



Shirokane CPA Firm

To Be Your Trusted Business Advisor

Kabushiki Kaisha (KK) in Japan

Companies and KKS' organizations

Shirokane CPA Firm

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KKs' organizations

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¹We use translated terms as noted on the Japan e-Government website.



1 Japan Companies Act²

In Japan, business operations are defined and regulated by the "Commercial Code³." The "Companies Act⁴" was separated from the Commercial Code to provide more detailed regulations on companies and their activities.

1.1 Four Types of Companies

This section explains the four types of companies in Japan. The term "Kaisha" (pronounced "KA-I-SHA") is used to refer to a company. The Companies Act of Japan stipulates four forms of companies. The official English translation of the Companies Act is available at the following URL:

<http://www.japaneselawtranslation.go.jp/>

- Stock Company: A company limited by shares, known as "Kabushikikaisha" ("KA-BU-SHI-KI-KA-I-SHA"), commonly abbreviated as "K.K."
- General Partnership Company: Known as "Gomeikaisha" ("GO-ME-I-KA-I-SHA"), often referred to as "G.K." This term may be considered Japanese English.
- Limited Liability Company: Known as "Goshikaisha" ("GO-SHI-KA-I-SHA"), also referred to as a Joint-Stock Company.
- Limited Partnership Company: Known as "Godokaisha" ("GO-DO-KA-I-SHA").

1.2 Requirement to File a Tax Return

These four types of "Kaisha" are profit-making entities. Each company is established as a profit-oriented business in accordance with the Companies Act of Japan.

As a result, all these companies must file a tax return at the end of their fiscal year. The tax year for a company is based on its designated business year.

²We use translated terms as noted on the Japan e-Government website.

³Act No. 48 of March 9, 1899

⁴Act No. 86 of July 26, 2005



2 K.K. Organizational Structure

2.1 Number of Board Members

This section provides an overview of the organizational structure of "Kabushiki-Kaisha" (K.K.), as it is the most common business entity and suitable for various profitable enterprises.

2.2 Directors

A K.K. must have at least one director, known as "To-Ri-Shi-Ma-Ri-Ya-Ku." A K.K. may appoint multiple directors. If a K.K. has more than three directors, it can establish a Board of Directors. When a Board of Directors is established, the K.K. is classified as a "Company with a Board of Directors"⁵.

If a Board of Directors is established, regular board meetings must be held⁶. Key business decisions must be made during these meetings.

The CEO, known as the Representative Director under the Companies Act, is selected from among the directors.

A company is not required to employ its directors directly; instead, they may be engaged through a delegation agreement. Directors are appointed based on approval from the shareholders' meeting.

2.3 Company Auditor

A company auditor, known as "KA-N-SA-TA-KU," is not mandatory for a K.K. However, if a K.K. appoints three or more company auditors, it may establish a Board of Company Auditors. In such cases, the K.K. is classified as a "Company with a Board of Company Auditors"⁷.

Company auditors must attend board meetings and monitor the decision-making process and the performance of directors. If a Board of Company Auditors is established, auditors must also hold regular meetings.

Company auditors play a crucial role in ensuring compliance with laws and corporate governance. However, small businesses may choose not to appoint a company auditor.

2.4 Financial Auditor

A financial auditor is required for statutory audits under the Companies Act. Only Certified Public Accountants or audit corporations

⁵Companies Act, Article 2 (vii)

⁶A listed company is required to hold board meetings at least once a month.

⁷Companies Act, Article 2 (x)



established under the Certified Public Accountant Act can serve as financial auditors.

A "Large Company" is required to undergo an annual statutory audit if it meets either of the following criteria:

- The company's stated capital in the balance sheet at the end of its most recent business year is JPY 500,000,000 or more.
- The company's total liabilities at the end of its most recent business year amount to JPY 20,000,000,000 or more.

When incorporating a company, appointing a financial auditor is not immediately necessary. However, it becomes essential if the company plans to go public.

2.5 Accounting Advisor

An accounting advisor assists in preparing a K.K.'s financial statements. Under the Companies Act and the Rules of Corporate Accounting, a K.K. must prepare financial statements annually. These include:

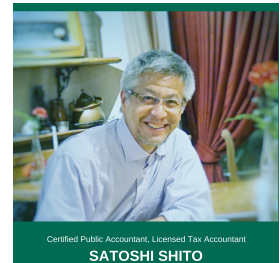
- BALANCE SHEETS,
- PROFIT AND LOSS STATEMENTS,
- STATEMENTS OF CHANGES IN NET ASSETS,
- TABLES OF EXPLANATORY NOTES, and
- ANNEXED DETAILED STATEMENTS.

However, very few companies in Japan appoint a dedicated accounting advisor. Instead, companies typically seek support from a tax accountant, who can also assist with tax filings.



3 My Profile

3.1 Personal Information



Name	SATOSHI SHITO
Professional licenses	Certified Public Accountant, 1999 (No. 020888) Certified Tax Accountant, 2013 (No. 127096)
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3.2 Mission

My objective is to offer adept guidance and steadfast support to entrepreneurs as well as small and medium-sized enterprises. Additionally, I strive to facilitate seamless communication between foreign nationals and the Japanese business community. Rooted in this mission, my commitment lies in nurturing growth and fostering success for all stakeholders as we collectively navigate the path forward into the future.

3.3 Professional Career Summary

3.3.1 M&A Excellence

I founded Shirokane CPA Firm on June 25, 2013, in collaboration with esteemed professionals, establishing a boutique consultancy offering specialized financial and tax advisory services. My proficiency spans extensive financial and tax due diligence for Tokyo Stock Exchange-listed entities engaged in M&A transactions. Moreover, I possess a proven track record in overseeing both statutory and non-statutory audits for discerning clientele.



3.3.2 Cross-Border Collaboration & Hong Kong IPO with IFRS

A significant facet of my journey has centered on nurturing emerging IT venture enterprises, guiding them through intricate tax compliance and strategic business alignment. Leading the audit engagement for Microsoft Japan KK stands as a testament to my leadership. With precision, I directed a dedicated team while concurrently assuming responsibilities as the conduit for Japanese statutory audit, and as a component auditor within Deloitte Seattle's cross-border Microsoft Corp. project. This involvement facilitated seamless collaboration across international boundaries, interfacing with teams in Seattle, Shanghai, and Singapore, fortifying my global perspective on intricate cross-border financial frameworks.

Pioneering noteworthy accomplishments, I orchestrated the groundbreaking Japanese public offering on the Hong Kong Stock Exchange in 2011. Expertly overseeing a Japanese professional team, I meticulously synchronized efforts with the Hong Kong Deloitte team, culminating in the triumphant IPO of SBI Holding, Inc., a prominent force in the Japanese brokerage landscape listed on the Tokyo Stock Exchange.

3.3.3 Transformation and Strategy in IPO Preparation

Within Deloitte's Integrated Service Department, I masterminded the metamorphosis of PGM Golf Group in preparation for their Initial Public Offering (IPO). Harnessing my adeptness, I orchestrated strategic transitions and effectively steered the divestiture of credit holdings from Japanese financial institutions. My purview extended to executing post-IPO group audits for a diverse pool of up to 40 companies, and providing strategic counsel on Japan Internal Control Audit intricacies.

My illustrious 19-year CPA career spans partnerships with over 130 diverse companies, evaluating the intricacies of approximately 30 M&A opportunities. These multifaceted experiences have endowed me with a profound comprehension of varied management paradigms, refining my discernment in critical decision-making, and accentuating the imperative of context-sensitive strategies. From shaping organizational frameworks to orchestrating seamless departmental dynamics and sculpting pragmatic crisis mitigation strategies, I am resolutely prepared to seamlessly integrate my comprehensive expertise and business acumen to surmount future challenges.