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)
Capital	No capital (same as HO)	1 yen or more (*1)	1 yen or more (*1)
Number of investors	Not applicable	1 or more	1 or more
Liability of equity participants/parent co. toward creditors	Unlimited	Limited to the amount of equity participation	Limited to the amount of equity participation
Transfer of equity participation shares	Not applicable	Maybe transferred freely in principle. Maybe stipulated in articles of incorporation so that approval of the Board of Directors is needed for the transfer of shares.	Unanimous approval of equity participants (members) required
The Number of executives required	Representative in Japan - 1 or 2(*2)	Appointment of 1 or more (*2). Representative director with the 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).
Legally stipulated term of office for executives	No legally stipulated term	2 years in principle. Extendable up to 10 years	No legally stipulated term
Regular general meeting of shareholders/members	Not required	In principle, must be held every year	Not required
Possibility of the public offer of stock	Not applicable	Possible	Not possible
Possibility of reorganization into joint-stock corporation	Not possible. Need to separately close branch office and establish joint-stock corporation (*3)	N/A	Possible
Distribution of profits and losses	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
Taxation of profits	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) The 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 of Japan". [Except for subsidiary company (KK co or GK co) under the regulation effective Mar'2015]

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

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Comparison between Japanese Kabushiki Kaisha and Godo-Kaisha

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

Comparison of different types of legal business entity in Japan

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

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

(*1) The 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 of Japan”. [Except for subsidiary company (KK co or GK co) under the regulation effective Mar’2015]

(*3) One or more partners 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.

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