

Comparison between Japan "Branch Office" & "Subsidiary Company"

	Branch Office	Subsidiary Company	
		Kabushiki-Kaisha (KK) (Kabushiki Joto Seigen Kaisha) [If No Committee is Established]	Godou-Kaisha (GK) 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 company 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 the board of directors' approval 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 minimum. 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, it must be held every year	Not required
Possibility of the public offer of stock	Not applicable	Possible	Not possible
Possibility of reorganization into a 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 Company	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 KK and profits allocated to shareholders	Taxed on profits according to a GK and profits allocated to members

(*1) The Establishment with zero (0) yen capital is theoretically possible, but it is impossible to incorporate without paying capital in practice.

(*2) At least one representative must be a "Resident of Japan." [Except for Japanese Company (KK or GK) under the amendment in the Companies Act introduced in March 2015.]

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

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