b>Auditors</b>		Appointment not possible		
<b>Board of auditors (3 or more auditors)</b>		Appointment not possible		
<b>Accounting auditor</b>	<b>Appointment</b>	Required		
	<b>Term</b>	1 year		
<b>Accounting councilor</b>	<b>Appointment</b>	Possible (prepares financial statements in collaboration with directors)		
	<b>Term</b>	1 year		
<b>Auditors committee</b>		Establishment required (for auditing, etc. of performance of duties by executive officers). Consists of 3 or more directors, of which at least half must be outside directors.		
<b>Nominating committee</b>		Establishment required (to decide on proposed appointment and dismissal of directors for submission to the general meeting of shareholders). Consists of 3 or more directors, of which at least half must be outside directors.		
<b>Benefit committee</b>		Establishment required (to determine compensation of executive officers, etc.). Consists of 3 or more directors, of which at least half must be outside directors.		

(\*) At least 1 executive officer with the right of representation must have an address in and reside in Japan.

## Comparison re Directors of KK (Kabushiki-Kaisha) [joint-stock corporations] ( [If No Committee is established](#) )



		Small and medium companies (joint-stock corporations with capital of less than 500 million yen and total liabilities of less than 20 billion yen)		Large companies (joint stock corporations with capital of 500 million yen or more or total liabilities of 20 billion yen or more)	
		Kabushiki Joto Seigen Kaisha (joint-stock corporations subject to restrictions on the transfer of issued shares)	Kokai Kaisha (publicly traded joint-stock corporations that are not Kabushiki Joto Seigen Kaisha)	Kabushiki Joto Seigen Kaisha (joint-stock corporations subject to restrictions on the transfer of issued shares)	Kokai Kaisha (publicly traded joint-stock corporations that are not Kabushiki Joto Seigen Kaisha)
Directors	No.	Appointment of 1 or more required. Representative director with right to execute business. If no representative director is appointed, executive officers each have the right of representation(*1).	Appointment of 3 or more required	Appointment of 1 or more required. Representative director with right to execute business. If no representative director is appointed, executive officers each have the right of representation(*1).	Appointment of 3 or more required
	Term	1 to 10 years. Extendable up to 10 years.	2 years	1 to 10 years. Extendable up to 10 years.	2 years
Board of directors (3 directors or more)		Establishment optional. Establishment required if board of auditors is established.	Establishment required	Establishment optional. Establishment required if board of auditors is established.	Establishment required
Representative director(s)		Appointment possible if 2 or more directors appointed. Executive officer with right of representation(*1).	Appointment of 1 or more required. Executive officer with right of representation(*1).	Appointment possible if 2 or more directors appointed. Executive officer with right of representation(*1).	Appointment of 1 or more required. Executive officer with right of representation(*1).
Executive officers		Appointment not possible			
Auditors	No.	1 or more may be appointed. However, appointment of 1 or more is required if a board of directors is established and no accounting counselor is appointed	Appointment of 1 or more required		Appointment of 3 or more required
	Term	4 years in principle. Extendable up to 10 years.	4 years	4 years in principle. Extendable up to 10 years.	4 years
Board of auditors (3 or more auditors)		Establishment possible			Establishment required
Accounting auditor	Appointment	Appointment possible		Appointment necessary	
	Term	1 year			
Accounting counselor(*2)	Appointment	Appointment possible. However, 1 or more must be appointed if a board of directors is established and no auditor is appointed.	Appointment possible		
	Term	2 years in principle. Extendable up to 10 years.	2 years	2 years in principle. Extendable up to 10 years.	2 years

(\*1) At least one director with the right of representation must have an address in and reside in Japan.

(\*2) An agent of a company newly established under the Companies Act who must be a certified public tax attorney or certified public accountant.

An auditing counselor prepares financial documents in association with the directors, and may not hold another position as well, such as director, auditor, or accounting auditor.

[Source: Government Agency]