



**Shirokane CPA Firm**

To Be Your Trusted Business Advisor

# Companies in Japan

Companies and KKs' organizations

**Shirokane CPA Firm**

February 14, 2025



## *Companies in Japan*

### Contents

<b>1</b>	<b>Japan Companies Act<sup>1</sup></b>	<b>2</b>
1.1	Four Types of Companies . . . . .	2
1.2	Requirement to File a Tax Return . . . . .	2
<b>2</b>	<b>K.K. Organizational Structure</b>	<b>3</b>
2.1	Number of Board Members . . . . .	3
2.2	Directors . . . . .	3
2.3	Company Auditor . . . . .	3
2.4	Financial Auditor . . . . .	3
2.5	Accounting Advisor . . . . .	4
<b>3</b>	<b>My Profile</b>	<b>5</b>
3.1	Personal Information . . . . .	5
3.2	Mission . . . . .	5
3.3	Background . . . . .	5

<sup>1</sup>We use translated terms as noted on the Japan e-Government website.



## 1 Japan Companies Act<sup>2</sup>

In Japan, business operations are defined and regulated by the "Commercial Code<sup>3</sup>." The "Companies Act<sup>4</sup>" 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.

---

<sup>2</sup>We use translated terms as noted on the Japan e-Government website.

<sup>3</sup>Act No. 48 of March 9, 1899

<sup>4</sup>Act 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"<sup>5</sup>.

If a Board of Directors is established, regular board meetings must be held<sup>6</sup>. 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"<sup>7</sup>.

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

<sup>5</sup>Companies Act, Article 2 (vii)

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

<sup>7</sup>Companies 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	<b>SATOSHI SHITO</b>
Professional licenses	Certified Public Accountant, 1999 (No. 020888) Certified Tax Accountant, 2013 (No. 127096)
Affiliation	Tokyo Tax Accountant Agency, Tax Support committee at Shinagawa Japan CPA Tax committee Certified Support Agencies for Business Innovation
	<b>+81 80-1257-5877</b>
	<b>satoshi.shito@shirokanecpafirm.com</b>
	<a href="https://www.shirokanecpa.com/">https://www.shirokanecpa.com/</a>
	<a href="https://www.linkedin.com/in/satoshishito/">https://www.linkedin.com/in/satoshishito/</a>
	Jp) <a href="https://www.facebook.com/shirokanecpafirmjp/">https://www.facebook.com/shirokanecpafirmjp/</a>
	En) <a href="https://www.facebook.com/Shirokanecpafirm/">https://www.facebook.com/Shirokanecpafirm/</a>



### 3.2 Mission

To navigate entrepreneurs, and small and med-sized business with my professional skill and to bridge between foreign nationals and Japan business, wishing all of us keep growing to the future.

### 3.3 Background

*Jan 2014-Present*

#### ***Supporting SME by Consulting Business and Tax***

- Established Shirokane CPA Firm in 2014.
- Working on consulting IT& Design company, Investment Advisory Company.
- Working on Tax filing of a non-profit entity governed by SHINAGAWA-ku
- Supporting incorporation of K.K., G.K., ISH, especially for foreign nationals and foreign companies.



## *Sep 2011-Dec 2013*

### ***Cross Border Management and Cooperation***

- Worked on Japan Microsoft K.K.'s statutory audit as an audit in-charge.
- Worked on SBI Holding, Inc.'s IPO consulting to Hong Kong Stock Exchange as an in-charge of a Japan project team, cooperating with Hong Kong Deloitte team.
- Experienced one divestiture of Canadian company and one starting up company in Shanghai on Minit Asia Pacific K.K.'s statutory audit I had worked as an audit in-charge.

## *Jun 2004-Sep 2011*

### ***Building a Listing Company through IPO Consulting***

Worked on Loan Star group as an in-charge of IPO consulting team.

### ***Internal Control Consulting***

Worked on PGM Holdings K.K. as an in-charge of the consulting team to prepare with Internal Control Audit (called Japan-SOX).

### ***Group Audit and IPO consulting***

- Worked on PGM Holdings K.K. as an in-charge of the audit team.
- Worked on preliminary surveys for IPO to Goldman Sachs.

## *Oct 1999-Jun 2004*

### ***Verious Statutory Audit***

Worked on mainly statutory audit of some industries like, banks, lease companies, manufacturing companies, construction companies, educational corporations, wholesale and logistic companies, and retail companies. Besides, experienced preliminary surveys for IPO, IPO consulting, and due diligence for acquisition.