

Japan Kabushiki Kaisha Compliance and Maintenance Guideline

All companies registered in Japan shall perform the daily maintenance operation and the annual renewal in accordance with the Japan Companies Act. This guideline states the respective responsibility and declaration responsibility of company registered in Japan, as well as the fee quotation of our various related business services for your perusal and consideration.

1. Tax-Related Filing Procedure after Establishment

After Japan Kabushiki Kaisha is officially registered, the following tax-related filing procedures shall be conducted.

(1) Notification of Corporation Establishment (法人設立届出書)

The company incorporated in Japan shall submit the Notification of Corporation Establishment to the competent Regional Taxation Bureau and the Metropolitan / Prefectural Tax Office within 2 months or 15 days (Tokyo) after the date of incorporation, respectively.

(2) Application Form for Approval of Filing Blue Return (青色申告の承認申請書)

The Application Form for Approval of Filing Blue Return shall be submitted to the competent Regional Taxation Bureau within 3 months after the date of incorporation or before the end of the first accounting year, whichever is earlier. Companies submitted the Blue Return can enjoy various tax benefits.

(3) Notification of Establishment / Relocation / Closure of a Salary-Paying Office (給与支払事務所等の開設届出書)

If the company intends to hire employees and paying wages, they shall submit the Notification of Establishment / Relocation / Closure of a Salary-Paying Office to the competent Regional Taxation Bureau within 1 month after the date of incorporation.

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- (4) Application for Approval Made in Relation to the Special Provision for Due Dates for Withholding Income Tax (源泉所得税の納期の特例の承認に関する申請書)

For the withholding agent that pays salaries to fewer than 10 employees on a regular basis, they can submit an Application for Approval Made in Relation to the Special Provision for Due Dates for Withholding Income Tax to the competent Regional Taxation Bureau to apply for special approval that the payment of withholding income tax can be made in a semi-annual basis. There is no specified submission schedule. However, since the application does not take effect immediately after submitted to the Taxation Bureau, it needs to obtain the permission of the chief of tax bureau to take effect. Therefore, we suggest submitting the application as soon as possible.

The abovementioned tax-related filings are included in our Japan Kabushiki Kaisha registration service. If client did not engage in our Japan Kabushiki Kaisha registration service but would like to proceed the abovementioned tax-related filings, please contact our professional consultants for the service details and fee quotation.

Besides the abovementioned tax-related filings, if the company employs staff, client also needs to file for labour, labour insurance, social insurance and other related matters.

2. Kaizen Corporate Service

- (1) Annual Agency Consultant Service

Kaizen can provide annual agency consultant service for client's Japanese company and our fee is JPY80,000 per annum. Our annual agency consultant service includes providing professional advice for the maintenance and compliance of the Japanese company and the preparation of Minutes of Annual General Meeting so that client's Japanese company can fulfill the regulatory requirements in Japan.

According to the Japan Companies Act, Kabushiki Kaisha should hold an annual general meeting every business year. Unless otherwise specified and announced, the annual general meeting of the Company should be held within 3 months after the end of the business year generally.

- (2) Annual Registered Address Service

All companies registered in Japan shall maintain an address in Japan to act as the registered address of the headquarter in accordance with the Japan Companies Act. Depending on the nature of the company's business, the company can rent a virtual office or a physical office as its registered address. Kaizen can assist client in continuing the rent of local virtual office or physical office in Japan to act as the registered office address and communicate with the local property agency for the renting matters of the office. Our services of JPY66,000 for renting of an office in Japan and JPY22,000 per annum starting from the second year. Please note that our fee stated above does not

include the fees (rental fees, deposit, etc.) charged by the property agency and these fees will be requested reimbursement of the actual expenses.

3. Compliance and Maintenance Service

(1) Registration of Re-election · Appointment · Resignation of Director (取締役)

According to the Japan Companies Act, the company should register the re-election of the director if the current director continues acting as director after the term ends, or the company should register the appointment and resignation of the director if the company needs to change director. Kaizen can assist clients for the registration of re-election, appointment, and resignation of director of the company so that the company can fulfill the regulatory requirements. Our service fee for assisting the registration of re-election, appointment, and resignation of director is JPY 260,000.

(2) Registration of Re-election · Appointment · Resignation of Supervisor (監査役)

According to the Japan Companies Act, if the company have set the position of supervisor, the company should register the renew or change of supervisor after the term of the supervisor ends. Kaizen can assist clients for the registration of re-election, appointment, and resignation of supervisor of the company so that the company can fulfill the regulatory requirements. Our service fee for assisting the registration of re-election, appointment, and resignation of supervisor is JPY 260,000.

4. Accounting and Bookkeeping Service

(4) Bookkeeping Service

According to the Japan Companies Act, all Japanese companies should prepare a financial statement every accounting year. Based on the standards of financial statement in Japan, Kaizen can assist the maintenance of accounting records of the company and renewal of the accounting books of the company in accordance with the accounting documents provided by the client. Our bookkeeping service includes: -

- (a) Preparation of Journal Daybook (仕訳日記帳)
- (b) Preparation of General Ledger (総勘定元帳)
- (c) Preparation of Account Details (勘定科目内訳書)
- (d) Preparation of Financial Statement (決算報告書)
 - (i) Balance Sheet (貸借対照表)
 - (ii) Profit and Loss Statement (損益計算書)
 - (iii) Statement of changes in shareholders' equity (株主資本等変動計算書)

5. Tax Filing and Related Service

(1) Corporate Tax (法人税)

Corporate tax is levied based on the income of the corporate. There is no tax levied if there is no profit in a corporate. The tax rate of corporate tax is determined by the size and type of the corporate. If company capital does not exceed JPY 100 million, the corporate tax rate will be 15.00% (taxable income not over JPY 8 million) or 23.20% (taxable income over JPY 8 million). Corporate tax belongs to national tax. It shall be paid to the country through the competent Regional Taxation Bureau. If the Japanese company has a deficit, the amount of corporate tax will be zero.

(2) Corporate Inhabitant Tax (法人住民税)

The corporate inhabitant tax is composed by the “Corporate Tax Ratio” and the “Equal Tax Ratio”. Since the corporate tax ratio is calculated by the amount of corporate tax, no corporate tax is required to pay if the corporate has no profit. Therefore, the part of corporate tax ratio will be zero. For the equal tax ratio, it is calculated according to the capital and the number of employees. Therefore, even the corporate has no profit, the part of equal tax ratio is still required to pay. That means the company still needs to pay the corporate inhabitant tax at least JPY 70,000 each year in the case of no profit occurred. Corporate inhabitant tax belongs to local tax. It shall be paid to the Metropolitan / Prefectural Tax Office depends on the location of the company.

(3) Corporate Enterprise Tax (法人事業税)

Corporate enterprise tax is levied on the taxable income of the corporate. Corporate enterprise tax belongs to local tax. It shall be paid to the Metropolitan / Prefectural Tax Office depends on the location of the company. The tax rate of the corporate enterprise tax may vary depending on the form of investment, amount of capital, scope of business, etc.

Corporate with capital exceeds JPY 100 million as at the end of accounting year, will be levied to enterprise tax on a pro forma basis. The enterprise tax on a pro forma basis consists of 2 parts. “Value-Added Ratio” using value added as taxable base, and “Capital Ratio” using capital as taxable base. Kaizen can provide the services of the declaration of enterprise tax on a pro forma basis. The service fee is from JPY 90,000. The actual fee will be determined depending on the profit and capital amount.

(4) Consumption Tax (消費税)

Consumption tax is levied on the consumption of goods or services. The consumption tax rate is increased to 10% since 1 October 2019 and at the same time, the preferential tax rate policy of consumption tax will be implemented. The consumption tax shall be paid to the country through the competent Regional Taxation Bureau. For company newly incorporated with capital at or below JPY 10 million, the consumption tax filing / liability could be exempted for a maximum of 2 years. However, if the taxable sales of the specific period in the first year (within 6 months from the start of the business year) exceed JPY 10 million, the consumption tax will be required to pay from the second year.

Corporates having domestic transactions or import transactions have the obligation to declare and pay for the consumption tax (if the tax amount on purchases to be deducted is more than the tax amount on taxable sales, the difference can be refunded by declaration). Kaizen can provide the service of the declaration of consumption tax. The service fee is from JPY 68,000. The actual fee will be determined depending on the annual taxable sales.

Starting from 1 October 2023, the Japanese government officially implement the “invoice system” (“インボイス制度” in Japanese) for consumption tax. The Invoice system, also known as “qualified invoice-based method” (“適格請求書等保存方式” in Japanese), is a method to receive tax credit for consumption tax corresponding to multiple tax rates on purchases. For seller, a business operator who is registered as a qualified invoice issuer (“適格請求書発行事業者” in Japanese) is required to issue qualified invoice to the buyer upon request, for the purpose of purchase tax credit. Kaizen can assist clients in registering for qualified invoice issuer and our fee for is JPY28,000.

(5) Stamp Duty (印花税)

Stamp duty is levied with the contract or invoice issued for economic transactions. The stamp duty shall be paid to the country through the competent Regional Taxation Bureau. The actual tax rate and the declaration service fees will be determined depending on the nature of the contract.

(6) Fixed Assets Tax (Depreciable Assets) (固定資産税(償却資産))

Fixed assets tax is levied on the fixed assets (such as lands, houses, depreciable assets). Fixed assets tax belongs to local tax. It shall be paid to the Metropolitan / Prefectural Tax Office depending on the location of the company.

The amount of depreciation or depreciation expense is included in losses or necessary expenses when calculating the income pursuant to the Corporation Tax Act or the Income Tax Act. Corporates who possess depreciable assets as of every 1st January shall report the information of the depreciable assets concerned (including the acquisition date, cost, the durability, etc.) to the Metropolitan / Prefectural Tax Office where the assets are located by 31st January of that year. Even if the corporate has no depreciable assets, zero declaration is still required to submit by every 31st January.

Kaizen can provide the service of the declaration of assets. The service fee will be determined depending on the actual amount of assets and its value and will be quoted by request.

(7) Withholding Income Tax (源泉所得税)

When payer pays certain types of income, such as salary and remuneration, must withhold income tax from the amount paid according to the prescribed methods, and pay the withheld tax to the competent Regional Taxation Bureau. In other words, the employer needs to submit a withholding tax return, and pay the withholding tax deducted from the salary of employee when paying the salary to the employee. Even if the company does not have employees, a zero declaration is still required to submit. In case the company does not submit the zero declaration, it might be considered as a company that does not comply with the regulation.

6. Payroll and Social Insurance Services

(1) Basic Payroll and Social Insurance Calculation Service

The computation of the employee's salary is having close relationship with the Japan Labour Laws, Tax Law, Social Insurance, etc. and it is a task will need to complete in a short time. It should be in charge by the manager or the trusted employees or specialists to complete.

The service scope of our basic payroll calculation service are: -

- (a) Calculation of monthly salary and Social Insurance
- (b) Salary details and general ledger will be prepared by our specified letter
- (c) The salary details will be placed in the envelope designated and submitted to client's employees

(2) Social Insurance Enrollment or Cancellation Service

Japanese social insurance consists of five types of insurances, which are Employees' Health Insurance, Employees' Pension Insurance, Industrial Accident Compensation Insurance, Unemployment insurance and Long-Term Care Insurance, with age restriction applies. Employees who join the Employees' Health Insurance should be under 75 years old; the employees who join the Employees' Pension Insurance should be under the age of 70; the employees who join the Long-Term Care Insurance should be over 40 years old and under 65 years old. All companies in Japan must enroll their employees in social insurance, and the enrollment procedures must be completed within 5 days upon employment.

Social and Labour Insurance have become more and more complicated with the continuous revision of relevant laws such as pensions and employment insurance in Japan. The purpose of setting up the Labour and Social Security Attorney is to improve companies' operation efficiency. In addition, Labour and Social Security Attorney can perform all procedures for Labour Standards Inspection Bureau, Public Employment Security Office and Annuity Office so that companies do not need to hire professionals to handle those issues.

The service scope of our basic social insurance service are:-

- (a) Consultation service for social insurance enrollment or cancellation procedures.
- (b) Prepare relevant materials for social insurance enrollment or cancellation procedures.
- (c) Submit application documents to Japan Pension Service Office for social insurance enrollment or cancellation.
- (d) Collect the acceptance certificate from the Japan Pension Service Office.
- (e) Hand over the materials to the client after completing the social insurance enrollment or cancellation procedures.

(3) Annual Renewal of Labor Insurance and Social Insurance Calculation and Declaration Form

Since Japanese social insurance standards change every year, Japanese companies need to complete the Annual Renewal of Labor Insurance ("労働保険数年更新手続き" in Japanese) and Social Insurance Calculation and Declaration Form ("社会保険算定基礎届" in Japanese) to Japan Pension Service Office in June and July each year. Kaizen provides service for completing the Annual Renewal of Labor Insurance and Social Insurance Calculation and Declaration Form, and each service costs from JPY30,000. Please contact our consultants for further details.

(4) Other related Services

In addition to the aforementioned services, our firm can also provide other company-related services such as attendance rate calculation, bonus calculation, etc. Please contact our consultants for further details.

7. Related Service Fees Summary

According to Companies Act and Corporate Tax Act of Japan, after incorporation, all Kabushiki Kaisha need to prepare and submit the annual tax declaration, declares for the corporate tax and the corporate inhabitant tax at the end of every accounting year. If required, Kaizen can provide various services on accounting, bookkeeping, declaration of consumption tax, fixed asset tax (depreciable assets), payroll calculation services, tax advisory services, etc.

In order to provide a clear understanding of Kaizen's service fee of maintaining a company in Japan, please refer to the appendixes for Japan Company Annual Maintenance Fees for your reference.

Kaizen's service is not limited to the accounting, taxation, payroll calculation, social insurance and other related services listed above. If client has enquiry about tax declaration, payroll, or other services for Japan Company, please feel free to contact Kaizen.

If you wish to obtain more information or assistance, please visit our official website at www.kaizencpa.com or contact us through the following means:

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Appendix - List of Annual Maintenance Fees for Japan Company

Item	Description	Amount (JPY)
1. Tax-Related Filing Procedure after Establishment		
1.1	Notification of Corporation Establishment	TBA (Included, if engaged in our incorporation service)
1.2	Application Form for Approval of Filing Blue Return	
1.3	Notification of Establishment / Relocation / Closure of a Salary-Paying Office	
1.4	Application for Approval Made in Relation to the Special Provision for Due Dates for Withholding Income Tax	
2. Annual Service		
2.1	Annual Agency Consultant Service (includes Minutes of Annual General Meeting preparation)	80,000
2.2	Annual Registered Address Service (EXCLUDE the rental fees, deposit, etc. requested by the property agent)	66,000 (first year) 22,000 (starting from the second year)
3. Compliance Service		
3.1	Registration of Re-election · Appointment · Resignation of Director	260,000
3.2	Registration of Re-election · Appointment · Resignation of Supervisor	260,000
4. Accounting Service		
4.1	Monthly Accounting and Book-keeping Service (Annual Sales below JPY 10 million, less than 50 transactions)	37,000 up
5. Tax Filing and Related Service		
5.1	Preparation and submission of Annual Tax Declaration (Annual Sales below JPY 10 million)	220,000 up
5.2	Preparation and submission of Declaration of Fixed Assets Tax (Depreciable Assets)	25,000 up
5.3	Preparation and submission of Declaration of Withholding Income Tax	15,000 up
5.4	Preparation and submission of the legal record for employee information	50,000
5.5	Declaration of Consumption Tax, if required (Depending on the annual taxable sales)	68,000 up
5.6	Declaration of Consumption Tax Refund (Refund amount less than JPY 1 million)	100,000 up
5.7	Declaration of Enterprise Tax on a Pro Forma Basis, if required (If the capital exceeds JPY 100 million)	90,000/up
5.8	Paying tax on behalf of company (When company has not established a corporate bank account)	25,000

Appendix - List of Annual Maintenance Fees for Japan Company (Cont'd)

Item	Description	Amount (JPY)	
Payroll and Social Insurance Service			
6.1	Basic Payroll Calculation Service, included: (a) Calculation of monthly salary (b) Salary details and general ledger will be prepared by our specified letter (c) The salary details will be placed in the envelope designated and submitted to client’s employees	No. of Employee	Monthly Fees
		1 – 3	22,000
		4 – 5	28,000
		6 – 10	36,000
		11 – 20	46,000
		21 – 30	55,000
		Over 30	24,000 / every 10 persons
6.2	Basic Social Insurance Service	No. of Employee	Monthly Fees
		1 – 3	22,000
		4 – 5	28,000
		6 – 10	36,000
		11 – 20	46,000
		21 – 30	55,000
		Over 30	24,000 / every 10 persons
6.3	Social Insurance Enrolment Service	Per person/time	50,000
6.4	Social Insurance Cancellation Service	Per person/time	50,000
6.5	Annual Renewal of Labor Insurance	Each time	30,000/up
6.6	Preparation and submission of Social Insurance Calculation and Declaration Form	Each time	30,000/up
6.7	Attendance Rate Calculation (by attendance sheet)	TBA	
6.8	Bonus Calculation	TBA	

To better facilitate our client in company maintenance, Kaizen provides the above optional services and other company-related services not mentioned in this quotation. Please contact our consultants for more details of our services.