



Tokyo Market Entry Strategy for Nordic Startups:

Comprehensive Practical Guide and Detailed WBS

Executive Summary and Strategic Perspective

This report serves as a comprehensive handbook covering the strategic and practical knowledge required for startups from the Nordic region (primarily Sweden, Finland, Denmark, and Norway) to enter the Tokyo market. It places particular emphasis on the strict tightening of requirements for the “Business Manager” status of residence (such as the increase of the capital requirement to 30 million JPY) under the Immigration Control Act amendments enforced from late 2025 to 2026, and the strategic use of the “Startup Visa” (Program to Increase Foreign Entrepreneurs) as a mitigation measure. Furthermore, it presents a concrete Action Plan in the form of a Work Breakdown Structure (WBS) to bridge the gap between the digital-first corporate culture of the Nordics and the Japanese administrative culture, where physical seals and face-to-face procedures remain common.

1.1 Background and Changing Market Environment

The Japanese market, and Tokyo in particular, represents the heart of the world’s top 5th-largest economy and is an attractive destination for Nordic deep-tech, sustainability, gaming, and healthcare companies. However, entry barriers lie not only in language but also in unique business practices and strict regulations. The most significant development leading up to 2026 is the “bipolarization” of entry routes for foreign entrepreneurs. On one hand, procedural simplification is progressing, such as the expansion of English support and online applications at the “Tokyo One-Stop Business Establishment Center (TOSBEC)”. On the other hand, immigration scrutiny is becoming increasingly rigorous, effectively closing the traditional “5 million JPY capital” entry route.

To succeed amidst these conflicting trends, Nordic startups must select the appropriate legal entity to secure “Trust” in Japanese society, implement precise capital policies, and conduct thorough preparation. This report details these elements across four pillars: “Legal Structure,” “Human Resources,” “Tax & Accounting,” and “Operations & Infrastructure.”

Legal Entity and Governance

There are three main options for entering Japan: “Representative Office,” “Branch Office,” and “Subsidiary Company” (Japanese Legal Entity). For Nordic startups intending to conduct full-scale business activities, a Representative Office is not a viable option as it is not permitted to engage in sales activities. Therefore, the choice effectively narrows down to a “Branch Office” versus a “Subsidiary,” and in the case of a subsidiary, a “Kabushiki Kaisha (K.K.)” versus a “Godo Kaisha (G.K.)”

2.1 Risks and Limitations of a Branch Office

A Branch Office is positioned as an extension of the foreign company and does not possess an independent corporate legal personality. While often considered a simple method of entry, it is frequently not recommended for Nordic companies due to the following reasons:

2.1.1 Risk of Unlimited Liability

The greatest risk of the branch form is that debts and legal liabilities arising from business activities in Japan extend directly to the headquarters in the Nordic region. Since a branch is legally considered the same person as the headquarters, if the Japan branch faces litigation or incurs massive debt, the parent company bears full responsibility. From a risk-hedging perspective, a subsidiary structure that separates assets is preferable.

2.1.2 Barriers to Opening Bank Accounts

Japanese banks, particularly the “Mega Banks” (Mitsubishi UFJ, Sumitomo Mitsui, Mizuho), are extremely reluctant to open corporate accounts for branches of foreign companies due to Anti-Money Laundering (AML) and Know Your Customer (KYC) regulations. Even if branch registration is successful, business often stalls because a bank account—the lifeline of operations—cannot be opened.

2.1.3 Rigidity of Fiscal Year

A branch office must adopt the same fiscal year (accounting period) as its headquarters. If the Nordic parent company’s busy fiscal year-end coincides with the Japan branch’s closing, it may strain accounting resources. A subsidiary allows for the freedom to set a fiscal year (e.g., ending in March) that aligns with Japanese business customs or differs from the parent company to distribute workload.

2.2 Superiority of the Kabushiki Kaisha (K.K.)

The Kabushiki Kaisha is equivalent to the Swedish *Aktiebolag* (AB) or Finnish *Osaakeyhtiö* (Oy) and is the most common and trusted corporate form in Japan.

2.2.1 Social Credibility

In the Japanese market, particularly in B2B contexts, being a “Kabushiki Kaisha” is often an implicit requirement for opening transaction accounts or concluding contracts. The title of “Representative Director” (*Daihyo Torishimiyaku*) on a business card serves as a powerful, albeit invisible, lubricant in negotiations with conservative large enterprises and government agencies.

2.2.2 Fundraising and IPO

If the company envisages future fundraising within Japan or an IPO on the Tokyo Stock Exchange, the K.K. form is essential. While it is possible to convert a G.K. to a K.K. later, the process involves significant cost and effort; thus, growth-oriented startups should rationally choose the K.K. from the outset.

2.3 Potential of the Godo Kaisha (G.K.)

The Godo Kaisha is a relatively new form modeled after the US LLC. While recognition has improved due to adoption by major tech giants (e.g., Amazon Japan, Apple Japan), it has pros and cons for Nordic startups.

2.3.1 Cost and Flexibility

The registration tax is 60,000 JPY (vs. minimum 150,000 JPY for K.K.), and notarization of the Articles of Incorporation (approx. 50,000 JPY) is not required, saving roughly 140,000 JPY in setup costs. Additionally, profit distribution can be freely determined in the Articles of Incorporation regardless of investment ratios, allowing flexible arrangements between partners providing technology and those providing capital.

2.3.2 US Tax Benefits

While there are benefits for US parent companies regarding pass-through taxation (Check-the-Box rules), this advantage is limited for direct investments from Nordic countries.

2.4 Legal Entity Comparison Analysis

Item	Kabushiki Kaisha (K.K.)	Godo Kaisha (G.K.)	Japan Branch
Legal Personality	Independent Legal Entity	Independent Legal Entity	Part of Foreign Corp
Liability	Limited (to investment)	Limited (to investment)	Unlimited (Parent liable)
Setup Cost (Approx)	~250,000 JPY+	~110,000 JPY+	~90,000 JPY+
Timeline	2-3 Weeks	1-2 Weeks	3-4 Weeks
Credibility	Very High (Standard)	Medium (Tech accepted)	Low (Seen as temporary)
Bank Account	Relatively Easier	Average	Difficult
Visa Impact	Positive (Stability)	Neutral	Stricter Scrutiny

2.5 Strategic Recommendation

For Nordic startups aiming for long-term growth and partnerships in Tokyo, **incorporating as a “Kabushiki Kaisha (K.K.)” is strongly recommended.** The initial cost difference (approx. 150,000 JPY) is negligible compared to the long-term value of trust in banking and sales.

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2026 Immigration Act Amendment and Paradigm Shift

From late 2025 to 2026, the requirements for the “Business Manager” status of residence—the primary visa for foreign entrepreneurs—have been drastically tightened. While intended to prevent fraudulent “paper companies,” this raises the entry barrier six-fold for legitimate Nordic startups.

3.1 New Criteria for “Business Manager Visa” (Effective Oct 2025)

Previously, the visa could be obtained by meeting either a “5 million JPY capital” or “2 full-time employees” requirement. The new standards are significantly stricter:

- Surge in Capital Requirement:** The minimum capital has been raised from 5 million JPY to **30 million JPY (approx. €200,000)**. This is a heavy burden for seed-stage startups.
- Mandatory Employment:** Even if the capital requirement is met, hiring **at least one full-time employee** (Japanese national, Permanent Resident, etc.) is now mandatory.
- Physical Office Reality:** Virtual offices and residential addresses are generally disallowed. A dedicated physical space for business and a corporate lease agreement are required.
- Expertise & Experience:** The applicant (manager) must demonstrate 3+ years of management

experience or hold a relevant Master's/MBA degree. Business plans now require validation by a certified expert (CPA, SME Consultant).

3.2 “Startup Visa” as a Strategic Relief Measure

Preparing 30 million JPY capital, renting an office, and hiring staff immediately is high-risk for pre-market-entry startups. Therefore, utilizing the “**Program to Increase Foreign Entrepreneurs**” (commonly: **Startup Visa**) is the only realistic solution.

- **Overview:** By submitting a business plan to a certified municipality (like Tokyo Metropolitan Government) and receiving approval, entrepreneurs are granted residency for up to **2 years** (extended from previous limits) without meeting the full Business Manager Visa requirements (capital, office, hiring) immediately.
- **Utilization of Grace Period:** During these 2 years, the company can pitch in Japan, raise funds from VCs, and acquire customers. These achievements can then be used to switch to the formal “Business Manager Visa” (capital raised within Japan can count towards the 30 million JPY requirement).
- **Target Sectors:** Fields such as AI, Healthcare, and Green/Clean Tech—areas where Nordic startups excel—are priority targets for this program.

3.3 Highly Skilled Professional (J-Skip) Route

If the founder already possesses high income or academic qualifications, the “**J-Skip**” (**Special Highly Skilled Professional**) system should be considered.

- **Requirements:** Individuals with a Master's degree and annual income over 20 million JPY, or 10+ years experience and income over 40 million JPY, can receive preferential treatment (e.g., permanent residency application after 1 year). As this is a visa based on “individual talent” rather than “corporate investment,” it may bypass the strict 30 million JPY corporate capital hurdle, provided the sponsoring entity is stable.

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Operational Infrastructure and Physical Requirements

From the perspective of the Nordics' digital-first environment (where Electronic IDs handle everything), Japanese procedures impose many physical constraints. “Location” and “Seals” are unavoidable challenges.

4.1 The “Trap” of Office Requirements: Virtual Offices

Many startups attempt to use virtual offices (address-only services) to cut costs, but this is often a fatal strategic error in Japan.

- **Visa Denial:** As mentioned, the Business Manager Visa strictly requires “independent work space.” A shared office must be a private room with a lock and a visible company sign.
- **Bank Account Refusal:** Mega-banks and regional banks almost never open accounts for companies registered at virtual offices. Physical site visits are sometimes conducted as part of AML/KYC checks.
- **Strategy:** Sign a contract for a “private room plan” at a high-grade serviced office (e.g., WeWork, Regus, or TOSBEC-affiliated incubation centers) from day one to avoid future trouble.

4.2 Adapting to Seal (Hanko/Inkan) Culture

In Japan, the “Representative Seal” (Jitsuin) holds legal power as proof of corporate intent. You must create the following set of three seals for registration :

1. **Representative Seal (Jitsuin):** Registered with the Legal Affairs Bureau. Used for contracts and official documents.
2. **Bank Seal (Ginkoin):** Registered with the bank for account transactions. Kept separate from the Representative Seal for risk management.
3. **Square Seal (Kakuin):** Used for invoices and receipts (acts as a company stamp).

While electronic signatures (CloudSign, DocuSign) are spreading, physical seals and “Seal Registration Certificates” are still required for incorporation registration, initial bank account opening, and real estate contracts.

4.3 The Banking Barrier (KYC)

“Company established, but no bank account” is a common plight.

- **Screening Criteria:** Banks examine capital amount, office reality, business clarity (website quality), and the representative’s residency status.
- **Interview:** Face-to-face interviews with the representative are often required. If the representative cannot speak Japanese, the presence of an interpreter is necessary, though this can sometimes raise questions about “autonomous decision-making capacity.”
- **Strategy:** Do not rely solely on Mega Banks. Concurrently apply to **Net Banks** (SBI Sumishin, GMO Aozora, Rakuten Bank) which often have more flexible screening processes.

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Tax Strategy and the Importance of “Blue Return”

Japan’s effective corporate tax rate is approximately 30-34%. While not excessively high compared to Nordic standards, the procedural rigidity is notable.

5.1 Blue Return (Aoiro Shinkoku) Application

One of the most critical tax procedures is the application for “Blue Return” status.

- **Overview:** A system granting tax advantages to companies that maintain compliant accounting books (double-entry bookkeeping).
- ****Key Benefit:** Enables the **carry-forward of losses (deficits) for 10 years**. For startups likely to be in the red initially, this right to offset future profits against early losses is financially vital.
- **Absolute Deadline:** The application must be submitted to the Tax Office within **3 months of establishment** or by the end of the first fiscal year, whichever is earlier. Missing this deadline by even one day means the first year’s losses cannot be carried forward—an irreversible financial loss.

5.2 Consumption Tax (VAT)

Japan’s Consumption Tax rate is 10%.

- **Exemption Period:** Entities established with capital under 10 million JPY are generally exempt from Consumption Tax for the first two fiscal years.
- **The 2026 Dilemma:** If capital is set at 30 million JPY to meet the new Business Manager Visa requirements, the company loses this “under 10 million JPY” exemption and **becomes liable for Consumption Tax from the first year**. This is a hidden cost of the visa regulation tightening.

5.3 Tax Treaties with Nordic Countries

Japan has tax treaties with Sweden, Finland, Denmark, and Norway. These reduce withholding tax on dividends and royalties paid from the Japanese subsidiary to the Nordic parent (often to 0% or 5-10% depending on ownership percentage). To claim these benefits, a “Application Form for Income Tax Convention” must be submitted to the Japanese Tax Office *before* the payment is made.

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Utilizing the Tokyo One-Stop Business Establishment Center (TOSBEC)

The “Tokyo One-Stop Business Establishment Center (TOSBEC)” located in Akasaka (JETRO HQ) is the most powerful tool for Nordic startups.

6.1 One-Stop Services

TOSBEC aggregates the following windows:

1. **Articles of Incorporation Certification:** Notary public on-site.
2. **Corporate Registration:** Legal Affairs Bureau consultation.
3. **Tax:** Tax office receipt of notifications.
4. **Immigration:** Consultation on visas.
5. **Labor/Social Insurance:** Functions of Labor Standards Inspection Office, Hello Work, and Pension Office.

6.2 Expanded English Support (From Oct 2024)

Notably, since October 22, 2024, applications for “Employment Insurance,” “Labor Insurance,” and “Health/Pension Insurance”—previously requiring Japanese forms—can now be **submitted using English forms**. This allows founders to handle HR setup without necessarily hiring expensive specialists (*Sharoushi*) immediately.

6.3 Online Consultation

TOSBEC offers online consultations. It is possible to discuss Articles of Incorporation and visa strategy in English with experts while still in the Nordics, streamlining the process upon arrival in Japan.

Detailed Work Breakdown Structure (WBS)

Below is the standard timeline and task list for a Nordic startup establishing a Japanese subsidiary (K.K.).

Phase 1: Preparation & Decision Making (Weeks 1-4)

Tasks primarily conducted from the Nordics.

- **1.1 Determine Entry Mode:**
 - Recommendation: Kabushiki Kaisha (K.K.).
 - Decide Capital Amount (Small amount if using Startup Visa; 30M JPY if applying for Business Manager Visa directly).
- **1.2 Office Selection:**
 - Provisional contract for a physical office allowing corporate registration (via TOSBEC or real estate agents). Avoid virtual offices.
- **1.3 Affidavit Preparation (Nordic Side):**
 - Obtain Registration Certificate from *Bolagsverket* (Sweden), *PRH* (Finland), *Virk* (Denmark), or *Brønnøysundregistrene* (Norway).
 - Draft Affidavit: State parent company details, appointment of Japan representative, and intent to register seal.
 - **Notarization:** Notarize at a local notary public and obtain an **Apostille**, or notarize at the Japanese Embassy in the home country.
 - **Translation:** Prepare Japanese translations (does not need to be sworn translation, but must be accurate).
- **1.4 Articles of Incorporation:**
 - Check trade name availability (similarity search).
 - Define business purposes (include future potential businesses).
 - Determine Fiscal Year.

Phase 2: Registration & Capital Injection (Weeks 5-8)

Procedures within Japan.

- **2.1 Certification of Articles of Incorporation:**
 - Use TOSBEC notary. Electronic certification saves 40,000 JPY in stamp duty.
- **2.2 Capital Payment:**
 - Remit capital to the personal bank account of the Representative (or Incorporator) in Japan.
 - Prepare proof of payment (copy of passbook/online statement).
- **2.3 Seal Creation:**
 - Order the 3-piece set (Representative, Bank, Square).
- **2.4 Registration Application:**
 - Apply to Legal Affairs Bureau (via TOSBEC or Online).
 - Pay Registration Tax (0.7% of capital, min. 150,000 JPY).
 - *Milestone:* Registration completes in ~1-2 weeks. Obtain "Certificate of Registered Matters" and "Seal Registration Certificate."

Phase 3: Tax, Banking, & HR Setup (Weeks 9-12)

Critical post-incorporation tasks.

Task ID	Task Name	Deadline/Condition	Notes
3.1	Tax Office Notifications	Within 2 months of establishment	Notification of Incorporation, Establishment of Salary-Paying Office.
3.2	Blue Return Application	Within 3 months (Strict)	Critical for loss carry-forward.
3.3	Local Tax Notification	Within 15 days of business start	To Tokyo Metropolitan Tax Office.
3.4	Corporate Bank Account	Immediate after registration	Bring Registry Cert, Articles, Seal Cert, Business Plan, Office Lease.
3.5	Social Insurance Enrollment	Within 5 days of hiring	Mandatory even for 1 director/employee. English forms available at TOSBEC.
3.6	Labor Insurance Enrollment	Within 10 days of hiring	If hiring staff. English forms available at TOSBEC.
3.7	36 Agreement (Overtime)	Before overtime work occurs	Agreement on overtime work, submit to Labor Standards Office.

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Human Resource Management (HRM) and Social Security

Japan, like the Nordics, has a robust social security system, but the cost-sharing structure requires attention.

8.1 Mandatory Social Insurance (Shakai Hoken)

In a K.K., enrollment in “Health Insurance” and “Employees’ Pension Insurance” is mandatory, even if there is only one director (the representative).

- **Cost:** Approx. 30% of salary, shared 50/50 between company and individual. (Company burden ~15%).
- **Procedure:** Must be filed with the Pension Office within **5 days** of qualification.
- **Social Security Agreements:** Japan has agreements with Sweden, Finland, and (negotiations/tax treaties) with Norway. These agreements generally prevent dual payment of pension premiums for posted workers (up to 5 years). A “Certificate of Coverage” from the home country is required.

8.2 Labor Insurance

- **Workers’ Accident Compensation:** 100% employer burden. Covers work-related injuries.
- **Employment Insurance:** Shared burden.
- **Note:** Directors are generally not covered by Labor Insurance (exceptions exist for directors with employee duties).

Conclusion and Action Plan

Entering the Tokyo market in 2026 presents higher hurdles for Nordic startups than before, specifically the “30 Million JPY Wall” for the Business Manager Visa. This policy clearly aims to filter for serious, well-funded entities. However, overcoming this barrier signals high credibility to the Japanese market. Furthermore, the “Startup Visa” offers a vital strategic bypass for innovative Nordic companies.

Three Iron Rules for Success

- 1. Maximize TOSBEC:** Utilize free consultations and the new English forms to minimize administrative friction and legal costs.
- 2. Secure Physical Reality:** Abandon the virtual office route. Securing a “Castle” (private office), however small, is the key to passing Banking and Immigration gates.
- 3. Strict Deadline Management:** “3 Months” for Blue Return, “5 Days” for Social Insurance. Japanese bureaucracy is unforgiving with deadlines. Execute the WBS with precision.

This report aims to serve as a bridge between the innovative spirit of the Nordics and the solid business foundation of Japan.

Report by: Senior International Market Entry Strategist **Date:** January 5, 2026

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