

Tricor Market Expansion Guide

# Starting a Business in Japan: A Guide to Get Your Japanese Entity Up & Running Fast



## Why Japan?

Japan's advanced, comeback economy - third largest in the world - is reinforced by its economic complexity and the pro-business policies of the government. Foreign direct investment (FDI) in Japan increased sharply beginning in 2011, with inward FDI stock hitting a record high in 2017. The government is looking at ways of continuing this trend.

Reasons to do business in Japan include:

**A growing and sophisticated market:** Japan's investment environment is improving due to government efforts. The Japanese economy is growing and steadily recovering from deflation. Japan is the world's third-largest economy (after the US and China). Japan's GDP is ~JPY 500 trillion. It is a leading world economy that boasts large-scale economic power.

**An innovation hub & business-friendly infrastructure:** Japan has a large number of world-class research funding and researchers especially in science and technology-related areas where Japan ranks 1st among G7 countries. Japan's business environment is highly rated among Asian economies. The advantages are well-maintained infrastructure in transportation, logistics, information, communication and energy.

**High living standards:** Japan is a country where you can live safely and pleasantly, according to Global Peace Index 2016 Japan ranks 1st in Asia with excellent living environment & medical advancement. Japan is one of the countries with longest life expectancy worldwide.



## Doing Business in Japan

Like all markets in Asia, Japan has unique business and cultural traits that shape a company's experience in the city. To avoid any unintentional faux pas and to make life easier, here is a list of important facts about doing business in Japan:

**Tax obligations:** The total corporate income tax burden (i.e. effective tax rate) varies depending upon the size of a company's paid-in capital. Since enterprise tax is deductible, the effective tax rate is less than the total of the statutory rates of corporation tax, inhabitant's tax, and enterprise tax.

The following are effective tax rates of businesses operating in Tokyo:

- Large corporations – 30.62%
- SMEs – 34.60%

**Types of visas:** Visitors to Japan on a three-month visa are not allowed to work. Foreigners who wish to work in Japan must be sponsored by a Japanese company, school, university or individual. There are 27 types of visas in Japan, each with different requirements and allowances. Here are the most common working visas:

- **Specialist** – For foreign specialists in engineering, the humanities (e.g. legal, economic, social fields) and international services (e.g. translation, public relations, fashion design). Engineers and humanity specialists must prove they have 10 years of experience, while international services applicants must show three years of professional experience.
- **Intra-company transferee** – For expats of foreign companies or the subsidiary of Japanese firms who are relocating to Japan. They must have worked for more than one year in the said office overseas.
- **Skilled labor** – For foreign cooking, architecture, civil engineering, etc. professionals who have 3-10 years of experience in their field.
- **Business manager** – For entrepreneurs who are starting or investing in a business in Japan, or managing business on behalf of other investors. Applicants must have a physical office in Japan and JPY 5 million invested into the business.
- **Highly skilled professional** – Awarded to individuals who have attained a high level of education, career success, income and/or academic achievement.





**Registering businesses:** Registering a company in Japan costs about US\$7,000 for a subsidiary and about US\$5,000 for a branch office. You must also have paid-in capital of about US\$45,000.

Setting up a company is a complex endeavour. Here is general flow of procedures for establishing a **branch** office:

1. Prior notification of establishment of branch office to the Bank of Japan depending on category of industry
2. Determination of branch office information to be registered
3. Examination at the Legal Affairs Bureau of identical corporate names
4. Establishment of branch office (date of branch office establishment is at the branch office's discretion)
5. Preparation of affidavit on establishment of branch office
6. Certification of affidavit by notary public, etc. in the home country of the foreign company or embassy/consulate in Japan\*2
7. Application at the Legal Affairs Bureau for registration of branch office establishment; registration of company seal at Legal Affairs Bureau
8. Acquisition of certificate on registered information and company seal impression certificate (approx. two weeks after application for registration)
9. Opening of bank account under branch office name

The following is the procedure for setting up a **subsidiary**:

1. Determination of profile of joint-stock corporation to be established
2. Examination at the Legal Affairs Bureau of identical corporate names
3. Preparation of joint-stock corporation's articles of incorporation

4. Acquisition of registration certificates, etc. for parent company, and preparation of affidavits regarding profile of parent company and affidavits regarding signatures of representatives of parent company (affidavits must be attested by a public notary in equity participants' own countries)
5. Notarization of joint-stock corporation's articles of incorporation by Japanese notary (Application to bank for capital custody and issue of capital custody certificate in case of incorporation with outside offering)
6. Remittance of joint-stock corporation capital to account of incorporator, or representative director, or director at incorporation (Remittance of joint-stock corporation capital to special bank account in case of incorporation with outside offering)
7. Appointment of directors and other officers, such as representative directors and auditors
8. Examination by directors and auditors of legality of establishment procedures
9. Application at the Legal Affairs Bureau for registration of joint-stock corporation establishment (joint-stock corporation establishment date); registration of company seal at the Legal Affairs Bureau
10. Acquisition of certificate on registered information and company seal impression certificate (approx. within about two weeks from four days after application for registration)
11. Opening of bank account under company name
12. Notification of stock acquisition to the Bank of Japan (notification prior to company establishment may be required in certain sectors)



**Termination:** It is very difficult to terminate employees in Japan. Companies must prove that an employee has violated local laws or caused severe harm to the organization. For example, to release an employee for performance reasons, the company must provide evidence of the poor performance, show that formal warnings were given, and correct training was provided as well as other positions were explored. Employers must also give at least 30 days of notice for dismissal.

**Employment considerations:** Here are some key facts about employment in Japan:

- Employment contracts are denominated in Japanese yen (JPY). The USD/JPY rate trades around 105 to 115.
- In Tokyo, the minimum wage is JPY 932/hour and the average wage is around JPY 350,000. The city has the highest cost of living in Japan.
- The “basic” overtime rate is 125% of the base hourly wage, while the “late night” overtime wage (between 10:00pm and 5:00am) is 150% of the base wage.
- Employers are required to grant at least 10 days of paid leave upon completion of six months employment. This amount must increase by one day for the following two years and by two days per year thereafter, up to a maximum of 20 days.
- While Japan has very strict labor laws, there is no sick leave policy.
- New mothers are entitled to six weeks before the birth day and eight weeks after the birth. An employer is not allowed to have a female employee work within eight weeks of giving birth unless certain criteria is met. It is not required for employers to pay for maternity leave. New fathers can also take up to three months, although only 2-3% of new dads take advantage.
- There are 16 public holidays.
- Out of Japan’s 127 million people, the Tokyo-Kanto Metropolitan Area is home to 27 million people.

**Business etiquette:** The toughest and most complicated challenge comes at the very beginning of the meeting: greeting each other. Bowing is extremely important in Japan, however, your hosts realize that Westerners are unaccustomed to bowing and may offer you a handshake instead.

If you wish to return a bow, and you should, do so with your back straight and your hands at the sides. Don’t maintain eye contact.

Women often hold their hands clasped in the front. The longer and deeper the bow, the more respect that is shown. Bows are often repeated over and over, getting slightly less formal with each iteration. Sometimes a bow and a handshake are combined; if this happens, turn slightly to the left to avoid bumping heads.

The few minutes immediately following formal introductions can be a time for nerves to set in, avoid putting your hands into your pockets; doing so shows boredom or lack of interest.

Although at least some of the party will surely speak English, knowing a few simple expressions in Japanese will get smiles and help break the ice. Again, demonstrating knowledge of Japanese customs can go a long way toward a successful interaction.

Japanese business cards—known as *meishi*—are treated with utmost respect. If conducting business, carry your cards in a nice case so that you don’t hand your counterpart a frayed and butt-warmed card out of your wallet. The quality and condition of your business card speaks much about how you intend to conduct yourself and business. If there was ever a time to splurge on a nice carrying case for cards, it’s before the meeting.

When receiving a business card, thank the other person and bow slightly as you take it. Take the card with both hands and hold it by the top two corners as to not block important information. Examine the card closely with respect. Avoid covering the person’s name on the card with your fingers.

If cards are exchanged while already seated, place the card atop your case until you leave the table. Attention is even given to the order that cards are placed on the table. Put the highest ranking person’s card on your case so that it is higher, with the subordinates’ cards beside it on the table.

The worst thing that you can possibly do in Japanese business etiquette is to cram someone’s business card into a back pocket or wallet in front of them! Keep all cards out on the table, face up, until after the meeting.

In general, the best policy is to be observant and simply follow your host’s lead—do as they do!





## How Tricor can help in Japan

Establishing business in Japan is complicated and the process may require multiple private sectors and practitioners to be involved in the incorporation as well as post-incorporation phases. Tricor Japan is able to simplify these complex processes and take our clients through these challenges. We have supported over 750 multi-national companies to successfully set up in the Japan market.

More on our expertise:

**Human Resources & Payroll Services:** Tricor's cloud-based integrated human capital management solution, unify | HRS, is a comprehensive technology and service offering designed to address human resource challenges that most businesses face as they expand locally and globally.

Our **unify | HRS** suite of customizable modules makes it easy to own or subscribe, deploy, use and maintain intelligent, mobile and comprehensive technology in one solution from a single service provider.

Our Human Resources & Payroll Services include:

- **unify | PEOPLE** - An innovative suite of cloud-based and on-premise, multi-country solutions.
- **unify | PROFESSIONAL** - Sound and actionable advice from our experienced and specialized teams of consultants.
- **unify | PROCESS** - A complete outsourced solution for payroll operations, from the very first input to statutory submissions.

**Business services:** Tricor Business Services partners with you to enhance your competitiveness and generate business value. Leveraging our suite of financial, accounting, human resource and advisory services, our professionals offer tailor-made solutions to meet your specific requirements.

We support a wide range of clients, from small and medium-sized enterprises to multinationals, in diverse industry sectors. We are an Authorized Employer of the Hong Kong Institute of Certified Public Accountants (HKICPA), Recognized Employer of CPA Australia

(CPAA), and Approved Employer of the Association of Chartered Certified Accountants (ACCA).

Our Business Services include:

- Business Advisory Services
- Accounting & Financial Reporting
- Tax Services
- Treasury & Payment Administration
- Trade Services
- Trust Assets Administration
- Fund Administration
- Trade Services
- Governance, Risk & Compliance
- Information Technology Solutions

**Corporate Services:** Tricor is the largest corporate secretarial services provider in Asia. We offer expert corporate governance, corporate administration and secretarial services. We provide services to different types of entities, including listed issuers, multinationals, Hong Kong-incorporated companies, non-governmental organizations, offshore companies and fund structures.

Our professionals have in-depth knowledge and understanding of the latest rules and regulations governing businesses and other entities. We are well-equipped to take care of both routine and extraordinary matters effectively and efficiently on behalf of your organization.

Our Corporate Services include:

- Entity Formation & Business Establishment
- Corporate Governance, Compliance & Secretarial Services
- Listed Issuer & Named Company
- Secretary Services
- Trust & Fiduciary Services (Including Employee Share Incentive Plans)
- Fund Secretarial & Compliance Services
- Process Agent & Escrow Agent Services
- Due Diligence & Corporate Health Check
- Liquidation, Dissolution & Cessation of Business

**Investor Services:** Tricor Investor Services offers comprehensive one-stop solutions for all securities registration and related corporate issues. As a leading share registrar in Hong Kong servicing over half of the total number of listed issuers on the Hong Kong Stock Exchange (HKEX), we assist in maintaining statutory registers of securities holders, implementing corporate actions, and managing shareholder / investor relations, disclosures and corporate governance compliance.

We also provide cross-border services through Tricor Group's investor services practices in Brunei, Malaysia and Singapore as well as through members of the Global Share Alliance, whose main operations are located in Australia, North America, South Africa and the United Kingdom.

Our Investor Services include:

- Initial Public Offering (IPO) / New Issue
- Registry Management
- Corporate Actions
- Shareholder Communications
- Meeting Management & Poll Scrutineer Service
- Investor Services Self-Service Portal
- Website Design, Set Up & Maintenance

**Corporate Trust & Debt Services:** Madison Pacific, a Tricor Company, is a premier provider of specialized independent financial and corporate services.

Our Corporate Trust & Debt Services include:

- **Trustee & Agency**
  - › Facility Agent and/or Security Trustee for Bilateral Syndicated or Club Bank or Private Equity Lending
  - › Bond Trustee for Private, Euroclear or Exchange Listed Bond Issuance
  - › Successor Trustee and/or Security Trustee of Defaulted Transactions
  - › Security Agent Holding a Charge Over Both Onshore and Offshore Security
  - › Principal Agent, Paying Agent and Registrar for Private Loan Facilities
- **Escrow & Custodial**
  - › Facilitate business transactions using escrow or custodial arrangements
  - › Safekeeping assets used for sales and purchases, M&A, project financing, fund launches and realizations from liquidations / receiverships
  - › Escrow Agent or Custodian holding assets including cash, shares, documents and other properties







## Introducing Tricor Group

Tricor Group (Tricor) is the leading business expansion specialist in Asia, with global knowledge and local expertise in business, corporate, investor, human resources & payroll, corporate trust & debt services, and strategic business advisory. Tricor provides the building blocks for, and catalyzes every stage of your business growth, from incorporation to IPO.

Strategically headquartered in Hong Kong, we operate out of 21 countries/territories and across a network of 47 offices. Tricor serves 50,000 clients, including ~2,000 companies publicly listed in Asia and over 40% of the Fortune Global 500 companies. With 2,700

employees, of which 630 are certified professionals, we deliver critical functions to help ambitious companies accelerate their growth in Asia and beyond.

Tricor's advantage comes from deep industry experience, committed staff, technology-driven processes, standardized methodologies, constant attention to changes in laws and regulations and wide industry contacts. Tricor is uniquely positioned to unlock the potential of your business, and help you stay one step ahead of today's diverse and fast evolving regulatory environment.



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