

Tax - Payroll Guide - Free shares / RSU

Japan	
Tax points	<p>Grant: No income tax. No social security.</p> <p>Vesting: Income tax. No social security.</p> <p>Transfer to participant: No income tax. No social security.</p> <p>Sale by participant: Capital gains tax on increase in value since vesting. No social security.</p>
Income tax (maximum rate)	55.945% (2025). Any change in tax rates usually takes effect from 1 January.
Income tax rates	National income tax rates are progressive up to 45%. The maximum income tax rate of 55.945% includes local income tax of 10% and the 2011 earthquake recovery surcharge of 2.1%, which is assessed on the taxpayer's national income tax.
Employer income tax withholding	<p>Generally, no. Withholding depends on a number of factors, including recharge and the level of local employer involvement. Specific advice is recommended.</p> <p>Employer withholding will be required in Japan for the Your Shares plan.</p>
Employer social security withholding	<p>Whether or not social security is payable on share benefits in Japan is not free from doubt. However, it is generally accepted that shares are not classified as wages or bonus, in which case social security contributions are not due. If shares are cash settled, social security will be payable. If social security is payable, the employer would be required to withhold the employee's contribution. No employer withholding will be required in Japan for the Your Shares plan.</p>
Employee social security	<p>Employees pay contributions for health, nursing care, pensions and unemployment insurance. Various rates, caps, adjustments and exceptions apply, depending on factors including the location of the head office of the company, the size of the company, the kind of business conducted by the company and the insurance cover used by the company. The following rates apply where the employer's office is located in Tokyo or the head office makes a lump sum application at the Tokyo rate, and assumes the employees are general office workers (lower rate) or construction workers (higher rate).</p> <p>Employee social security (max rate): for fiscal year 2025 (i.e. from 1 April 2025 to 31 March 2026) approximately:</p> <ul style="list-style-type: none"> • 15.45% (office) • 16% (construction). <p>Employee social security (cap): various caps, adjustments and exceptions apply.</p>
Employer social security	Employers pay contributions for health, nursing care, pensions, unemployment insurance and workers' accident compensation insurance. Various rates, caps, adjustments and exceptions apply,

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	<p>depending on factors including the location of the head office of the company, the size of the company, the kind of business conducted by the company and the insurance cover used by the company. The following rates apply where the employer's office is located in Tokyo or the head office makes a lump sum application at the Tokyo rate, and assumes the employer conducts general office business (lower rate) or construction business (higher rate).</p> <p>Employer social security (max rate): for fiscal year 2025 (i.e. from 1 April 2025 to 31 March 2026), approximately:</p> <ul style="list-style-type: none"> • 16.46% (office) • 16.86% (construction). <p>Employer social security (cap): various caps, adjustments and exceptions apply.</p>
Tax reporting - Individual	<p>Generally yes. If the plan benefits are paid through the local employer and are subject to Japanese withholding tax, employees resident in Japan whose annual gross salary receipt amount (including the amount of salaries other than the plan benefits) is JPY20million or less and whose income, other than salary income and retirement income, for that year is JPY200,000 or less, are not required to file annual tax returns.</p> <p>There is no specific filing in relation to equity related incentives.</p> <p>Individuals are required to report foreign held assets if those assets have a market value (or estimated value as an alternative) over JPY50million as of 31 December.</p> <p>Report name:</p> <ul style="list-style-type: none"> • Annual Tax Return. The return can be filed online. The tax return can be downloaded from the website here; • Foreign assets reports are filed physically or electronically on the Foreign Assets Report website (<i>Kokugai Zaisan Cho-sho</i>) here. <p>Tax period: 1 January to 31 December.</p> <p>Reporting deadline: tax returns must be filed by 15 March of the subsequent year. Foreign asset reports must be filed by 30 June of the subsequent year.</p> <p>Payment of tax: any unpaid income tax is due by the date of filing the tax return.</p>
Tax reporting - Employing company	<p>Yes, Japanese subsidiaries that are owned 50% or more by a foreign company and Japanese branches of foreign entities must file a statement to the national tax office if resident or non-resident</p>

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	<p>directors or employees exercise stock options issued by the foreign parent entity or receive income as a result of stock-based incentives offered by that foreign entity. In the case of reports on non-resident directors or employees, reportable income is limited to Japanese sourced income.</p> <p>Report name: Form 9(3) of Ordinance for Enforcement of the Income Tax Act. The return can be filed online. The return can be downloaded from the website here.</p> <p>Reporting deadline: for resident directors/employees, 31 March of the year following the receipt of an economic benefit (i.e. exercise, vesting or purchase). For non-resident directors/employees, the deadline is 30 April.</p>
Malus and clawback - Tax points	The existence of a malus or clawback clause does not affect the tax point for the individual.