COST & DATA

The True Cost of Entering Japan in 2026

A Line-by-Line Breakdown: Setup, Payroll, Localization, and the Hidden Costs Western Companies Miss

Insight Whitepaper · 2026 Edition

Executive Summary

"What will Japan actually cost us?" is the question boards ask first and get answered worst. Public numbers cover incorporation fees; they miss the localization line item, the payroll multipliers, and — most expensively — the cash-flow cost of a 6–18 month enterprise sales cycle.

This whitepaper breaks entry costs into four layers — setup, ongoing operations, localization, and time — and closes with a build-vs-partner total-cost model. Every figure is stated in JPY with the assumptions visible, so your finance team can adapt it to your own scenario.

> **THE FRAME** Japan is the world's 4th-largest economy with FDI stock at only 8.7% of GDP — the lowest in the OECD. The prize justifies the cost; the point of this paper is to make the cost legible.

1. The Opportunity in Numbers

- **Market size:** nominal GDP ~USD 4.4 trillion; the SaaS segment alone is projected at ~USD 20–23 billion by 2029–2030 depending on the forecaster.
- **Under-penetration:** inward FDI stock of ¥53.3 trillion equals 8.7% of GDP, versus an OECD average of roughly 63% — the widest "wealth vs. foreign presence" gap among developed markets.
- **Policy support:** national target of ¥120 trillion FDI stock by 2030; record greenfield inflows of USD 31.6 billion in 2024.

In short: the demand is real and the field is uncrowded. The rest of this paper prices the ticket.

2. Entity Setup Costs

Item	Kabushiki Kaisha (KK)	Godo Kaisha (GK)
Registration & license tax	From ¥150,000 (or 0.7% of capital, whichever is higher)	From ¥60,000
Articles notarization	¥30,000–50,000	Not required
Professional fees (judicial scrivener, filings)	¥100,000–300,000	¥80,000–200,000
Registered address / virtual office (year 1)	¥100,000–400,000	¥100,000–400,000
Typical all-in (excl. capital)	¥400,000–1,000,000	¥250,000–700,000
Timeline	4–8 weeks	3–6 weeks

Capital itself is legally ¥1, but practically ¥5–10 million is the floor for bank-account opening and buyer credibility. **If a founder needs a business-manager visa, plan for the ¥30 million capital requirement in force since October 2025.**

> **HIDDEN ITEM** Bank account opening for foreign-owned entities can take 1–3 months and is a common project-plan surprise. Budget the delay, not just the fee.

3. Ongoing Operating Costs (Annual)

Category	Lean setup (2–3 staff)	Established (6–10 staff)
Accounting, tax & statutory filings	¥300,000–800,000	¥1.5–4 million
Office (Tokyo, serviced → leased)	¥1–4 million	¥6–18 million
Fully-loaded payroll per mid-level hire	¥7–10 million	¥7–12 million
Social insurance (employer share)	~15–16% on top of gross salary	same, plus child-rearing contribution changes from Apr 2026
Payroll, legal & HR admin	¥500,000–1.5 million	¥1.5–4 million

The dominant cost is people. A credible enterprise sales team — one country lead, one AE, one inside-sales rep, part-time CS — runs ¥35–55 million per year fully loaded before any marketing spend.

4. The Localization Line Item

Localization is the budget line Western entrants most consistently underestimate, because it is treated as "translation" when it is actually product, marketing, and sales engineering combined:

- **Product & UI localization:** ¥2–10 million initial depending on surface area, plus continuous localization of releases.
- **Website, collateral & case studies:** ¥1–5 million for a properly transcreated (not translated) core set, including ringi-ready decision packets.
- **Support & documentation:** Japanese business hours coverage; buyers treat English-only support as a disqualifier in most enterprise deals.
- **Why translation alone fails:** with English proficiency ranked 96th of 123 countries (EF EPI 2025, "very low" band), your buyer's evaluation committee will read only the Japanese versions of everything.

5. The Hidden Cost of Time

Japanese B2B enterprise cycles run 6–18 months, with 5–12 stakeholders participating in the internal ringi approval. The financial consequence is not just slower revenue — it is a working-capital requirement: you carry a full local cost base for 2–4 quarters before first significant invoices.

> **MODEL IT** A team burning ¥4 million/month that signs its first ¥12 million ACV deal in month 10 has consumed ¥40 million pre-revenue. This is normal, not failure — but it must be in the board deck from day one.

The compensation: retention. Once a Japanese enterprise adopts, churn is structurally lower than global benchmarks — the same consensus process that slowed the sale now protects the renewal.

6. Build vs. Partner: A Cost Model

Three archetype scenarios for the first 18 months (illustrative, JPY millions):

Cost block	A: Build everything in-house	B: Entry-support partner + lean team	C: Distributor-led, no entity
Entity & compliance	1.0–1.5	0.8–1.2	0
People (fully loaded)	55–85	25–45	0–10
Localization	8–18	6–12 (shared/managed)	3–8 (partner-driven)
Market research & GTM services	3–8 (agencies ad hoc)	8–15 (bundled: research, inside sales, deal support)	2–5
18-month total	≈67–112	≈40–73	≈5–23
Margin & control	Full margin, full control	Full margin, high control	−30–50% margin, low control

Scenario C is cheapest but caps the upside and surrenders the customer relationship. Scenario A is right for companies with committed nine-figure ambitions and patient capital. For most Western startups and mid-market entrants, Scenario B — a lean owned team leveraged by an entry-support partner for research, inside sales, localization, and deal support — delivers the best cost-to-learning ratio in the first 18 months.

Next Step: A Cost Estimate for Your Scenario

We prepare line-by-line entry cost estimates tailored to your product, segment, and hiring plan — including localization scoping and an inside-sales staffing model — as a standard first deliverable. Request a scenario estimate to replace the ranges in this paper with your numbers.

> **CONTACT** Book a free localization & cost-scoping call with our team.

Sources & Notes

- JETRO Invest Japan Report 2025 (FDI stock ¥53.3tn, 8.7% of GDP, greenfield USD 31.6bn).
- U.S. Department of State 2025 Investment Climate Statement; OECD Economic Surveys: Japan (OECD-lowest ratio).
- JETRO “Types of Business Entities in Japan”; Ministry of Justice / NTA fee schedules (setup costs; verify at filing time).
- EF Education First, EF English Proficiency Index 2025.
- SaaS market forecasts: Statista (USD 20.9bn by 2029), Grand View Research (USD 22.7bn by 2030) — projections vary; treat as directional.
- Cost ranges reflect Tokyo pricing as of early 2026 and secondary-source setup-cost surveys; statutory items (visa capital requirements, social-insurance rates, child-rearing contribution from April 2026) should be re-verified at execution.