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Comparisons between Japan Kabushiki Kaisha, Goudou Kaisha and Shiten

Kabushiki Kaisha (株式会社) refers to a profit-seeking corporation, a company with legal personality, the funds raise under limited liability from the shareholders with subdivided shareholder‘s rights (shares), entrusted by the shareholders to carry out business management and distribute the profits to the company shareholders. It is equivalent to the Company Limited by Shares.

Goudou Kaisha (合同会社), a type of company in Japan. It was introduced according to the model of Limited Liability Company (LLC) recognized by the various states of the United States. Therefore, it is known as the Limited Liability Company in Japan Version. It is equivalent to the Limited Liability Company.

Shiten (支店), is a business location that provides services in Japan decided upon by an organization authorized by the foreign company, and ordinarily is not expected to engage in independent decision making. It is not a separate legal entity and deemed to be encompassed within the corporate status of the foreign company, but shiten still can open bank accounts and lease real estate in its own name. It is equivalent to the Branch Office.

Generally, if the foreign companies would like to establish a subsidiary company to operating commercial activities in Japan, they will choose Kabushiki Kaisha (Company Limited by Shares), Goudou Kaisha (Limited Liability Company) or Shiten (Branch Office), the differences between each types of entity are summarized in the following table.

The Distinction of the Company Natures	**Kabushiki Kaisha (Company Limited by Shares)**	**Goudou Kaisha (Limited Liability Company)**	**Shiten (Branch Office)**
Capital	JPY 1 and above	JPY 1 and above	No Capital (The capital of branch office will same as the foreign company in tax discipline.)
Number of Investors	1 Person and above	1 Person and above	N/A
Title for Investors	Shareholder	Member	N/A

Representatives of the company	Representative Director	Representative Member	At least one representative must be a resident in Japan
Operating of Company	Investor and the manager of the company are separated	Investor equals to manager	To operate the business decided/ authorized by the foreign company
Power to Make Decision	Annual General Meeting	Consent of All Members	Depends on the foreign company
Liability of Investor / Parent Company to the Company Creditor	Limited to capital contributed	Limited to capital contributed	The foreign company is ultimately responsible for all debts and credits
Transfer of Capital	Could be transferred freely in principle but stipulated in articles of incorporation that approval of Board of Directors is needed for transfer of shares.	Consent of All Investors (Members)	N/A
Officers of the Management	At least 1 director should be appointed (corporations subject to restrictions on the shares transfer) At least 3 directors should be appointed (listed company) ※ According to the nature and scale of the company, other necessary management also needs to be selected	No legal management In principle, all members are business executives, but different regulations could be stated in the articles of association	At least one representative must be a resident in Japan.
Legally stipulated term of office for executives	2 years in principle. Maximum up to 10 years.	No legally stipulated term	Depends on the foreign company
Regular General Meeting of Shareholders (Members)	In principle, must be held every year	Not required	Depends on the foreign company

Public offer of stock (Capital distributed)	Yes	No	N/A
Transferring of company type between Kabushiki Kaisha and Goudou Kaisha	Yes	Yes	N/A
Distribution of Profits and Losses	Allocated according to capital distributed	Allocated according to the rate specified in the articles of association	Depends on the foreign company
Taxation on Profit	Taxed according to profits of company and the profits allocated to shareholders	Taxed according to profits of company and the profits allocated to members	Tax amount is based on the profits generated by the branch in Japan.
Notice obligation during the Dissolution of Company	Yes	Yes	Yes

The Distinction of the Company Natures	**Kabushiki Kaisha (Company Limited by Shares)**	**Goudou Kaisha (Limited Liability Company)**	**Shiten (Branch Office)**
Registration and license tax (登録免許税)	At least JPY 150,000.	At least JPY 60,000 (The tax is charged at a rate of 0.7% of the capital increase, with a minimum tax of JPY 60,000)	JPY 90,000
Other tax system	The tax systems of Kabushiki Kaisha and Goudou Kaisha are basically the same, they are known as the legal person in tax law so the types and rates of taxes are basically same. For Shiten, since the tax basis for shiten depends on the capital of the foreign company, please note that if the share capital of foreign company exceeds JPY 100 million, shiten would be taxed on a pro forma basis using income, added value, and capital as the taxable base. Please also be advised that the calculation of income subject to corporate tax of shiten for several items (like entertainment expenses and donations), and the obligation to pay consumption tax of Shiten, would be different to normal legal person. Therefore shiten would not always have more advantageous in term of tax. For the details, please consult the tax officer.		

Kabushiki Kaisha (Company Limited by Shares)	Pros: 1. Well-known, the most popular type 2. various tax-saving benefits 3. Balancing between income tax and corporate tax, maximize the cash on hand
	Cons: 1. Higher establishment cost 2. Corporate Tax is equally distributed for all corporate entity, it means that JPY 70,000 is required to pay annually, even company has deficit. 3. Complicated tax filing and operations for annual maintenances
Goudou Kaisha (Limited Liability Company)	Pros: 1. Low establishment cost 2. Higher flexibility 3. No difference with Kabushiki Kaisha for fund raising 4. Similar tax system with Kabushiki Kaisha
	Cons: 1. Less well-known (starting from 2006) 2. Since consent from all members is required for decision making, it would be a problem if members are unable to reach a consensus.

Shiten (Branch Office)	Pros 1. Low establishment cost 2. The P/L of shiten could be included within the management account of foreign company. If shiten has deficit, foreign company would have tax-saving benefit. 3. Able to open bank account and rent property 4. In general, to remit profit from shiten to foreign company would be tax-exempt.	
	Cons 1. Less well-known, unable to apply several government subsidies 2. Success rate for visa application is relatively lower 3. At least one representative must be a resident in Japan. Since the representative need to engage the company's decision making, an agent cannot be appointed as representative. 4. The foreign company is ultimately responsible for all debts and credits generated. 5. Several documents of foreign company (e.g. Certificate of Incorporation, Article) are required to translated to Japanese for incorporation, which may increase the cost. 6. Official filing might be required to proceed for shiten if the particular of foreign company is changed. 7. Aggregated to the foreign company's accounting. Non-consolidated balance sheet of foreign company is required to attach to the financial statement of shiten for annual reporting.	

※ The information above is for reference, for details, please consult the tax officer.

If you wish to obtain more information or assistance, please visit our official website at www.kaizencpa.com or contact us through the following means:
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