

Japan Representative Office

A "Representative office" is generally established for carrying out preparatory and supporting tasks to enable foreign companies to engage in full-scale commercial business operations in Japan in the future.

A "Representative office" is generally established for carrying out market research, purchasing, advertising, and liaison activities on behalf of parent co. **It does not allow to conduct of commercial business activities in Japan. Therefore no registration is required at the legal affairs bureau, nor can it be subjected to corporate tax under Japanese tax laws.** However, representative offices established by foreign banks, insurance companies, securities companies, or other financial institutions are exceptions; prior notification must be provided to the Financial Services Agency for such representative offices (as stipulated in the Banking Law, Securities Exchange Law, and other laws).

In principle, **a representative office is not a company, which is registered as a corporation.** The office format may be used by foreign corporations, which do not conduct commercial business in Japan but expect to carry out the activities such as:

- Advertising and promotional activities, providing information, carrying out market research, conducting basic research, and other activities to support the foreign corporation's undertakings.
- Purchasing and storing of goods on behalf of the head office (parent company overseas).

Main Features of a Representative Office

- ❖ **No registration is required under the Commercial Code in principle.**
- ❖ No report of direct inward investment to the Ministry of Finance via the Bank of Japan is required under the Foreign Exchange Law ([except for the sectors mentioned above](#)).
- ❖ Since the representative office does not conduct business in Japan, it is not regarded as a permanent establishment and is therefore not subject to corporate taxes.
- ❖ However, the advantage of no required reporting does not apply in financial institutions such as foreign banks, insurance companies, or securities companies. Under the laws concerning banking, foreign insurance operations, and foreign securities brokers, such institutions must submit a report in advance to the Ministry of Finance to establish a representative office.
- ❖ The lease for a representative office's office space may be signed between a foreign co. or the representative in Japan in his/her individual capacity and the Japanese building owner. In many cases, however, the owner will require that the representative office have a guarantor who is a resident of Japan.
- ❖ In theory, a representative office can open an ordinary savings account (Futsu Koza) at a Japanese bank using an account name such as "Tom Smith, XXX Inc. Representative Office in Japan," a hybrid of individual and corporate status. However, "opening company/business bank a/c" in practice is challenging.
- ❖ A representative office **is not allowed to do business in Japan**, whether it expects a profit or not.
- ❖ **However, foreign corporations intending to do commercial business activities in Japan may not use the representative office format. Their choices are establishing a branch office or forming a subsidiary co. / domestic corporation (Local Company such as Kabushiki-Kaisha or Godo-Kaisha in Japan).**

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