Welcome to this eLearning Session about the SAP Local Version Japan.
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Objectives

After this session, you will be able to:

- Explain the highlights of SAP ERP Financials and Logistics in SAP Japan Localization
- Explain the highlights of SAP S/4HANA Financials and Logistics in SAP Japan Localization
- Explain the highlights of SAP S/4HANA Cloud Financials in SAP Japan Localization.
- Explain the highlights of Human Capital Management solutions in SAP Japan localization
In the first half of this e-book, you will learn about localization of Financials and Logistics in Japan.
### Availability of SAP Japan Localization Financials (1/2)

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<th>SAP S/4HANA Cloud</th>
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<td>Withholding Tax Calculation, Withholding Tax Reporting</td>
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<td>Property Tax Report</td>
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<td>Annex16 Report</td>
<td>605-</td>
<td>1610 FPS01-</td>
<td>1702, 1802-</td>
</tr>
</tbody>
</table>

- The availability of Japan localization capabilities are shown below.
- If you see multiple descriptions on release, this means that the enhancements/improvements happened after the initial release.
### Availability of SAP Japan Localization Financials (2/2)

#### Flexible Real Estate Management

<table>
<thead>
<tr>
<th>Feature</th>
<th>SAP ERP</th>
<th>SAP S/4HANA</th>
<th>SAP S/4HANA Cloud</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Charge Settlement Based on Fixed Unit Prices</td>
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</tr>
<tr>
<td>Payment Charge Report for Real Estate</td>
<td>600-</td>
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<td>--</td>
</tr>
<tr>
<td>Lease-Out Offices in Mega Cities</td>
<td>600-</td>
<td>1511- (SAPGUI)</td>
<td>--</td>
</tr>
</tbody>
</table>

#### Treasury Risk Management

<table>
<thead>
<tr>
<th>Feature</th>
<th>SAP ERP</th>
<th>SAP S/4HANA</th>
<th>SAP S/4HANA Cloud</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processing Impairment of Foreign Securities</td>
<td>605-</td>
<td>1511- (SAPGUI)</td>
<td>--</td>
</tr>
<tr>
<td>Money Market: Interest Calculation: Start Date and End Date Inclusive</td>
<td>617-</td>
<td>1610-</td>
<td>1808-</td>
</tr>
</tbody>
</table>

- The availability of Japan localization capabilities are like below.
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Availability of SAP Japan Localization Logistics

<table>
<thead>
<tr>
<th>Sales and Distribution</th>
<th>Purchasing</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Expiration Date Management – Batch Inversion (Add-on)</td>
<td>Temporary Pricing in Purchasing</td>
<td></td>
</tr>
<tr>
<td>1709-</td>
<td>605, 606-</td>
<td>600-, 1709-</td>
</tr>
<tr>
<td>CHQNI Route Management (Add-on)</td>
<td>1610-</td>
<td></td>
</tr>
<tr>
<td>1709-</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- The availability of Japan localization capabilities are like below.
- If you see multiple descriptions on release, this means that the enhancements/improvements happened after the initial release.
Financial Accounting
Calculation of Consumption Tax

- In Japan, consumption tax is incurred for transfer of taxable asset, goods, or services.
  - The history of tax rate is like below, and the reduced rate is introduced on October 1st, 2019.
  - Consumption tax must be posted with the total amount to VAT-sales account or VAT-purchase account.
  - You can utilize the feature of tax classification to differentiate standard rate or reduced rate.
  - You can define your own tax codes and tax classification in case of SAP ERP and SAP S/4HANA. In case of SAP S/4HANA Cloud, SAP delivers the pre-configured tax codes and tax classifications.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td>Standard</td>
<td>Standard</td>
<td>Standard</td>
<td>Reduced</td>
</tr>
<tr>
<td>National</td>
<td>3.0%</td>
<td>4.0%</td>
<td>6.3%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Local</td>
<td>-</td>
<td>1.0%</td>
<td>1.7%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Total</td>
<td>3.0%</td>
<td>5.0%</td>
<td>8.0%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

- Consumption Tax Law requires companies to do the rounding of consumption tax only once for each tax rate per invoice header level. When FI document is posted, consumption tax is calculated and rounded for each tax rate per FI document header level.
- In order to get the necessary figures for consumption tax declaration, until Advanced Compliance Reporting becomes available, you can utilize generic reporting program "RFUMSV00" and "RFUMSV10".
- Government defines tax registration number for all companies in Japan as T + corporate number.
  - Corporate number of your company is stored in company code master.
  - Tax registration number of vendor is stored in vendor master.

https://www.nta.go.jp/m/taxanswer/6303.htm

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- Government defines tax registration number for all companies in Japan as T + corporate number.
  - Corporate number of your company is stored in company code master.
  - Tax registration number of vendor is stored in vendor master.
In Japan, certain kinds of payments are subject to withholding taxes. For these payments, you are required to:
- Withhold tax on payments to vendors.
- Report and pay the withheld tax to the tax authorities each month.
- Provide a printout (withholding tax certificate) to the tax authorities, at the end of each year, of all tax withheld per vendor; you can also send the certificate to your vendors as required.

Withholding tax rate and calculation formula is defined by Income Tax Law.

If you are required to withhold tax, we recommend you to use the Extended Withholding Tax solution.

You can define your own withholding tax types and withholding codes in case of SAP ERP and SAP S/4HANA. In case of SAP S/4HANA Cloud, SAP delivers the pre-configured withholding tax types and withholding tax codes.
In Japan, certain kinds of payments are subject to withholding taxes. For these payments, you are required to:

- Withhold tax on payments to vendors.
- Report and pay the withheld tax to the tax authorities each month.
- Provide a printout (withholding tax certificate) to the tax authorities, at the end of each year, of all tax withheld per vendor; you can also send the certificate to your vendors as required.

If you are required to generate certificates and/or files, until Advanced Compliance Reporting becomes available, you can utilize program “RFIDYYWT”.

To report to the tax authorities, the sample formats “Certificate” and the sample file format “Declaration File” are provided by SAP.

If you store vendor’s corporate number or individual number in vendor master and store your company’s corporate number in company code master, they will be printed on the form or filled in the file.

When program “RFIDYYWT” accesses individual number of vendor master, access logs are taken. Access logs can be seen by program “RPFIGLO_ACCESSLOG”.

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If you store vendor’s corporate number or individual number in vendor master and store your company’s corporate number in company code master, they will be printed on the form or filled in the file.

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Certificate to Tax Authority
Advanced Compliance Reporting attempts to completely transforming legal reporting.
In the classic world i.e. the world without ACR, there were multiple heterogenous solution to handle legal reporting, the entire process was cumbersome and error prone. Different legal reports required different manual steps. Data extraction, replication and reconciliation are pains that were unnecessarily involved. There was absolutely no transparency on the reporting or compliance status. More-ever as legal changes, they were very difficult to adapt. The world with ACR looks completely different: global homogenous solution solving all these pain points – no data replication, reconciliation, real time reporting, complete transparency on reporting compliance and easy to extend and adapt.
ACR belongs to this intelligent world where manual redundant activities are no longer required and frees up business user for strategic activities.

To know more detail about SAP S/4HANA ACR Basic Features and Premium Features, please refer to Feature Scope Description for your release.
• Customers moving from ECC to SAP S/4HANA, have option to either use Basic version of ACR (which is part of SAP S/4HANA license) or get the licensed version of ACR.
• Basic version of ACR supports legal reports with limited features.
• Advanced version provides advanced/value-added capabilities and additional legal reports.
• Refer to Feature Scope Description of SAP S/4HANA ACR to understand what is covered in Basic (section 2.5.2.3) and what is covered in Advanced (Section 3.3.2.4).
Basic Compliance Reporting - Basic compliance reporting enables you with the following features:

- Monitor the compliance status and due dates for the supported compliance reports.
- Generate and submit basic compliance reports. The generated compliance reports are persisted by the system. Additionally, you can generate business partner correspondence for few supported reports.
- Generate and submit ad hoc or non-periodic reports that may be requested by the government authorities on a non-regular basis.
- Define the reporting entities that you need to fulfill the compliance requirements for your organization.
- Upload complementary compliance attachments to support your reporting requirements.
- Based on the available report features, you can download the generated reports for manual submission to the government authorities.
- Verify the content of the legal report and submit the reports electronically to the government.
- Generate correction, additional correction, and clarification runs.
- Schedule the report generation based on your requirements. You can choose to generate the report immediately, or schedule the report generation for a later point in time. You can also cancel the reports runs that are in-process.
- View and process the activities that are relevant for your compliance reporting scenario.

Generate and submit basic compliance reports - With basic compliance reporting you can submit:

Here you see the listing of financial features.
The basic compliance reporting features are part of SAP S/4HANA Enterprise Management. On top of these features, SAP S/4HANA provides additional features which require an additional license.

**Run advanced compliance reports**
- You can perform embedded analytics for compliance reports using data analysis.
- You can track the items considered for reporting under a specific report run for the supported reports. This tracking helps to analyze and audit these documents.
- You can visualize and interpret output formats in a user-friendly and consistent manner using the data preview feature.
- You can make manual changes to the document data after the document has been generated.
- Advanced compliance reporting currently supports the Manage Tax Items for Legal Reporting activity that allows a G/L accountant to move one or more tax items between the reporting periods by changing the tax reporting date.

**Define advanced compliance reports**
You can use advanced compliance reporting design time application to define additional compliance reports. Some of the features of design time application are:
- You can use reference report definitions to extend an existing report definition, both SAP standard as well as the ones created in your namespace.
- You can create and assign reporting activities that are relevant to your reporting process. Advanced compliance reporting currently supports the Tax Payable Posting activity that allows the posting of tax payments for the already generated VAT returns.
- You can create report categories. You must assign country, phases, organizational units, and activities to a report category.
- You can reuse existing report categories by creating report categories with reference. When you create report category through reference, the inherited attributes remain read-only. You cannot delete any of the inherited attributes. You can, however, assign new activities for the report category.
- You can specify the output documents in diverse formats, for example, XML, flat files, PDF, or JSON.
- You can map elements with multiple data sources, such as, database tables, database views (including CDS views), analytic queries (CDS), BEx queries, and BRFplus functions.

**Generate and submit advanced compliance reports** - With advanced compliance reporting, you can generate the following reports, in addition to the ones listed in Basic Compliance Reporting:

Here you can see the listing of ACR premium features.
Financial Accounting
Adaptation of ACR for Japan Consumption Tax Reporting and Japan Withholding Tax Reporting

- Advanced Compliance Reporting is adapted for Japan Consumption Tax Reporting and Japan Withholding Tax Reporting.
- Regarding Japan Consumption Tax Reporting, although legal forms themselves are not generated, you can see the necessary figures for Form 3-(1), Form 3-(2), Form 4-(2) and (6). You can also see the summary view, summary analysis view, detail view, and analytic view. These reports intend to replace generic reporting program “RFUMSV00” and “RFUMSV10”.
- Regarding Japan Withholding Tax Reporting, legal form and file are generated. You can also see the analytic view. This report intends to replace program “RFIDYYWT”.

(*) Released with minimum viable scope. Enhancements/Improvements will be covered in later releases.
In Japan, when companies do the payments to their suppliers, the following payment methods are common.

- **Domestic bank transfer (SOGO FURIKOMI)**
  On due date, by domestic bank transfer (SOGO FURIKOMI), companies do the payments to their suppliers. Cash liquidity of suppliers depends on the payment by paying companies. The disadvantage of this payment method is the limitation of cash liquidity for suppliers because suppliers cannot receive any money until due date.

- **Bill of Exchange Payable**
  By bill of exchange payable, companies do the payments to their suppliers. Suppliers can request their house bank to exchange bill of exchange with money before maturity date. This payment method contributes to improve cash liquidity of suppliers, however, due to PAPER-based way, there is a risk on storage and lost, and furthermore, stamp duty is required.

- **On June 27th, 2007 (HEISEI 19), Electronically Recorded Monetary Claims Act became effective, and electronic monetary claim newly became one of payment methods.**
  Electronic monetary claim is monetary claim registered in the central book managed by Electronic Monetary Claim Recording Institutions. Suppliers can exchange electronic monetary claim with money at banks or they can use electronic monetary claim as a payment measure for their suppliers. The purpose of electronic monetary claim is promoting companies’ financing activities and overwhelming the disadvantages of conventional domestic bank transfer and bill of exchange payable.
The system comes with all the settings you need to make domestic payments with the Payment Medium Japan – Domestic DME (and Bank Charges) report or payment medium format. Companies in Japan can use this report or payment medium format to create electronic files and mail payment orders for domestic bank transfers in the format prescribed by the Japanese Bankers Association (ZENGINKYO).

You generate the payment media using the Payments program (transaction F110) in conjunction with the supplied payment method (domestic bank transfer) and the Payment Medium Japan – Domestic DME (and Bank Charges) report (RFFOJP_T) or payment medium format based on the payment terms set in AP items, the Payments program (transaction F110) selects AP items to be paid and creates the payment data. The Payment Medium Japan – Domestic DME (and Bank Charges) report (RFFOJP_T), payment medium format JP_ZENGINKYO, or payment medium format JP_ZENGINKYO_XML calculates and posts bank charges. These functions are also supported for merged banks.

In the vendor master record, enter the vendor’s bank details on the Payment Transaction screen as usual. In addition, enter the account holder’s name and the payee’s bank control key. Also enter an instruction key, which specifies whether you or the vendor will pay the bank charges.

When you execute the Payment Medium Japan – Domestic DME (and Bank Charges) report (RFFOJP_T) or payment medium format, the system determines how much you have to pay the vendor and automatically posts this amount, the bank charges, and the value-added tax (VAT) to the corresponding G/L accounts. It also generates a DME file with payment instructions and any printouts that you want. Depending on who is paying the bank charges, the following documents are posted:

- Charges debited to paying company code
  Dr) Bank sub-account
  Cr) Bank account (or Bank sub account (Eg. Later, bank statement is imported and clear bank sub account))

- Charges debited to payee
  Dr) Bank sub-account
  Cr) Bank account (or Bank sub account (Eg. Later, bank statement is imported and clear bank sub account))
  Cr) Bank charges account
  Cr) VAT
Financial Accounting
Payments by Foreign Bank Transfer (GAIKOKU SOKIN IRAI)

1. Change supplier invoice by treasury division
   • Set the detail information on foreign remittance
2. Payment Run
   • Number of payment order is submitted to house bank as Application for Remittance Number
3. Generate Files
   • ZENGINKYO Format DME File (Foreign Remittance)
   • JP_ZENGINKYO_I
4. Clearing by Payment Order Number
   • Manual Payment and Clearing
   • Payee (Vendor)

Clearing supplier invoice

Origination of Transfer

Application for Foreign Remittance

Payment Data

Dr) A/P
Cr) Bank sub account (or Bank account)
Dr/Cr) Exchange gain/loss

The system comes with all the settings you need to make foreign bank transfers with the Payment Medium (Japan) – DME Abroad report or payment medium format. Companies in Japan can use this report or payment medium format to create electronic files and mail payment orders for foreign bank transfers in the format prescribed by the Japanese Bankers Association (ZENGINKYO).

You generate the payment media using the Payments (F110) program in conjunction with the supplied payment method (foreign bank transfer) and the Payment Medium (Japan) – DME Abroad report (RFFOJP_L) or payment medium format JP_ZENGINKYO_I.

In the vendor master record, enter the vendor’s bank details on the Payment Transactions screen as usual. In addition, enter the account holder’s name and the payee’s bank control key. Also enter a payment instruction key.

After the creation of AP open items (these are source data), the Payments (F110) program selects AP open items and creates payment data. For the creation of payment data, SCB indicator and instruction key which are set in AP open items.

Different from domestic bank transfer, the Payments (F110) program does not post payment document. Instead payment order is created.

When you execute the program or payment medium format JP_ZENGINKYO_I, the system automatically generates a DME file with payment order number. Payment order number is filled in the Application Number field.

After our payer bank executes the remittance, the result will be informed by another bank statement. There is no capability to import this type of bank statement. Referring the information in this bank statement, you search AP open items with payment order number, then post outgoing payment with actual currency exchange rate. Here, currency exchange gain/loss is posted.
Financial Accounting
Import Bank Statement ZENGINKYO

Program RFEBJP00 imports bank statements (text file) into the SAP system and program RFEBJP0X imports bank statements (xml file). Then batch input sessions are generated for posting in G/L and subledger accounting.

The imported information from bank statement is stored in table FEBKO (Bank statement header), FEBEP (Bank statement item), FEBRE (Reference for bank statement item), FEBCL (Clearing information for bank statement item), FEBVW (Bank statement administration data), etc.

There are two types of bank statements for ZENGINKYO:
1. General account transaction information (Nyu-Shukkin Torihiki Meisai)
2. Credit memo transfer information (Furikomi Nyuukin Tsuchi)

The program checks whether the business transaction codes (external transactions) used by the bank were allocated to an internal transaction within the system configuration. This is necessary because the system posts to the G/L and sub ledger accounts by using the posting rules stored under an internal transaction.

For external transactions, the system uses the Japanese ZENGINKYO code.

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For external transactions, the system uses the Japanese ZENGINKYO code.
SAP Cash Application is a cloud service that integrates with S/4HANA wherever it is deployed, cloud or on-prem. (Note that 1702 and 1705 are S/4HANA Public Cloud releases ONLY).

The historical clearing information is sent to the SAP Cash Application to train the model and derive matching criteria. Training happens regularly to ensure changing behavior is captured so the model can adapt.

When new bank statements are received (most times on a daily basis), those not processed by the standard rules will be sent to the service along with the open receivables so the machine learning model can infer matching proposals.

The Machine Learning approach can capture much richer detail of customer- and country-specific behavior, without the costs of manually defining detailed rules.

Proposals are returned to S/4HANA and those that meet the configurable confidence threshold are automatically cleared for full automation. When there are multiple proposals for a payment they are presented to the AR accountant within the standard Fiori app they use today.
Here you can see the data image sent to machine learning services.
In Japan, companies are required to carry out the process of "Shimeseikyu." This process is unique to Japanese business practice and involves the following process steps:

- **Invoicing:** Creation of monthly invoices
- **Printing of monthly invoices**
- **Clearing:** Receipt of payment data, automatic identification of open items, and clearing of open items
- **Reporting:** Status report of billed and non-billed items

The SAP Invoice Summary provides functions to perform the required process steps for invoice summary, according to Japanese requirements, for the following document types: invoices, credit memos, and down payment requests (parked and cleared documents are not included).

The function consists of:

- Maintenance of virtual accounts
- Invoice summary processing (creation report)
- Print program or individual printing
- Clearing process
- Status report
- Archiving
With the new depreciation engine (SAP ERP 6.0 EA-FIN, SP05), SAP delivers country-specific depreciation keys that use country-specific depreciation methods by the chart of depreciation 0JP in the client 000.

As SAP Note 932330 mentions, after April 1, 2013, the Legal Change solution will be delivered ONLY for the new depreciation engine.

You can continue to use the former depreciation keys, such as JD** and JL**, in the new depreciation engine.

Because Legal Change 2007 occurred after the new features were released, SAP delivered SAP Note 1057539 and its related notes.

<table>
<thead>
<tr>
<th>New Function</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Dep. Key: SLT, SLII, DB SLM &amp; DBM for Japanese Tax</td>
<td>• Depreciation keys for the straight-line method and the declining-balance method using legal depreciation rates determined by the asset’s useful life. Improved usability by reducing the number of depreciation keys.</td>
</tr>
<tr>
<td>New Dep. Key: DS Switch Dep. Method (DBM → SLM)</td>
<td>• Depreciation key for assets whose depreciation method is switched from declining-balance method to straight-line method. Improved usability by reducing the number of depreciation keys.</td>
</tr>
</tbody>
</table>
### Financial Accounting
Corporate Tax Law Depreciation Calculation

After legal change 2007 and 2011, Japan depreciation keys for Corporate Tax Law are like below.

<table>
<thead>
<tr>
<th>Depreciation method according to Japanese Corporate Tax Law</th>
<th>Assets acquired before April 1st, 2007</th>
<th>Assets acquired after April 1st, 2007</th>
<th>Assets acquired after April 1st, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do NOT use country-specific depreciation method</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Straight-line method</td>
<td>JL** + 2nd phase (Main Note 1057539)</td>
<td>Create new keys (Main Note 1057539)</td>
<td>Create new keys (Main Note 1057539)</td>
</tr>
<tr>
<td>Declining-balance method</td>
<td>JD** + 2nd phase (Main Note 1057539)</td>
<td>Create new keys (Main Note 1057539)</td>
<td>Create new keys (Main Note 1057539)</td>
</tr>
<tr>
<td>DBM → SLM</td>
<td>Create new keys (SAP Note 1560781)</td>
<td>Create new keys (SAP Note 1560781)</td>
<td>Create new keys (SAP Note 1560781)</td>
</tr>
</tbody>
</table>

| USE country-specific depreciation method                     |                                        |                                      |                                      |
| Straight-line method (Tangible asset)                        | SLT + 2nd phase (Main Note 1057539)    | DS7 (Main Note 1057539)              | DS11 (Main Note 1057539)             |
| Straight-line method (Intangible asset)                      | SI                                     |                                      |                                      |
| Declining-balance method                                    | DB + 2nd phase (Main Note 1057539)     | DB7 (Main Note 1057539)              | DB11 (Main Note 1566382)             |
| DBM → SLM                                                  | DS + 2nd phase (SAP Note 1560781)      | Create new key (SAP Note 1560781)    | Create new key (SAP Note 1560781)    |

- **Depreciation keys JL**, **JD**, **SLT**, **SLI**, **DB**, and **DS** had been already released when legal change 2007 happened, and at that time, they had only phase 1. Due to legal change 2007, for tangible assets acquired on and before March 31st, 2007, from the next fiscal year when NBV reaches cut-off value (5% of APC), even depreciation over five years (60 months) can be done, and until NBV reaches memo value 1 JPY, depreciation calculation can be continued. Except for depreciation key **SLI**, phase 2 is necessary. Adding phase 2 to depreciation keys is explained in SAP Note. 1057539.
In Japan, companies are legally required to calculate depreciation after asset impairment. When companies depreciate the impaired assets according to JGAAP for Asset Impairment, they have to use specific depreciation rates and base values that are contained in a special formula. The localization of the new depreciation engine for Japan implements this formula and enables you to calculate asset depreciation after impairment postings have been made. The following depreciation keys are delivered for this purpose:

- **IDB**: Declining balance method for impairment with 5% scrap value
  (You can change the scrap value %; 5% is just a default.)
- **IDM**: Declining balance method for impairment with 0% scrap value
- **ILI**: Straight-line method for impairment with 0% scrap value
- **ILT**: Straight-line method for impairment with 5% scrap value
  (You can change the scrap value %; 5% is just a default.)

(Note 1) The additional postings, such as acquisition and investment support for impaired assets, are not supported. Also refer to SAP Note 951312 and SAP Note 986616.

(Note 2) In S/4HANA Cloud, Japan specific transaction type for impairment is not available, there is restriction to use depreciation keys after asset impairment.
Each municipality in Japan levies property tax. Under Tax Law 383 (Chihou-Zehou), you are required to file a property tax declaration with each municipal tax office each year, stating the values of your property as of January 1. The authorities then tax your property accordingly.

According to Local Tax Law 341(4), “depreciable assets” are assets which are except for land and buildings, can be used for business operation, and NOT lower-value assets. For example, structures, machines, tools, and equipment are “depreciable assets” according to Local Tax Law.

The Property Tax Report (program RAIDJP_TAX), developed for “Kigyo Densan Shori Houshiki” and “Kigyo Densan Shori Houshiki,” requires companies to declare all their assets on January 1 of the declaration year. Companies must submit both “Declaration Form (Form No.26)” and “Line Item List (Form No. 26 Annex 1).”

Regarding “Line Item List,” companies must prepare both “Line Item List for All Assets” and “Line Item List for Acquisition.”

“Line Item List for Retirement” is not required, but as the internal purpose, Property Tax Report (RAIDJP_TAX) can create “Line Item List for Retirement.”

In the report, the declaration period is hard-coded. The start date of the declaration year is January 2 of the previous declaration year, and the end date is January 1 of the current declaration year.

To store the values as of January 1, use new standard table “IDFIAA_JP_RESULT” (the Result table for ProPT).

- Data of ProPT declaration is stored in the Result table for ProPT every year.
- “Update run” for the Result table for ProPT should be executed after the asset master data and transaction data (including reversal postings) are fixed.
- Data in the Result table for ProPT will be stored unless you delete it; thus, you can output the forms from the previous declaration year.
- In the next declaration year, when you execute “RAIDJP_TAX,” the system gets the previous declaration year’s data of APC, TBV, TEA, and so on from the Result table for ProPT, calculates the current declaration year’s values, and inserts/stores them in the Result table for ProPT.
Every company that has offices and owns fixed assets in Japan must submit Annex 16 forms to the National Tax Agency. Companies submit Annex 16 forms together with their annual tax return. The Annex 16 forms show details of the depreciation costs and any adjustments that you must make to the accounting-based depreciation of your assets.

You use the Annex 16 report to prepare the following forms:

- **Annex 16-1**: Assets that depreciate using the straight-line depreciation method
- **Annex 16-2**: Assets that depreciate using the declining-balance method
- **Annex 16-4**: Leased assets that depreciate using the straight-line method
- **Annex 16-6**: Deferred assets
- **Annex 16-8**: One-time depreciation
In Japan, the landlord has two alternatives to calculate consumption-based service charges:

- Based on actual costs, for example, for water consumption, depending on the total amount of water consumed and the consumption costs imposed on the tenants. In this case, the unit price of the consumption can vary.

- Based on fixed unit prices, for example, for electricity or heating, agreed between the landlord and the tenant where the costs resulted from the calculation with fixed unit prices are imposed on the tenants. The purpose of this business practice is to have a buffer in the service charge cost coverage for the landlord.

The first alternative is a standard RE-FX procedure, and the second alternative is a country-specific enhancement. In the country-specific enhancement, the program calculates the service charges based on fixed unit prices for rental objects with own or common meters. Afterward, the standard service charge settlement (SCS) function distributes them between the tenants or vacant objects.

For non-consumption-based components, like cleaning or garbage, you either add an additional flat rate to the rent or distribute a fixed prices among the tenants.
Flexible Real Estate Management
Payment Charge Report for Real Estate

You need to prepare this annual report if the annual real estate charges of your company to a vendor are higher than the amount specified by law in that year.

The report collects these payments (created by periodic or one-time posting) and creates a printout or an electronic file (Form 313), which you can file with the authorities.

You can also use this function to create a summary report that collects the number of all payees and the number of payment charges that are above the payment limit.
Flexible Real Estate Management
Lease-Out Offices in Megacities

Companies in Japan have to pay business taxes in the form of property taxes and employee base taxes yearly if they own or lease more than 1000m² of space or have more than 100 employees in all of their offices in a city.
On the other hand, the companies that are leasing out the rental spaces for the companies eligible for business tax have to report the leased out offices as a measure of error prevention in the tenants’ business tax reports. They also have to report buildings or offices that are sublet (leased, but leased out at the same time).

The frequency of these reports depends on the frequency of changes in the lease-out conditions. If this frequency is high, the company can agree on less frequent reporting with the authorities, for example, once a quarter.

You can use this function to prepare a report for lease-out offices in megacities in Japan.
According to JGAAP for Financial Instruments, impairment loss for securities in foreign currency is calculated as \(<\text{NBV in JPY} - \text{Fair Value in JPY}\>\).

Like an example shown in the right side, from the price point of view, it is valuation loss, however, from the currency translation point of view, it is valuation gain, due to weak Yen. In this case, via transaction TPM73, fair value in JPY is entered and this value is considered in transaction TPM70, then impairment loss is calculated as \(<\text{NBV in JPY} - \text{Fair Value in JPY}\>\).
In Japan, the interest calculation period for borrowings and loans includes BOTH start date AND end date.

For Interest Rate Instruments, regarding the interest calculation period, the option to include both start date and end date has been provided since SAP ECC .0 EhP7.
In case of Consumer Products Industry (especially Food & Beverage), consumers and retailers expect the guarantee of fleshiness and safety and the establishment of traceability, thus, “Batch Management” is very crucial.

Especially at the time of delivery, for the internal effective material management and the requirements from business partners (wholesalers, and shops, etc), “Batch Management” needs to cover the following requirements.
- Automatic determination of batch, based on FIFO
- Batch determination based on the remaining days to expiration date
- Control the number of batch split
- Preventing batch-inversion (older batch than delivered batch will not be delivered.)

Three requirements of four described in this chapter, which are “FIFO”, “Remaining days to Expiration Date” and “Control the Number of Batch Split”, can be realized with the generic standard features of “Batch Management”. In the next chapter, it will be explained.

“Batch-Inversion” cannot be realized with the generic standard features of “Batch Management”. To realize this requirement of “Batch-Inversion”, JSUG (Japan SAP User Group) submitted the development request, and it was delivered as Japanese-specific feature in SAP ERP as add-on component, and since SAP S/4 HANA OP 1610, it has been embedded into standard component.
Retailers sell consumer products to consumers by FIFO basically, which is as same as manufacturers do that to retailers. When manufacturers sell consumer products to customers, batch-inversion should be prevented (a newer batch than the latest delivered one should be always delivered.).

For example, once batch 12350 is delivered to A store, manufacturer should deliver batches after 12350. Batch-inversion is requested by each customer, and not all customers request batch-inversion.
“CHOAI Route Management” provides the feature of “Initial Screen of Sales Order Entry with specifying CHOAI Route”.

Another transaction code is assigned to “Initial Screen of Sales Order Entry with specifying CHOAI Route”, so both “SAP S/4HANA OP standard initial Screen of Sales Order Entry” and “Initial Screen of Sales Order Entry with specifying CHOAI Route” are available at the same time. For the same sales organization, Sales Order can be created via both transactions, but there is a restriction – SAP Note 2591209.

- You can use SAP Standard Initial Screen as well.

- Partner Function set at Sales Order (Header Level)

- Partner Function | Customer
  - Z0 | AAAAAAAA
  - Z1 | BBBBBBBB
  - Z2 | CCCCCCCC
  - Z3 | DDDDDD
  - Z4 | EEEEEEEE
  - Z5 | FFFFFFFFFF
  - SP | GGGGGGGG
  - SP | HHHHHHHH
  - Y | AAAAAAAA
  - H | EEEEEEEE

- Partner Function set at Sales Order (Detail Level)

- Partner Function | Customer
  - PY | AAAAAAAA
  - SH | EEEEEEEE
For example the CHOAI Route can be defined.
A new condition type ‘ETPR’ is provided when purchase info record is created. It “1” is set for this new condition type, the system recognizes that temporary price is set.

The setting of temporary price in purchase info record is considered when purchase order is created/updated via transaction ME21N, ME22N or ME59N, and temporary price flag is automatically set to purchase order.

Once the price is formally determined, the price information in purchase info record needs to be manually updated, in order to set zero (space) to condition type ETPR.

Via a new transaction J1_MASSPO, the list of purchase order is generated and you manually update purchase order.

In principle, the formal price should be determined (agreed) before goods receipt. In order to avoid posting goods receipt of materials with temporary price, if goods receipt of materials with temporary price are about to be posted via transaction MIGO, message (either error or warning) can be output. Message type can be configured by end-users.
What is “Chargeable Supply”? 

- An own company supplies components of subcontracted products to a subcontractor, with chargeable. Different from supplying components with non-chargeable, in case of supplying components with chargeable, when components are supplied to a subcontractor, the ownership of these components are moved to a subcontractor.
- An own company posts Unbilled-A/R to a subcontractor.
- An own company buys-back subcontracted products including the material cost of chargeable components.
- Later on, an own company offsets between Unbilled-A/R from supplying chargeable components and Accounts Payable from buying subcontracted products including the material cost of chargeable components, and the remaining amount is paid to a subcontractor.
- In the past, “Subcontracting with Chargeable Components” were released as BPL (Best Practice Library), and it has been delivered as standard (localization) since SAP R/3 Enterprise Extension 2.0.
- The solution of “Subcontracting with Chargeable Components” is for an own company.
Related Information

SAP Japan Localization Financials and Logistics

For more information on topics discussed in this lesson, see the following references:

- SAP Globalization Services SAP ERP and S/4 HANA Finance:

Some documentations are prepared in English as well. If you would like English documentation, please contact SAP.

- Legal change report:
  https://launchpad.support.sap.com/#/legalchangenotification

- Product Assistance:
  https://help.sap.com/viewer/26b08c9970fa435faacf6033ca0dcf93/1809.002/en-US/e0247b6650b4d359139ca545f3f8f.html
  (SAP S/4HANA On Premise 1809 FPS02)

  (SAP ERP 6.0 EHP8 SP12)

  https://help.sap.com/viewer/b8c09e0197454541a1f9d46ef1ab96e/1905.500/ja-JP/b4d0b5a796ae9d7fe10000000a154cf9.html
  (SAP S/4HANA Cloud 1905)

- Jam Group: SAP FIN/LOG Solutions for Japan
  Request the access authorization via JSUG site.

For more information on the topics discussed in this lesson, see the references listed here.
Agenda

SAP Japan Localization Human Capital Management
- Our on-premise and cloud HR software in Japan
- SAP ERP HCM: Localization in Core HR and Payroll Japan
- SAP SuccessFactors: Localization in Employee Central and Payroll
- Core HR and Payroll Japan Localization
  - Rehiring Following Retirement
  - Corporate Pension
  - Maternity/Child care/Nursing Leave
  - Time Recording
  - My Number
  - e-GOV Solution

In the second half of this e-book, you will learn about localization of Human Capital Management in Japan.
HCM localization for Japan is available since 1993. We support Japanese business processes and legal requirements and continue to provide localized functions, based on our customers’ feedback.

As at 2019, approximately 400 group companies (meaning 2000 legal entities in Japan) use SAP ERP HCM and SAP SuccessFactors.

There are several legal changes every year. Sometimes, these changes are complex but become effective with short notice, so we have to deliver corrections step by step. Therefore, we keep our customers informed of the timeline of a legal change delivery via Legal change notification app on support launchpad.
HR Core and Payroll have been localized and have many country-specific functions.

Master data includes commuting allowance and route management. Commuting allowance is non-taxable up to a certain limit defined by law. For companies with unions, union membership functionality is available. The system calculates and deducts union membership fees from payroll. SHUKKO, which means “temporary transfer to another company,” is a common employment contract in Japan. An employee keeps an employment contract with the company in which he or she has been working, but works for another company with SHUKKO contract. When an employee works as SHUKKO, the employee’s salary is paid by the original company, but is reimbursed from the other company.

Payroll functionality includes monthly payroll, SHOYO (which means “bonus”), retirement liquidation, and retirement allowance payment. Monthly payroll, SHOYO and retirement allowance have respective tax calculation. Retirement liquidation is final adjustment before an employee leaves the company. Year-end adjustment is yearly tax adjustment. Another special function is available for tax calculation for non-residents. As for bank transfer, we have a country specific bank transfer format called ZENGINKYO. We also have local social insurance and tax reports as other countries do.
SAP SuccessFactors: Localization in Employee Central and Employee Central Payroll

- SAP SuccessFactors Employee Central is localized for Japan.
- SAP SuccessFactors Employee Central Payroll (ECP) is based on SAP's on-premise payroll engine and localized for Japan.
- As part of country localizations, country specific fields for Address Formats, Name formats, Contract Details, Dependents etc. are available for Japan.
- SAP Best Practices for SAP SuccessFactors is available since 1902 for fast and automated deployment.

SAP SuccessFactors Employee Central is HR Core in the cloud and have 97 Local Versions and 42 languages as at June 2019. SAP SuccessFactors Employee Central Payroll is cloud-based payroll solution which is based on SAP’s on-premise payroll engine and localized for 43 countries as at June 2019. As part of country localization, country specific fields for Address format, Name format, Dependents etc. are available for Japan. SAP Best Practices for SAP SuccessFactors is available since 1902 release for fast and automated deployment for Japanese customers.
Core HR and Payroll Japan Localization

Japan localization helps our customers run HR processes smoothly and efficiently.

<table>
<thead>
<tr>
<th>Major localization</th>
<th>Related documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll (Monthly payroll, Shoyo/Non-periodic Shoyo, Retirement allowance, Year End Adjustment, Non-resident payroll, Commuting allowance, Union membership, Shukko management, Tax/Social Insurance/Labor Insurance etc.)</td>
<td>Online help (JA/EN) Legal reports overview (JA/EN)*</td>
</tr>
<tr>
<td>Income tax / Resident tax forms (Dependent, Withhold Tax Statement, Resident tax change etc.)</td>
<td>Overview (JA/EN)*</td>
</tr>
<tr>
<td>Health Insurance/Employee Pension forms (Acquire, Lost, Santei, Geppen, Shoyo payment etc.)</td>
<td>Overview (JA/EN)*</td>
</tr>
<tr>
<td>Employment Insurance forms (Acquire, Lost, Transfer, Certification of Leaving, continuous employment benefits for the elderly etc.)</td>
<td>Overview (JA/EN)*</td>
</tr>
<tr>
<td>ESS (Address, Year End Adjustment etc.)</td>
<td>Overview/Details (JA/EN)*</td>
</tr>
<tr>
<td>Group Insurance Data Exchange</td>
<td>Overview (JA)* Details (JA)*</td>
</tr>
</tbody>
</table>

Here are some of the localized functions we’ve delivered. We’d like to highlight some of the major localizations in the following slides. If you’re interested in these functions and would like to know their details, please click the hyperlinks in this slide to find out more.
Rehiring Following Retirement

Rehiring following Retirement is designed for a business case where employees re-enter the company on day after they left that same company with the same personnel numbers. In such a business case, there is a special way to handle social insurance and the company has to submit relevant legal forms.

Main features:
• Master data management
• Enhancement of retirement liquidation
• Enhancement of retirement allowance calculation
• Legal reports

The law concerning Stabilization of Employment of Older Persons was revised; it raised the practical retirement age to 65. Consequently, more companies try to change employment contracts from regular to SHOKUTAKU before employees reach their retirement age.

Rehiring following Retirement is designed for a business case where employees re-enter the company on day after they left that same company with the same personnel numbers. In such a business case, there is a special way to handle social insurance and the company has to submit relevant legal forms. The main features are master data management, enhancement of retirement liquidation and retirement allowance calculation and legal reports.
The two major corporate pension plans are Defined Benefit pension (DB) and Defined Contribution pension (DC). DB is a system whereby pension benefits payable in the future to participants are predetermined. Pension assets are invested by the company. DC is a system whereby the amount of pension contributions payable by Employer is predetermined. Each pension asset is invested by the individual participant. These plans are supported by our Corporate Pension functions such as master data management, payroll calculation, reporting and interface. Our system also supports several ways to calculate pension contributions.
Maternity/Child care/Nursing Leave provides the following functions:

- Mater Data for Leave
- Standardization of leave related operations
- Legal forms for leave

Due to increasing work style diversity and demographic aging, the workload for handling maternity, child-care and nursing leave is getting higher. Our customers require functions to manage several statutory forms for insurance exemptions and benefits from social insurances. In order to handle the ad-hoc requests from employees efficiently, the customers require the functions to standardize their business process and to trace the history and progress of the application forms. Our Maternity/Child care/Nursing Leave functions help our customers to standardize the process and improve their efficiency.
Overtime work is allowed after concluding an overtime work agreement (so called “36-agreement”) and filing it with the Labor Standards Inspection Office. An employer cannot demand its employees to work longer than the maximum specified in 36-agreement. It is also required by laws to use the time unit of 1 minute to manage start / end time and working hours. To comply with these requirements, the following functions are provided:

- Overtime Work Check
- Time management and calculation in unit of minute

In addition, for the compliance with Labor Standard Act, most employers in Japan are using the time unit of 1 minute to manage start / end time and working hours. To comply with these requirements, our system provides Overtime Work Check and Time management and calculation in unit of minute.
Social Security and Tax Number, aka My Number, is a system which improves administrative efficiency and enhances public convenience by notifying every resident of his or her own individual number. It is allowed to use Individual Numbers only for the purposes stipulated by law and required to take security measure to handle Personal information including Individual numbers in safe manners.

Employers need to collect individual numbers from their employees and print them on legal reports complying the relevant laws. Our system provides ESS to collect individual numbers, audit log and legal reports.
e-Gov is a portal website run by Japanese government. Employers are able to submit social and labor insurance reports through the website. e-GOV provides APIs to increase the utilization rate of online report submission since October 2014.

Besides, there has been a legal change which requires strict security measures when handling My Number data. Moreover, the government has announced that employers capitalized at over 100 million JPY etc. must submit these reports via electronic submission after April 2020. We developed and provided e-Gov solution based on the increasing demand from our customers and for digital government.
Lesson Summary

You should now be able to:
- Explain the highlights of SAP ERP Financials and Logistics in SAP Japan Localization
- Explain the highlights of SAP S/4HANA Financials and Logistics in SAP Japan Localization
- Explain the highlights of SAP S/4HANA Cloud Financials in SAP Japan Localization
- Explain the highlights of Human Capital Management solutions in SAP Japan localization

You should now be able to:
- Explain the highlights of SAP ERP Financials and Logistics in SAP Japan Localization
- Explain the highlights of SAP S/4HANA Financials and Logistics in SAP Japan Localization
- Explain the highlights of SAP S/4HANA Cloud Financials in SAP Japan Localization
- Explain the highlights of Human Capital Management solutions in SAP Japan localization
For more information about the topics discussed in this lesson, see the references listed here.

- **Country page:**
  - Japan

- **Legal change notification:**
  - [https://launchpad.support.sap.com/#/legal changenotification](https://launchpad.support.sap.com/#/legal changenotification)

- **SAP Best Practices for SAP SuccessFactors Employee Central (Japan):**
Thank You.

Contact information:
SAP Globalization Services:
globalization@sap.com