

# Indonesia

## Investment Climate

July 2025

Mizuho Bank, Ltd.  
Global Strategic Advisory Department

Mizuho Research & Technologies, Ltd.  
Research Division

**MIZUHO**

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I. Country Profile

II. Establishing a Local Subsidiary

III. Regulations, Incentives, Reference Information

IV. Recent Topics

V. Other

# I. Country Profile

## I-1. Key Economic Indicators for Asia

Country/Region	China	Japan	India	South Korea	Indonesia	Singapore
Population (millions)	1,408.3	123.9	1,441.7	51.8	281.6	6.0
Nominal GDP (US\$ 100 million)	187,480	40,262	39,091	18,697	13,963	5,474
Real GDP growth rate (annual, %)	5.0	0.1	6.5	2.0	5.0	4.4
GDP per capita (US\$)	13,313	32,498	2,711	36,129	4,958	90,674
Estimated GDP growth rate (2025, %)	4.0	0.6	6.2	1.0	4.7	2.0
Credit rating (S&P) as of Mar 2025	A+	A+	BBB-	AA	BBB	AAA
Country/Region	Thailand	Philippines	Vietnam	Malaysia	Myanmar	Cambodia
Population (millions)	70.3	113.2	101.3	33.5	54.9	17.2
Nominal GDP (US\$ 100 million)	5,264	4,616	4,595	4,196	612	473
Real GDP growth rate (annual, %)	2.5	5.7	7.1	5.1	▲ 1.1	6.0
GDP per capita (US\$)	7,492	4,079	4,536	12,541	1,114	2,755
Estimated GDP growth rate (2025, %)	1.8	5.5	5.2	4.1	1.9	4.0
Credit rating (S&P) as of Mar 2025	BBB+	BBB+	BB+	A-	n.a.	n.a.

Note 1: Data are for 2024 estimates; estimated GDP growth rates for 2025 are IMF estimates (based on figures released in March 2025).

Note 2: S&P rating criteria (March 2025):

A : An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

BBB : An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

BB : An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments.

## I-2. Basic Data and Overview



### Basic Data on Indonesia

Population	281.600 million people (2024)
Square area	1.89 million Km <sup>2</sup> approx. (5 times Japan's size)
Capital	Jakarta
Language	Indonesian
Ethnicities	The majority is Malay
Religions	Islam (87.2%), Christianity (9.8%), Hinduism (1.6%)
Currency	Rupiah (IDR)
Politics	Republic (presidential system); Head of State: President Prabowo Subianto
GDP	Nominal: US\$1,396 billion; Per capita: US\$4,958 (2024 IMF)
Real GDP growth rate	5.0% (2024 IMF)
Major industries	Manufacturing (transportation equipment, food and drink), agriculture (palm oil, rubber, rice, etc.), mining industry (LNG, coal, nickel, etc.), commerce, hotels, restaurants

### Overview of Indonesia

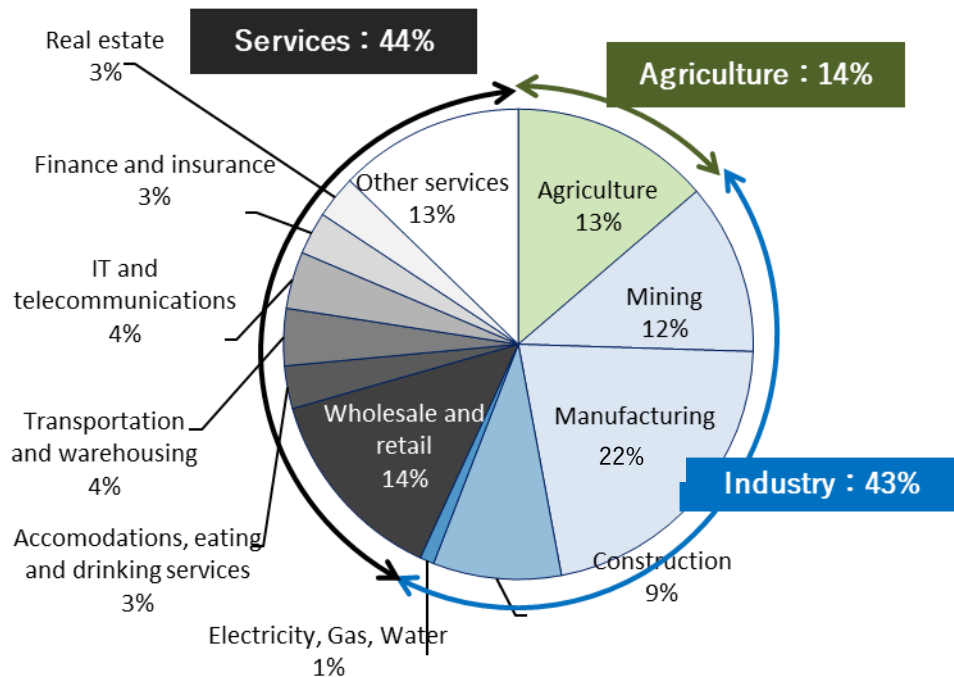
- ✓ The Republic of Indonesia is the world's largest island nation, consisting of 13,466 islands. With the world's fourth largest population and the world's largest Muslim population, each region has its own culture, so maintaining cohesion as a nation is one of the challenges.
- ✓ After independence in 1945, the country's abundant resources helped build a strong economy.
- ✓ Since 1983, the country has developed an export-oriented economy utilizing foreign capital, and it has continued sustained economic growth. Although the Asian currency crisis of 1997 caused an economic crisis, the economy recovered under the guidance of the IMF. In recent years, the economy has been solid, reflecting strong domestic consumption.
- ✓ In 2020, the economy entered its first recession since the currency crisis due to the impact of coronavirus, but the economy recovered and recorded 5.0% real GDP growth from 2022.

### I-3. Economic Structure (Industry/Trade) (1): Industrial Structure

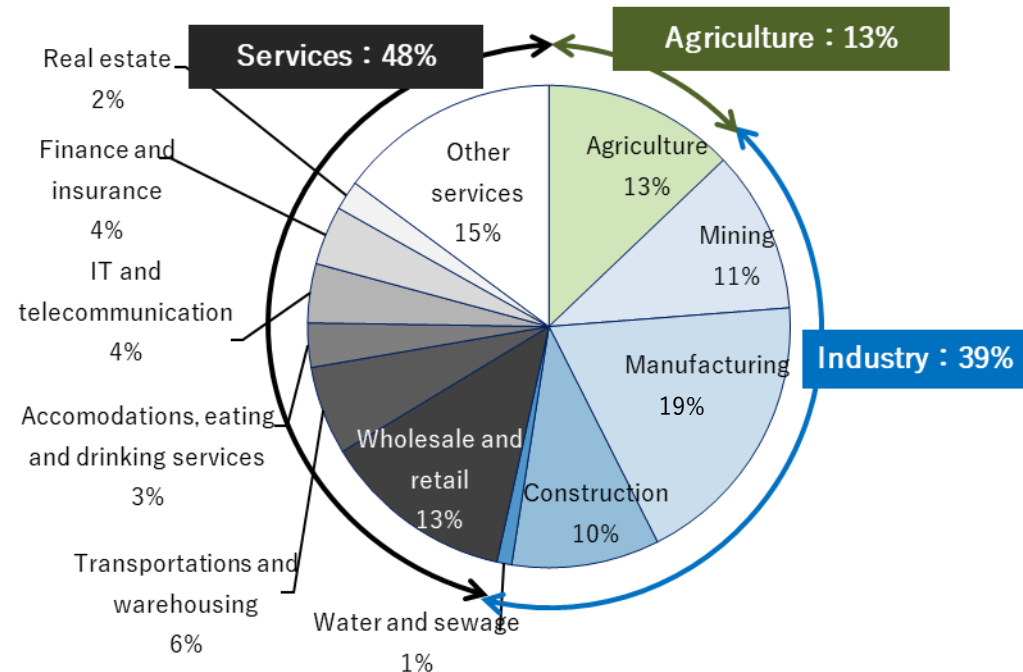
- In the agricultural sector, production of palm oil and other products remained stable. Although the manufacturing sector exhibited high growth rates until the 1990s, the growth in recent years has stagnated due to rising labor costs and delays in technological innovation, leading to a declining share.
- The Services sector's share has increased significantly, to the point that it has replaced the industrial sector as the largest sector in terms of percentage. As income levels rise, the Services sector's share is expected to increase further in telecommunications, education, and public services.

#### GDP Composition by Industry (comparison of 2011 and 2023)

2011



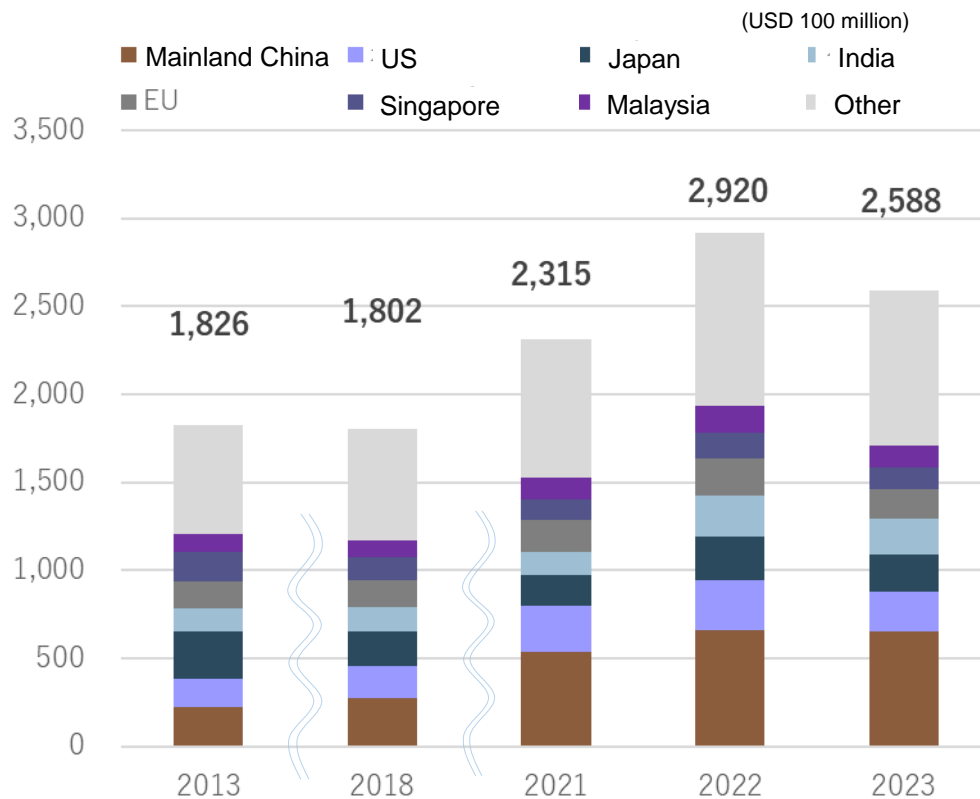
2023



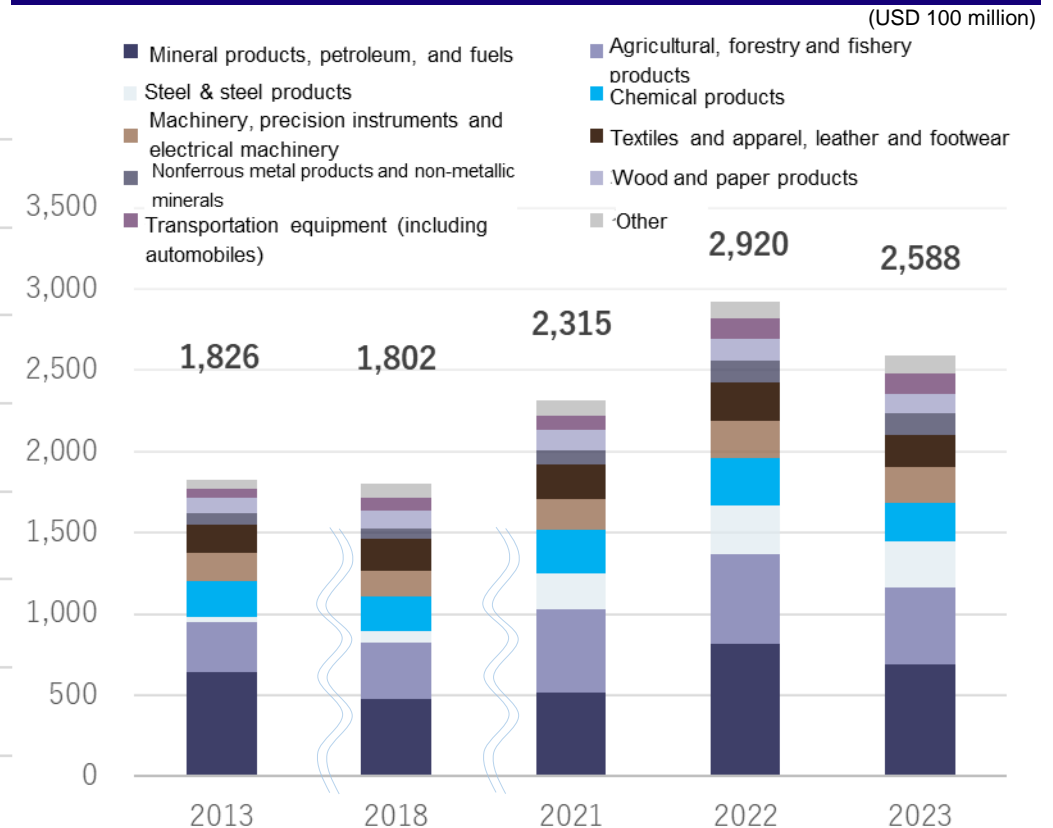
## I-3. Economic Structure (Industry/Trade) (2): Trend of Export Values

- Due to the sluggish global economy and the decline in resource prices, Indonesia's total export value in 2023 amounted to US\$258.8 billion, a decrease of 11.4% compared to the previous year. China, US, and Japan account for about 40% of the total export destinations.
- As a resource-rich country, exports of mineral products (coal, natural gas, crude oil, ores, etc.) account for about 30% of total exports.

### Trend of exports by region/country



### Trend of export value by product category



Note: "Other Asian countries/regions" represents the total trade value of countries/regions that are not separately aggregated in the source data, including Taiwan.  
Export item classification is based on the two-digit HS code classification.

## I-3. Economic Structure (Industry/Trade) (2):

### Trend of Export Values (by Country/Region and Export Item Category)

- Exports to China are the largest for most items, while transportation equipment (including automobiles) is exported to Japan, Malaysia and other neighboring countries, as Indonesia is one of the manufacturing hubs in ASEAN.

#### Export breakdown (by country/region and export item category)

	Agricultural, forestry and fishery products	Mineral products, petroleum, and fuel	Chemical products	Wood and paper products	Fibers & textiles, clothing, leather, footwear, etc.	Steel and steel products	Non-ferrous metal products and non-metallic minerals	Machinery, precision instruments, electrical machinery	Transportation equipment (including automobiles)	Other	Country/region total (USD 100 million)
Mainland China	98.3 (20.5%)	197.8 (28.8%)	44.5 (19.1%)	36.3 (29.3%)	12.2 (6.2%)	183.6 (64.6%)	67.1 (52%)	7.4 (3.3%)	1.4 (1.2%)	0.7 (0.6%)	649
US	49.7 (10.4%)	0.2 (0%)	27.0 (11.6%)	9.5 (7.7%)	74.1 (37.5%)	2.5 (0.9%)	3.2 (2.5%)	45.5 (20.4%)	2.4 (1.9%)	18.8 (17.3%)	233
Japan	16.4 (3.4%)	85.7 (12.5%)	19.4 (8.3%)	11.2 (9%)	15.6 (7.9%)	1.3 (0.5%)	15.9 (12.3%)	24.5 (11%)	7.8 (6.4%)	10.1 (9.3%)	208
India	50.3 (10.5%)	85.3 (12.4%)	22.5 (9.6%)	7.3 (5.9%)	3.1 (1.6%)	17.1 (6%)	4.2 (3.3%)	5.7 (2.6%)	1.7 (1.4%)	5.7 (5.2%)	203
EU	40.6 (8.5%)	21.6 (3.1%)	24.1 (10.3%)	6.2 (5%)	31.3 (15.8%)	7.3 (2.6%)	4.3 (3.3%)	22.6 (10.1%)	3.0 (2.5%)	5.9 (5.5%)	167
Singapore	8.5 (1.8%)	45.1 (6.6%)	8.2 (3.5%)	1.0 (0.8%)	2.1 (1.1%)	3.3 (1.2%)	3.6 (2.8%)	37.2 (16.6%)	3.9 (3.2%)	13.3 (12.2%)	126
Malaysia	23.1 (4.8%)	51.6 (7.5%)	13.8 (5.9%)	4.2 (3.4%)	2.6 (1.3%)	6.0 (2.1%)	6.8 (5.3%)	8.4 (3.8%)	7.2 (5.9%)	0.8 (0.7%)	125
Others	192.2 (40.1%)	200.5 (29.2%)	73.6 (31.6%)	48.1 (38.8%)	56.4 (28.6%)	62.9 (22.2%)	23.9 (18.5%)	72.1 (32.3%)	94.3 (77.5%)	53.3 (49.1%)	877
Export item total (USD 100 million)	479	688	233	124	197	284	129	223	122	108	2,588

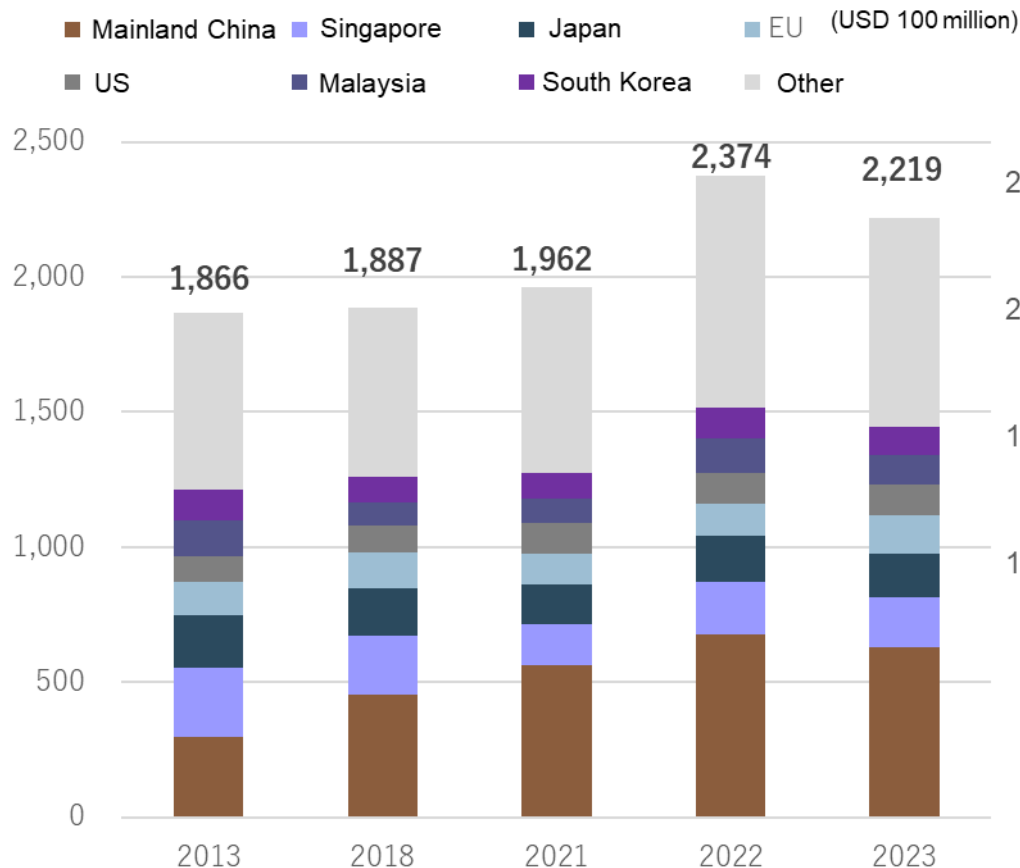
Note 1: Percentage of each export item category by export destination country/region; the cells with the highest percentage are shown in blue.

Note 2: "Other Asian countries/regions" represents the total trade value of countries/regions that are not separately aggregated in the source data, including Taiwan. Export item classification is based on the two-digit HS code classification.

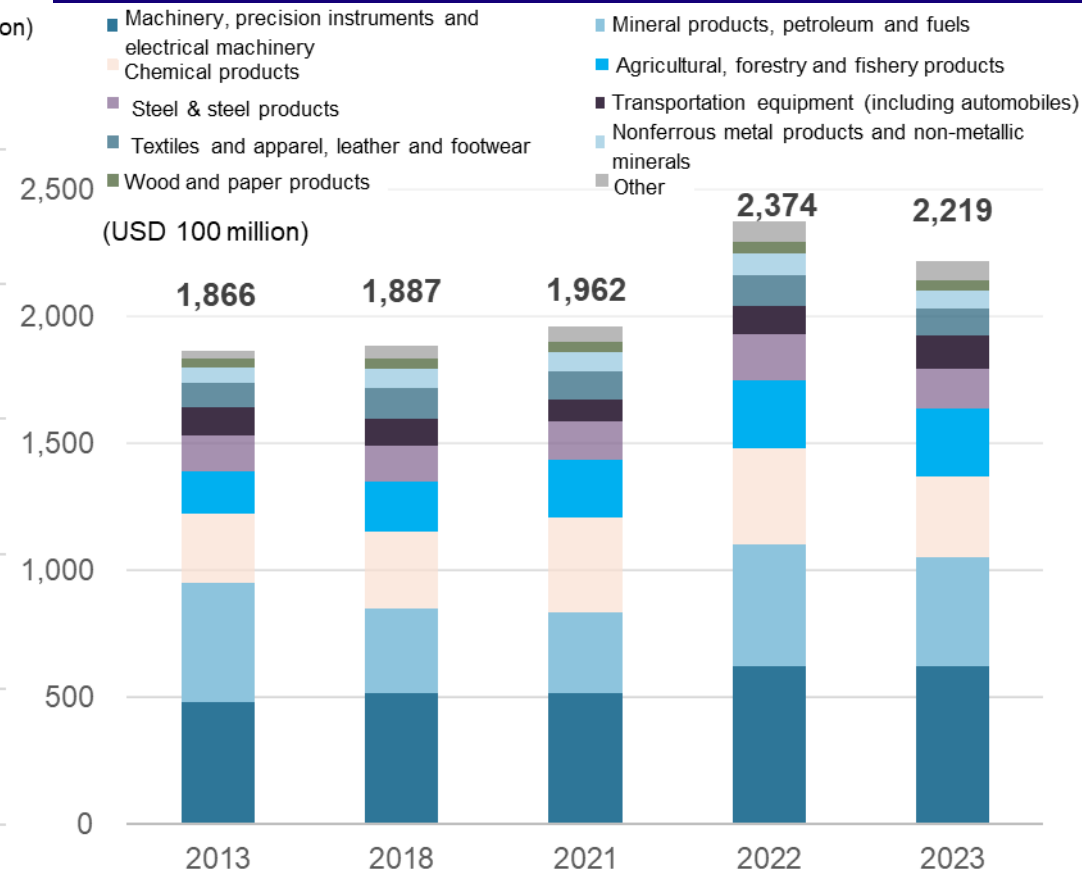
## I-3. Economic Structure (Industry/Trade) (3): Trend of Import Values

- Since 2012, both the total amount and the proportion of imports from China have been increasing year by year, suggesting a growing dependence on China.
- By category, machinery, precision instruments, electrical machinery, and chemical products used in manufacturing account for more than half of total imports.

### Trend of imports by region/country



### Trend of import value by product category



Note: "Other Asian countries/regions" represents the total trade value of countries/regions that are not separately aggregated in the source data, including Taiwan.  
Export item classification is based on the two-digit HS code classification.

## I-3. Economic Structure (Industry/Trade) (3):

### Trend of Import Values (by Country/Region and Import Item Category)

- Although imports from China are the largest for most items, imports from Japan are significant for transportation equipment (including automobiles), indicating the current strong presence of Japanese car manufacturers.

#### Import breakdown (by country/region and import item category)

	Agricultural, forestry and fishery products	Mineral products, petroleum, and fuel	Chemical products	Wood and paper products	Fibers & textiles, clothing, leather, footwear, etc.	Steel and steel products	Non-ferrous metal products and non-metallic minerals	Machinery, precision instruments, electrical machinery	Transportation equipment (including automobiles)	Other	Country/region total (USD 100 million)
Mainland China	31.4 (11.7%)	22.0 (5.1%)	93.1 (29.3%)	7.3 (18.7%)	48.4 (45.9%)	47.7 (30.3%)	32.3 (43.1%)	293.4 (47.2%)	27.1 (21.1%)	26.3 (34.8%)	629
Singapore	4.2 (1.6%)	104.9 (24.3%)	28.0 (8.8%)	1.9 (4.9%)	0.8 (0.7%)	4.0 (2.5%)	1.8 (2.4%)	32.7 (5.3%)	2.4 (1.9%)	3.5 (4.6%)	184
Japan	0.7 (0.3%)	1.1 (0.3%)	25.4 (8%)	1.6 (4%)	3.3 (3.2%)	29.8 (19%)	8.0 (10.7%)	54.7 (8.8%)	29.3 (22.8%)	11.3 (15%)	165
EU	13.8 (5.2%)	1.4 (0.3%)	26.4 (8.3%)	6.0 (15.3%)	4.3 (4.1%)	9.0 (5.7%)	3.2 (4.3%)	57.3 (9.2%)	17.4 (13.6%)	2.5 (3.3%)	141
US	29.5 (11%)	22.4 (5.2%)	16.9 (5.3%)	5.1 (13.1%)	4.5 (4.3%)	1.1 (0.7%)	2.0 (2.7%)	23.2 (3.7%)	6.6 (5.1%)	2.0 (2.7%)	113
Malaysia	5.9 (2.2%)	50.3 (11.7%)	19.9 (6.3%)	1.4 (3.7%)	0.9 (0.8%)	4.0 (2.5%)	4.4 (5.8%)	18.5 (3%)	1.8 (1.4%)	0.6 (0.7%)	108
South Korea	2.4 (0.9%)	10.0 (2.3%)	19.0 (6%)	1.5 (3.9%)	7.7 (7.3%)	12.5 (7.9%)	3.9 (5.2%)	38.5 (6.2%)	7.6 (5.9%)	2.2 (2.9%)	105
Others	179.3 (67.1%)	219.7 (50.9%)	88.8 (28%)	14.2 (36.4%)	35.6 (33.8%)	49.2 (31.3%)	19.2 (25.7%)	103.8 (16.7%)	36.3 (28.3%)	27.2 (36%)	773
Import items total (USD 100 million)	267	432	318	39	105	157	75	622	128	75	2,219

Note 1: Percentage of each export item category by import destination country/region; the cells with the highest percentage are shown in blue.

Note 2: "Other Asian countries/regions" represents the total trade value of countries/regions that are not separately aggregated in the source data, including Taiwan. Export item classification is based on the two-digit HS code classification.

## I-4. Social, Economic and Industry Characteristics (1): Social and Economic Characteristics

- As the world's largest Muslim country with the fourth-largest population, Indonesia is at a turning point from a production base to a massive consumer market, driven by the growth of the middle-income class.
- ASEAN leading economic power. However, because its economic structure is reliant on natural resources, it is necessary to shift away from an economy dependent on resource exports.
- Former President Joko Widodo completed his second term (10 years in total) in October 2024, the maximum term allowed by the Constitution of Indonesia. The presidential election, known as the world's largest direct elections, was held in February 2024, with former Defense Minister Prabowo elected. This marks the first change of government in 10 years.

### Social and Economic Characteristics

<b>Social</b>	<ul style="list-style-type: none"><li>✓ Largest population in ASEAN and fourth largest in the world (280 million people approx.)</li><li>✓ Religions: Islam (87.2%), Christianity (9.8%), Hinduism (1.6%), etc. Slightly less than 90% of the population is Muslim. Indonesia has the largest Muslim population in the world, but Islam is not a state religion. Indonesians are required to believe in one of the five officially recognized religions (Islam, Christianity, Hinduism, Buddhism, and Confucianism).</li></ul>
<b>Economic</b>	<ul style="list-style-type: none"><li>✓ An “ASEAN leading economic power” with a nominal GDP that constitutes just under 40% of ASEAN's total.</li><li>✓ Meanwhile, per capita GDP is at a medium level within the ASEAN region.</li><li>✓ The country achieved economic growth by exporting resources, mainly oil and coal, but it developed a trade deficit from around 2012. The economy may weaken in the future in the event of depreciation pressure on the currency.</li><li>✓ Domestic demand due to consumption drives over half the economy. Although economic growth was slowed by the COVID-19 pandemic, it recovered to the 5% range in 2022.</li></ul>
<b>Political</b>	<ul style="list-style-type: none"><li>✓ Democratic republic, presidential system. The People's Consultative Assembly is composed of the People's Representative Council (DPR; fixed at 580 people) and the Regional Representative Council (DPD; fixed at 136 people)</li><li>✓ Joko's administration, which enjoys a high approval rating of nearly 80%, will end after two terms (10 years) in October 2024. In the presidential election in February 2024, Prabowo, who has pledged to continue Joko's policies, was elected with a majority of votes. He will take over the presidential office in October 2024.</li></ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"><li>✓ A maritime nation composed of over 13,000 islands</li><li>✓ Infrastructure development is delayed both on land and at sea, and logistics requires time and money.</li></ul>

## I-4. Social, Economic and Industry Characteristics (2): Industry Characteristics

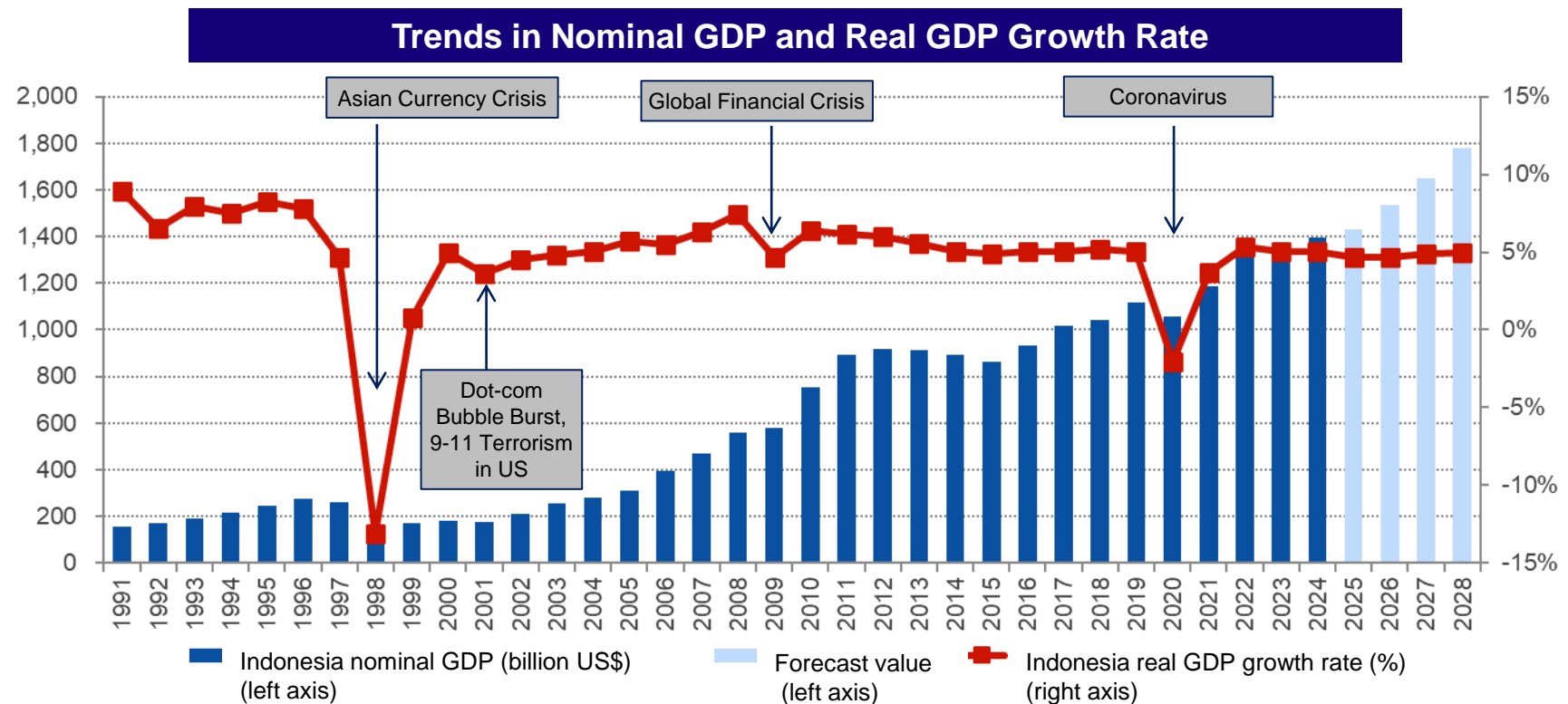
- Until the early 1990s, there was a surge in direct investment centered on labor-intensive manufacturing, leading to manufacturing becoming the main industry.
- Compared to its neighbors, Indonesia faces challenges such as complicated investment regulations and rising labor costs. Against this backdrop, growth in the export-oriented manufacturing sector has been sluggish. However, the Omnibus Law, which took effect in November 2020, introduced amendments to labor laws and significantly eased foreign investment restrictions.
- In recent years, the government has actively sought to increase the added value of domestic industry by banning the export of unprocessed minerals such as nickel and bauxite.

### Features and Trends of Main Industries

	Manufacturing	Wholesale/Retail	Agriculture/Forestry
Features	<ul style="list-style-type: none"> <li>✓ An up-and-coming country in the automobile industry in ASEAN, following Thailand</li> <li>✓ Japanese manufacturers account for the majority of both the automobile and motorcycle markets</li> <li>✓ However, the recent growth of Chinese and Korean companies in EV-related industries has been remarkable.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Given that Indonesia has the world's fourth largest population and the continuation of the demographic dividend, the market is expected to continue expanding as the middle class increases.</li> <li>✓ Regulatory revisions in 2021 eased restrictions on foreign investment (with some exceptions).</li> </ul>	<ul style="list-style-type: none"> <li>✓ The main crops are rice, corn, soybeans, etc., which are cultivated by small-scale farmers mainly in Java.</li> <li>✓ Palm oil and rubber are mass-produced on plantations on Sumatra, etc., and are major export products.</li> </ul>
Recent Trends	<ul style="list-style-type: none"> <li>✓ The government announced its electric vehicle (EV) production roadmap in July 2021. The plan is to produce 400,000 EVs in 2025, 600,000 in 2030, and 1 million in 2035.</li> <li>✓ Hyundai Motor of Korea and Chery of China have already started assembling EVs in Indonesia. In addition, China's BYD and Vietnam's VinFast have also started construction of their local production plant. The EV industry will continue to attract public attention.</li> </ul>	<ul style="list-style-type: none"> <li>✓ In recent years, major e-commerce companies from Indonesia, such as GoTo Group which merger between Gojek and Tokopedia, have emerged.</li> <li>✓ Due to the impact of coronavirus, it is expected that the use of e-commerce channels and cashless payment will expand against the backdrop of a high mobile phone penetration rate</li> </ul>	<ul style="list-style-type: none"> <li>✓ Forest area occupies 70% of the country, centered around Kalimantan Island and Indonesia has the third-largest tropical forest in the world.</li> <li>✓ The new Prabowo administration has made improving food self-sufficiency a key policy, citing large-scale agricultural land development and the mechanization and digitalization of agriculture as priority policies for the next five years</li> </ul>

## I-5. Economic Environment: Mid- to Long-term Growth Trends

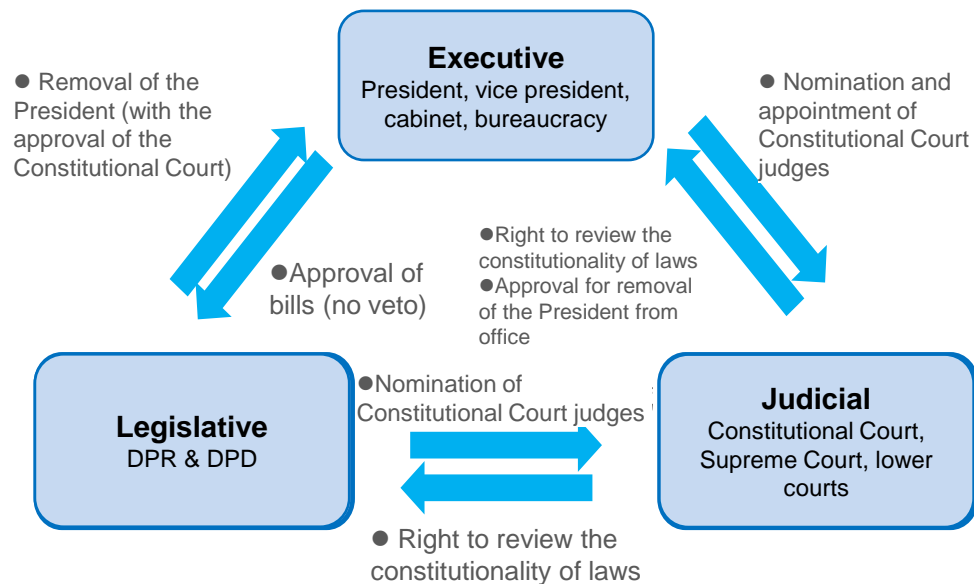
- Due to reforms after the decline in oil prices in 1983, direct investment in export-oriented manufacturing increased sharply. This greatly contributed to economic growth.
- The currency crisis began in Thailand in 1997 and spread to Indonesia. Although the real GDP growth rate fell sharply in 1998, it gradually recovered against the backdrop of IMF support and rising crude oil prices.
- In the 2000s, the real GDP growth rate improved gradually and stayed around 5%, backed by strong domestic consumption. On the other hand, in 2020 the economy experienced negative growth for the first time since the Asian currency crisis due to the impact of the coronavirus, but it recovered to the 3% range in 2021.



## I-5. Political Situation (1): Political System

- Indonesia is a constitutional republic with a president as the head of state. The legislative body is the DPR (Dewan Perwakilan Rakyat, i.e., the House of Representatives). There are also DPDs, but they only have the authority to submit bills related to local autonomy to the National Assembly and to participate in deliberations, without the right to vote on decisions.
- Presidential and national legislative elections are held every five years. Direct presidential elections began in 2004; with approximately 204.81 million voters, the presidential election is known for being "the largest direct election in the world."
- To win the presidential election, a candidate pair must meet two requirements: (1) receive at least 50% of the national vote, and (2) receive at least 20% of the vote in at least 20 of the country's 38 provinces. If two or more pairs of candidates run for office and no pair meets the requirements, a runoff election is held between the top two pairs.

### Main executive, legislative, and judicial composition in Indonesia



Source: Prepared by Mizuho Research & Technologies, Ltd., based on the "Public Administration in Indonesia" by the Ministry of Internal Affairs and Communications (MIC), etc.

### Key points of the presidential election system

#### Key requirements for nominating presidential and vice-presidential candidates

Candidates must be from a party or coalition of parties that holds 20% or more of the seats in the DPR as a result of the last national legislative election.  
-> The pairs of candidates for president and vice president may be from different parties, so it is possible to unite with other parties to support a candidate.

#### Election requirements for presidential and vice presidential

A candidate pair must meet two requirements: (1) receive at least 50% of the national vote, and (2) receive at least 20% of the vote in at least 20 of the country's 38 provinces.  
-> If two or more pairs of candidates run for office and no pair meets the requirements, a runoff election is held between the top two pairs.

#### Reference: Seat allocation to political parties in national legislative elections

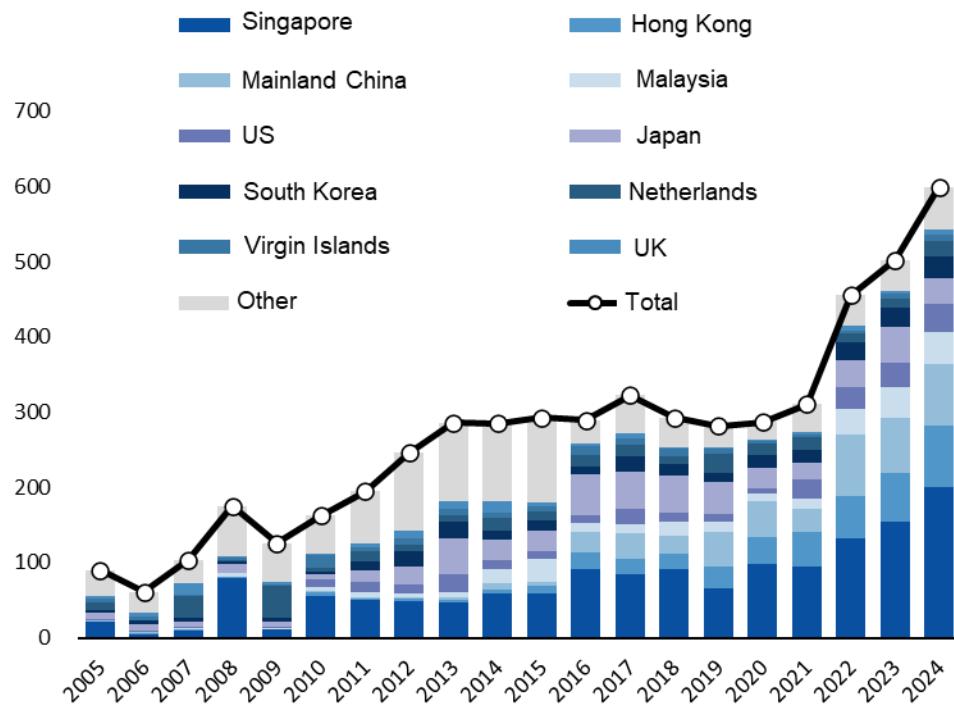
The largest-remainder method is used.  
(1) The party that receives 4% or more of the national vote is identified.  
(2) Seats are allocated to the parties that meet the above requirements at the constituency level.  
(3) If the number of votes cast is less than the number of seats in the electoral base and if seats remain unallocated, seats shall be allocated to parties that received at least half of the votes in the electoral base.  
(4) If there are still unallocated seats, the remaining votes are recounted at the state level and seats are allocated based on the new electoral base calculated by dividing the total remaining votes by the number of unallocated seats.

## I-6. Foreign Direct Investment(FDI) Trends to Indonesia

- Although the amount of foreign direct investment was almost flat from 2013 to 2021, the investment from China significantly increased in 2022, driving the overall result. In 2024, the figure reached approximately US\$60 billion, a 19% increase from 2023..
- Looking at investment flows by country and region, Japan had consistently ranked in the top 5 for the past decade, but it fell to 6th place in 2024 with an investment of US\$3.5 billion. In Contrast, China has been strengthening its presence with a growing investment trend since 2019
- Looking at investment flow by industry, “Transportation, warehouse and telecomm” has the highest amount, followed by high continued demand for investments in infrastructure such as “mining” and "real estate, professional services"

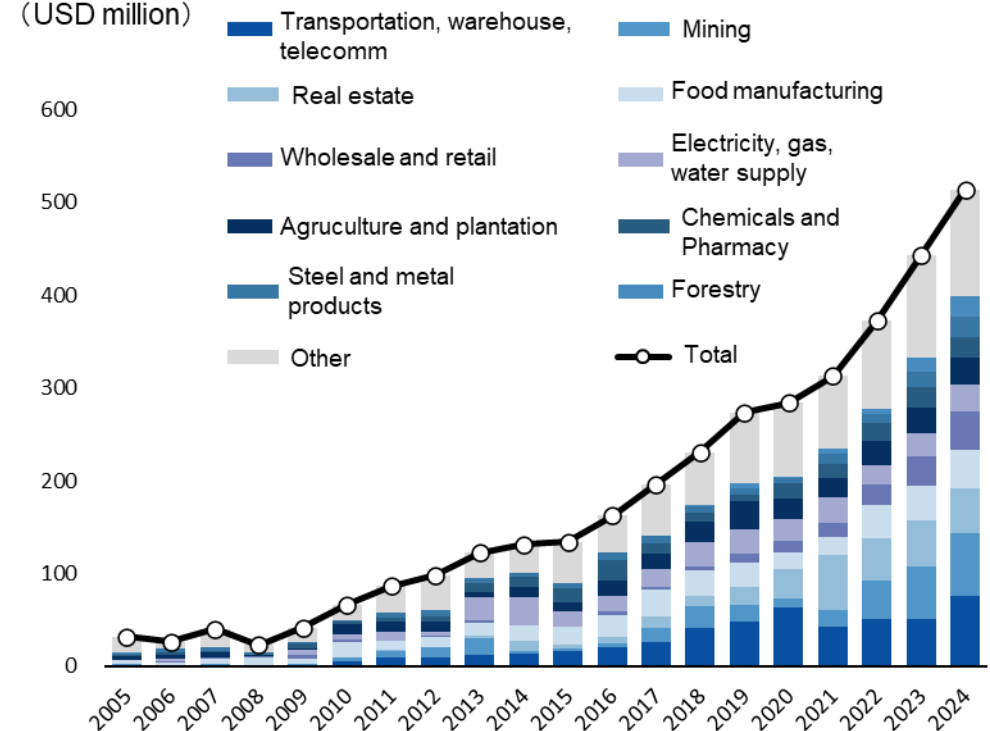
### FDI Flow trends by country/region

(USD million)



### FDI by industry (2024)

(USD million)



## I-7. Macro Data (1): Trends in Policy Interest Rates and Outstanding Loans Balance

- Although Indonesia's policy rate had remained high since the COVID-19 pandemic, it was lowered for the first time in 3.5 years in September 2024, as concerns over inflation subsided and the real economy remained strong. However, the rate is expected to be lowered gradually, as uncertainty persists over the depreciation of the rupiah and rising prices.
- The growth rate of outstanding loans balance plateaued in 2020 due to the impact of the pandemic. However, it has picked up again and has been rising since 2021.

**Trends in policy rates in major APAC countries/regions (%)**

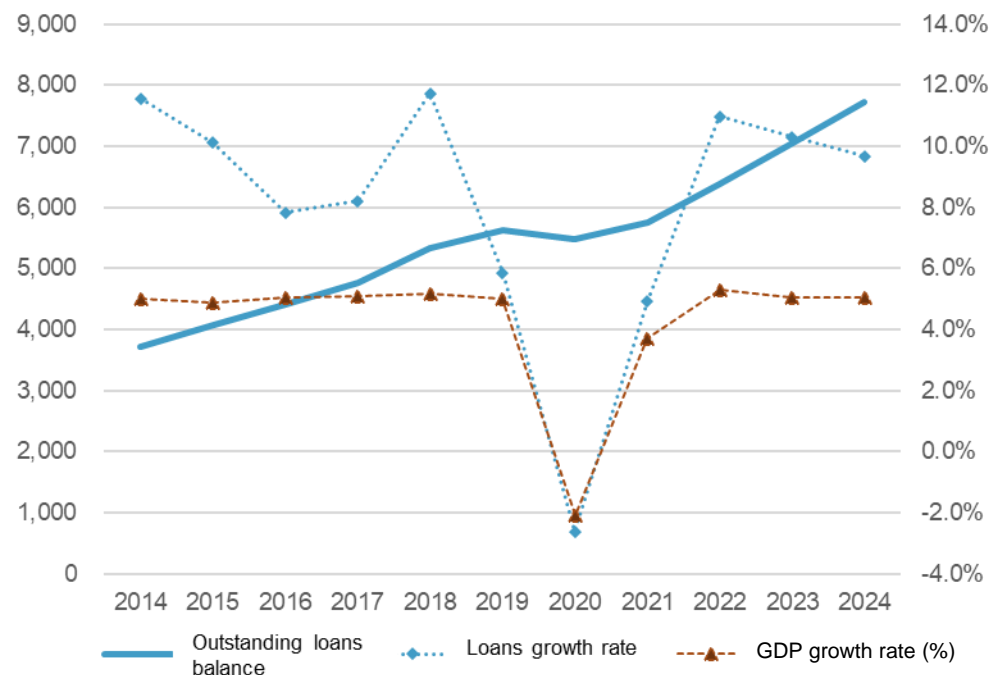
Country	2020	2021	2022	2023	2024
Mainland China	2.20	2.20	2.00	1.80	1.50
Hong Kong	0.50	0.50	4.75	5.75	4.75
Taiwan	1.13	1.13	1.75	1.88	2.00
South Korea	0.50	1.00	3.25	3.50	3.00
Thailand	0.50	0.50	1.25	2.50	2.25
<b>Indonesia</b>	<b>3.75</b>	<b>3.50</b>	<b>5.50</b>	<b>6.00</b>	<b>6.00</b>
Philippines	2.00	2.00	5.50	6.50	5.75
Malaysia	1.75	1.75	2.75	3.00	3.00
Vietnam	4.00	4.00	6.00	4.50	4.50
Laos	3.00	3.00	6.50	7.50	10.50
Myanmar	7.00	7.00	7.00	7.00	9.00
India	4.00	4.00	6.25	6.50	6.50
Bangladesh	4.75	4.75	5.75	7.75	10.00
Australia	0.10	0.10	3.10	4.35	4.35

Note: Interest rate levels are as of December 31 of each year.

Source: Prepared by Mizuho Research & Technologies, Ltd., based on data from the central bank of each country

**Trends in outstanding bank loans balance in Indonesia**

(IDR trillion)



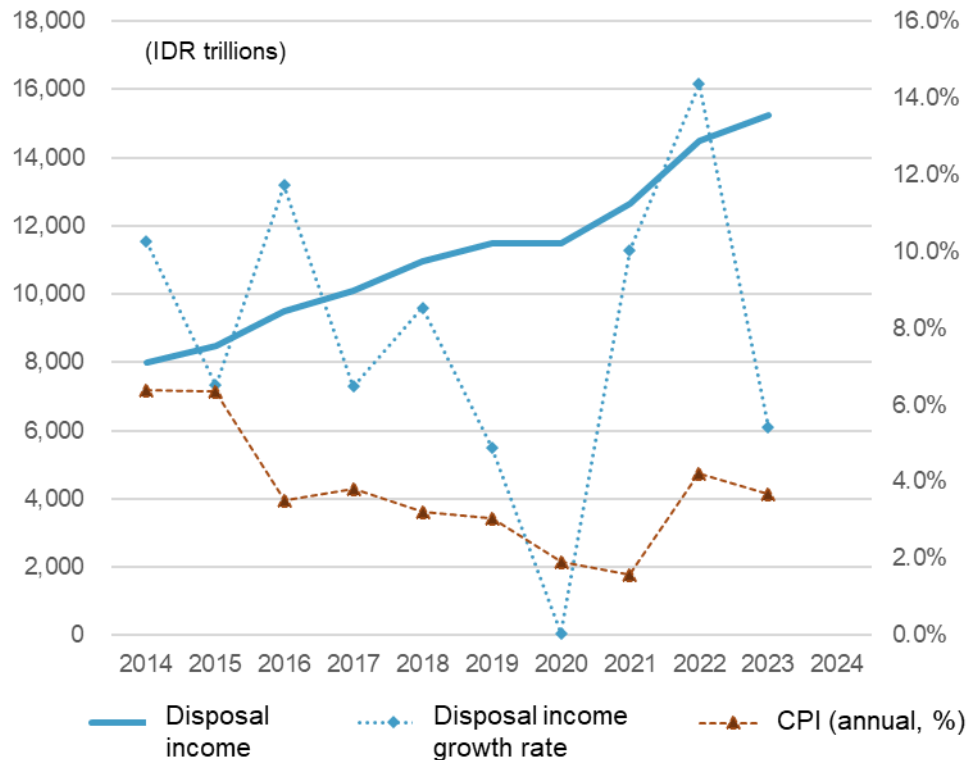
Note: The GDP growth rate is the real GDP growth rate.

Source: Prepared by Mizuho Research & Technologies, Ltd., based on data from Bank Indonesia and IMF

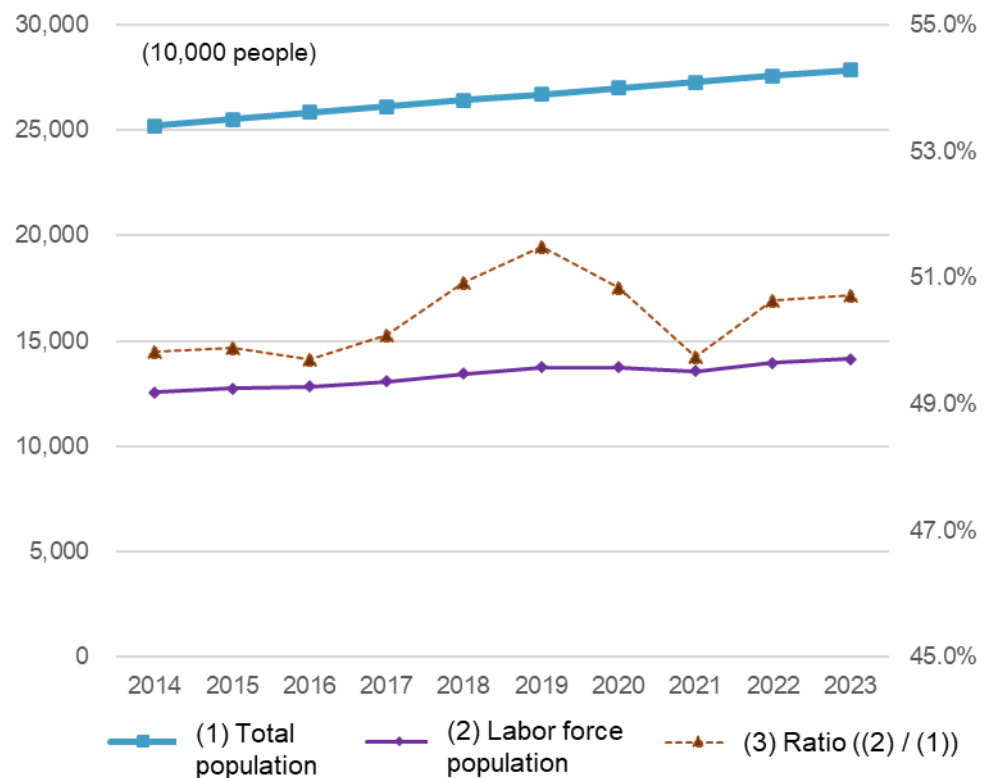
## I-7. Macro Data (2): Trends in Income, CPI, and Labor Force Population

- In Indonesia, disposable income has grown steadily, and the statistical middle class is expected to continue expanding. On the other hand, although the CPI (annual, %) rose once in 2022, it has shown signs of stabilizing since 2023.
- Although Indonesia's total population and labor force population are both increasing, the percentage of the labor force population to total population has leveled off. The country appears to be entering a phase in which shifting from a demographic bonus period to an advanced economic growth model, as is often seen in developed countries, is necessary.

### Disposable income and CPI



### Trends in total population and labor force population



Note: Disposable income on left axis; disposable income growth rate and CPI (annual, %) on right axis

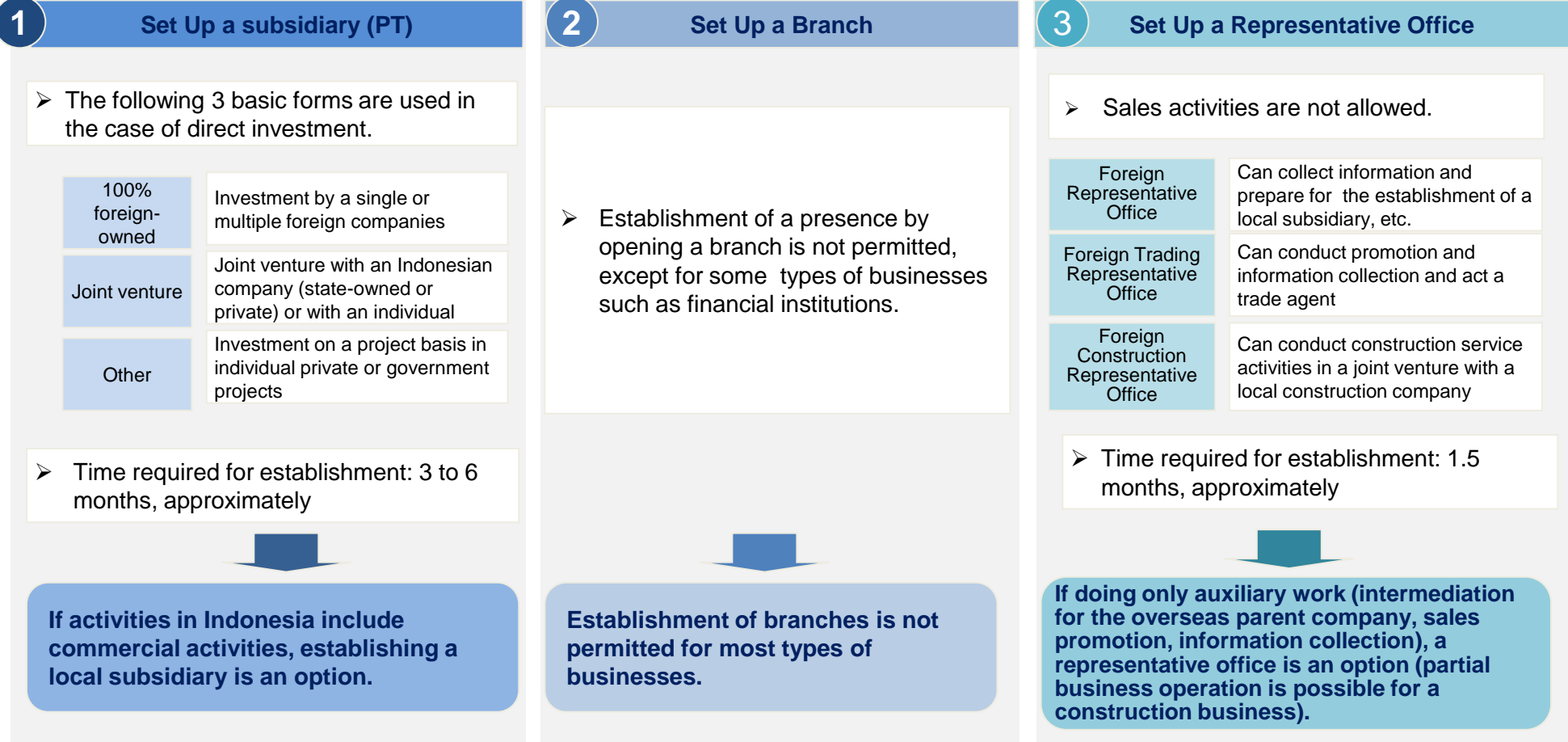
Source: Prepared by Mizuho Research & Technologies, Ltd., based on the data from BPS (Badan Pusat Statistik, Indonesia) and the World Bank

## II. Establishing a Local Subsidiary

## II-1. Business Entity Types (1): Overview

- In Indonesia, foreign companies are allowed to establish a presence in the following three ways.
- Since most industries are not allowed to open a branch office, it is common to start as a local subsidiary.

### Basic Forms of Investment and Establishing a Presence in Indonesia



## II-1. Business Entity Types (2): Local Subsidiaries

- A local subsidiary of a foreign-owned company can be established either with 100% foreign capital or as a joint venture with an Indonesian company.
  - A company established by a foreign company is called a foreign investment company (PMA company (Perusahaan Penanaman Modal Asing)).
  - Because there are investment restrictions depending on business field, the investment negative list (Daftar Negative Investasi [DNI]) must be checked.
- Regardless of the nationalities of the shareholders, local subsidiaries are considered as Indonesian companies and must comply with Indonesian law.
- Stock companies are classified as shown below according to the number of shareholders, the minimum capital amount, and whether or not they are listed on the stock market.

### Business Entity Type: Local Subsidiary

#### Corporation (PT)

Private Companies (PT Tertutup)		Public Stock Companies (PT Tbk)	
【Form of company name: PT ●●●●】		【Form of company name: PT ●●● Tbk】	
<ul style="list-style-type: none"> <li>➢ Minimum number of shareholders: 2</li> <li>➢ Minimum capital:               <ul style="list-style-type: none"> <li>Foreign-affiliated companies have a minimum capital requirement of IDR 10 billion or more</li> </ul> </li> <li>➢ Minimum number of directors: 1</li> <li>➢ Apply to the Ministry of Law and Human Rights to receive a business permit</li> </ul>		Public companies (Perseroan Publik)	Companies registered in the securities market (Emiten)
		<ul style="list-style-type: none"> <li>➢ Minimum number of shareholders: 300</li> <li>➢ Minimum capital: IDR 3 billion</li> <li>➢ Application of the regulations for the protection of shareholders</li> <li>➢ Application of the Company Law</li> </ul>	<ul style="list-style-type: none"> <li>➢ Companies registered in the securities market</li> <li>➢ Submission of registration notification to the Financial Services Authority of Indonesia (OJK: Otoritas Jasa Keuangan) to sell shares to the public ⇒ Listing on the stock exchange</li> </ul>

## II-1. Business Entity Types (3): Representative Offices

- Representative offices are operated by one or more expatriates appointed by a foreign company or a joint venture between foreign companies
- Representative offices are classified into three types according to type of business and purpose. Establishment conditions and permissible activities differ depending on the type of the representative office.
- For certain representative offices under the jurisdiction of the Ministry of Commerce, "1% of the total annual exports to Indonesia" will be subject to taxation as deemed profit (representative offices with the establishment forms mentioned in ② and ③ below may be subject to taxation)

### Business Entity Type: Representative Office

	(1) Foreign Representative Office Kantor Perwakilan Perusahaan Asing: KPPA	(2) Foreign Trading Representative Office Perwakilan Perusahaan Perdagangan Asing	(3) Foreign Construction Representative Office (*) Perwakilan Badan Usaha Jasa Konstruksi Asing
<b>Goals</b>	➤ Preparation for establishment and opening, etc., of foreign investment company	➤ Market research and promotion	➤ Provision of construction services in Indonesia
<b>Activities</b>	<ul style="list-style-type: none"> <li>➤ Preparation work for company establishment</li> <li>➤ Supervision and liaising for related local subsidiaries in Indonesia</li> <li>➤ Valid period: 3 years (extendable)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Introduction and promotion of products manufactured in foreign countries</li> <li>➤ Market research, managed sales</li> <li>➤ Signing of export contracts with local companies</li> <li>➤ Valid period: 3 year (extendable)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Liaise with individuals, corporations and government agencies to develop business in the local market</li> <li>➤ It is possible to provide construction services without establishing a local subsidiary by concluding a joint operation(JO) agreement with a local construction company.</li> <li>➤ Valid period: 3 years (extendable)</li> </ul>
<b>Restrictions</b>	<p>The following activities cannot be conducted:</p> <ul style="list-style-type: none"> <li>➤ Profiting from imports/exports or sales transactions</li> <li>➤ Involvement in business operations of group companies</li> </ul>	<p>The following activities cannot be conducted:</p> <ul style="list-style-type: none"> <li>➤ Direct transactions, sales activities</li> <li>➤ Bidding, complaint processing</li> <li>➤ Import/export operation (Necessary to contract with a local agent)</li> </ul>	<ul style="list-style-type: none"> <li>➤ The Rep. office must conclude a Joint Operation (JO) agreement with local construction company</li> <li>➤ The Rep. office must ensure technology transfer to the JO local partner</li> <li>➤ The Rep. office must join membership in a local contractor association that is registered to the Construction Service Development Board (LPJK)</li> <li>➤ The Rep. office must be registered to Construction Information Service System (SIJK) of the Ministry of Public Works and National Housing</li> </ul>
<b>Staff Requirements</b>	<ul style="list-style-type: none"> <li>➤ The representative must live in Indonesia</li> <li>➤ The representative does not concurrently hold the position of company representative and/or other position in other representative office</li> <li>➤ If the representative is a foreigner, the Rep. office has to employ Indonesian worker in accordance with the law</li> </ul>	<ul style="list-style-type: none"> <li>➤ It is possible to nominate a foreign national as the head of the office.</li> <li>➤ Foreign nationals who are employed shall have at least a college degree, or the equivalent, and have at least 3 years of experience in the field.</li> <li>➤ There is an obligation to employ 3 Indonesian citizens for each foreign national employed.</li> </ul>	<ul style="list-style-type: none"> <li>➤ If foreign workers are hired, then Indonesian citizens with similar abilities must be hired.</li> </ul>

## II-2. Procedure to Establish a Local Subsidiary

- On June 21, 2018, Government Regulation No 24 of 2018 regarding Electronic Integrated Business Licensing Services was promulgated and enforced.
- Much of the investment licensing authority has been transferred from the Investment Coordinating Board (BKPM) and other agencies to Online Single Submission (OSS) managed by the Coordinating Ministry for Economic Affairs (CMEA).

<b>Preparation</b>	<ul style="list-style-type: none"> <li>✓ Business operators decide company name, prepare articles of incorporation draft, obtain certificate of domicile (from office landlord), and tax number (from tax office), and open a bank account (issue a proof of capital payment)</li> <li>✓ Business operators obtain incorporation approval from the Ministry of Justice and Human Rights through its online system.</li> </ul>
<b>Registration</b>	<ul style="list-style-type: none"> <li>✓ Business operators access the OSS system and register related information (name, business sector, investment plan, employment plan, taxpayer number, etc.) associated with the business.</li> <li>✓ After registration, the OSS system will issue a Single Business Number (NIB: Nomor Induk Berusaha). NIB is a number required to obtain a subsequent business licenses and operating permits, and it integrates/substitutes for the company registration certificate (TDP), importer certification number (API), and customs access rights.</li> </ul>
<b>Business License</b>	<ul style="list-style-type: none"> <li>✓ When the NIB is granted, the OSS system will also issue the risk level based on the business activity. Business license requirement is based on this risk level.</li> <li>✓ Business risk level is divided into four levels: low, medium low, medium high, and high risk. Businesses with low risk level can operate only by obtaining an NIB</li> <li>✓ Business license includes site permit, water area location permit, environmental permit and construction permits (IMB), which must be satisfied within a specified period of time</li> <li>✓ Businesses that have obtained a business license can procure land, construct and manage buildings, procure equipment and materials, hire employees, and carry out production activities, etc.</li> </ul>
<b>Commercial/ Operation License</b>	<ul style="list-style-type: none"> <li>✓ After the business license is approved, apply for commercial and operation licenses, as necessary. At that time, standards or certificates for goods and services are required.</li> <li>✓ Before commercial and operation licenses are issued, it is necessary to meet required commitments such as Indonesian National Standards (SNI), Good Manufacturing Practice for Pharmaceuticals (CPOB) certification, and import approval, etc., must be met.</li> <li>✓ Applicants can start commercial activities after obtaining a commercial and operation licenses, but import/export operators need additional permits, depending on the sector.</li> </ul>

### Points

- ✓ Since there is no investment registration procedure in BKPM, there is no prior confirmation of compliance with foreign capital regulations by the authorities; however, since there is post-supervision as an alternative, there is a risk that conflicts with foreign capital regulations will be found after the establishment of the company, so it is necessary to check thoroughly in advance.
- ✓ Meanwhile, foreign-affiliated companies also have to submit Investment Activity Reports (LKPM) to BKPM four times a year.

### III. Regulations, Incentives, Reference Information

## III-1. Regulations for Foreign Investors (1): Overview

- Foreign-owned companies are restricted from investing in the industries on the list of business fields open with certain conditions. However, 100% foreign-owned investment is possible in other business fields in principle. In addition, there are some fields where investment is permitted with some conditions, so individual confirmation is required.
- In February 2021, regulated fields were significantly deregulated as part of the Omnibus Law, but in May 2021 the minimum capital was raised from IDR 2.5 billion to IDR 10 billion.

### Foreign Investment Regulations

#### List of Business Fields Open with Certain Conditions

- ✓ Business fields excluding the 46 sectors on the negative list are eligible for 100% foreign investment.

#### Minimum Capital Regulations

- ✓ In the case of foreign-owned companies, **capital of IDR 10 billion or more** is required

#### Minimum Investment Regulations

- ✓ In general, foreign-owned company is required to **invest at least IDR 10 billion, excluding land and building, for each 5-digit KBLI(industry number) that it applies.**
- ✓ For real estate development companies engaged in multi-unit housing and building development, the amount of investment in land and buildings is included in the 10 billion rupiah.
- ✓ For the wholesale industry, the 10 billion rupiah minimum investment (excluding land and building) is required for each 4-digit KBLI.

#### Other Regulations

- ✓ Minimum number of shareholders: 2 (may be corporation or individual)
- ✓ Share ownership is calculated based on the par value of the shares (the par value of the shares is at least 10 million rupiah for each shareholder).
- ✓ **Foreign-owned companies** are classified as “large companies” regardless of their size, and **they must meet the condition of possessing net assets of IDR 10 billion or more, or sales of IDR 50 billion or more.**

## III-1. Regulations for Foreign Investors (2): Investment Business Fields

- Presidential Regulation No 10 of 2021 concerning Investment Business Activities announced in February 2021 significantly deregulated the business fields where investment by foreign-owned companies was previously restricted by a Negative List.

### Main Deregulated Business Fields

Sectors	Business Areas	Former Foreign Capital Maximums (2016)	New Investments Areas and Foreign Capital Maximums (2021)	Sectors	Business Areas	Former Foreign Capital Maximums (2016)	New Investments Areas and Foreign Capital Maximums (2021)	
Marine, Fisheries	Capture fisheries	No foreign capital	Investment priority area (eligible for Tax Allowance), provided that businesses are integrated with fish processing industry 100%	Tourism	Travel agencies	67%	All other areas 100%	
Catering	67%							
Game centers	67%							
Energy, Mineral resources	Small-scale power generation (1-10 MW)	49%	Investment priority area (eligible for Tax Allowance) 100%	Transportation	General and special land freight transportation	49%	All other areas 100%	
	Power generation over 10 MW	95%			Passenger transportation by land routes (regularly scheduled buses, etc.)	49%		
Defense, Security	Security personnel, equipment, training, consulting	49%	All other areas 100%		Passenger transportation by land (taxis, etc.)	49%		
Commercial	Supermarkets (sales area under 1200 m²)	No foreign capital	All other areas 100%		Freight forwarding	67%		
	Department stores (sales are 400-2,000 m²)	67%		Telecommunications	e-commerce platform (Investment amounts under IDR 100 billion)	49%	Investment priority area (eligible for Tax Allowance) 100%	
	Specialty shops for electronics, cosmetics, furniture, jewelry, etc.	No foreign capital		Labor	Temporary staffing	49%	All other areas 100%	
	General distributors (wholesale)	67%			Job training	67%		
	Warehouses	67%			Overseas human resources placement	No foreign capital		
	Real estate agencies	No foreign capital		Health	Eyeglass stores	No foreign capital	All other areas 100%	
	Building cleaning services	No foreign capital			Medical device supplier	49%		
Hospitals, dentists and other specialized clinics	67%							

## III-1. Regulations for Foreign Investors (3): Investment Business Fields

- In addition to the businesses on the list of business fields open with certain conditions, there are sectors where foreign-owned companies' investment ratio continues to be restricted, such as sectors reserved for local small- and medium-size enterprises and micro-enterprises.
- For actual investments, it is necessary to confirm the investment regulations of BKPM as well as the regulations of the proper ministries and agencies for each business.

### Main Regulated Business Fields

Sector	Business Field	Foreign Capital Ratio	Notes
Energy, mineral resources	Small-scale power generation (less than 1 MW)	No foreign capital	
Public works	Construction, construction consultation (low to medium technology, risk, and scale)	No foreign capital	
	Construction, construction consultation (advanced technology, risk, and scale)	67%	
Industry	Alcoholic beverage manufacturing	No foreign capital	No new capital, including domestic
Commerce	Pharmacies and drugstores	No foreign capital	
	Mini-marts (convenience stores)	No foreign capital	
	Retail at streetside stores outside supermarkets and shopping malls	No foreign capital	
	Specialty shops for shoes, drinks, rice, bread, fresh food, etc.	No foreign capital	
	Laundries, hair salons, tailors, office services (printing, etc.)	No foreign capital	
Tourism	Hotels, guesthouses, etc., with 2 stars or fewer	No foreign capital	
Telecommunications	News publishers such as newspapers, magazines, etc. (reporting)	No foreign capital	49% foreign capital allowed for existing corporations
	Commercial broadcast stations, radio stations	No foreign capital	20% foreign capital allowed for existing corporations
Transportation	Air and sea freight transportation	49%	

## III-2. Investment Promotion (1): Preferential System by Industry (Tax Holidays)

- Under the Presidential Regulation No 10 of 2021 on Investment Business Area, among areas designated as investment priority areas, 18 areas mainly in the Pioneer industry are entitled to benefit from 50% to 100% reduction in corporate tax for 5 to 20 years from the start of commercial production, depending on the amount invested

### Pioneer Industries (18 sectors, 174 industries)

1. Upstream metal industry (steel/non-steel)
2. Oil and gas refining industry
3. Fossil fuel industry for natural gas/coal
4. Basic organic chemical industry centered on agriculture, plantations, and forestry
5. Basic inorganic chemical industry
6. Pharmaceutical raw material industry
7. Manufacturing industry for radiation, electromedical, and electrotherapy equipment
8. Manufacturing industry for major electronic and telematics equipment such as semiconductor wafers, LCD backlights, electric drives, and displays
9. Manufacturing industry for main parts of mechanical engines
10. Manufacturing industry for robot parts that support manufacturing
11. Manufacturing industry for main parts of power generators
12. Manufacturing industry for automobiles and major automotive parts
13. Manufacturing industry for main parts of ships
14. Manufacturing industry for main parts of railways
15. Manufacturing industry for main parts for aviation and aerospace industry support businesses
16. Agriculture, plantation, and forestry processing industry
17. Economic infrastructure
18. Digital economy

### Grant Conditions and Tax Exemption Measures

#### Grant conditions

- ✓ Taxpayers who operate a pioneer industry
- ✓ Taxpayers who meet the debt-to-capital ratio required by the Ministry of Finance regulations
- ✓ New capital investment of at least 100 billion rupiah
- ✓ Commitment to begin investment within one year after the tax holiday incentives has been authorized

#### Incentives

Tax reduction may be given for two more years after the authorized period, by 25% for investment of 100 billion~less than 500 billion rupiah, and by 50% for investment of 500 billion rupiah or more

Investment Amount (IDR)	Tax reduction and Period
100 bil.~less than 500 bil.	5 years, 50% reduction
500 bil.~less than 1 tril.	5 years, 100% reduction
1 tril.~less than 5 tril.	7 years, 100% reduction
5 tril.~less than 15 tril.	10 years, 100% reduction
15 tril.~less than 30 tril.	15 years, 100% reduction
30 tril. or more	25 years, 100% reduction

## III-2. Investment Promotion (2): Preferential System by Industry (Tax Allowance)

- Corporate Income tax incentives are provided for new investments made by existing companies in specific business areas or regions. Based on industry classification codes (KBLI), the target industries are 166 industries nationwide and 17 industries limited to specific regions.
- These investments can be applied not only to new investments but also to additional investments.

### Details of Incentive Measures

1	30% of investment is deducted from net income	Every years for 6 years, 5% of the investment can be deducted from net income
2	Shortened depreciation period (accelerated depreciation)	Twice the normal depreciation cost can be claimed
3	Reduction of tax on dividends to foreign countries	The tax rate on dividends to foreign countries is reduced to 10%. However, if the tax rate under a tax treaty is 10% or less, it will apply.
4	Extension of deferred loss period	The deferral period, which is usually 5 years, can be extended up to 10 years if certain conditions are met.

### Promoted Industries (183)

Promoted Industries (A)	Promoted Industries (B)
<ol style="list-style-type: none"> <li>Food seasoning</li> <li>Textiles and clothing</li> <li>Pulp and papermaking</li> <li>Industrial chemical materials</li> <li>Chemical materials for pharmaceuticals</li> <li>Rubber</li> <li>Porcelain insulators</li> <li>Steelmaking and steel</li> <li>Basic metals other than iron</li> <li>Machinery (turbines, compressors, steelmaking machinery, textile machinery, etc.)</li> <li>Generators</li> <li>Electronics, communication equipment (flash disks, MP3, MP4, digital players, printers, TV LCD, TV plasma, CCTV, etc.)</li> <li>Land transportation (metalworking, vehicles with four or more wheels and accessories)</li> <li>Shipbuilding and repair</li> </ol>	<ol style="list-style-type: none"> <li>Fish canning business</li> <li>Agricultural product processing</li> <li>Paper and cardboard packaging</li> <li>Plastic packaging</li> <li>Cement and lime industry</li> <li>Furniture manufacturing industry</li> <li>Marine fisheries and fish processing</li> </ol>

### Conditions for Extending the Incentives Period

- ✓ Extended for 1 year for each of the following conditions
  1. New investment in industrial zones and bonded zones
  2. Investment in New / Renewable Energy sector
  3. Employs more than 300 Indonesian workers for 4 consecutive years
  4. Invests more than IDR 10 billion in regional economic and social infrastructure
  5. Uses 70% or more of domestic raw materials from the 2nd year after investment
- ✓ Extended for 2 years for each of the following conditions
  1. Employs more than 600 Indonesian workers for 4 consecutive years
  2. Spent 5% of total investment on R&D expenses in 5 years
  3. Export 30% or more of total sales to customer located outside the bonded zone

## III-2. Investment Promotion (3): Other Preferential Systems

■ Preferential system by region and other preferential systems are as follow.

Type of Preferential System		Main Content of Preferential Treatment	Eligible Areas
Preferential System by Region	Special Economic Zone (SEZ)	<ul style="list-style-type: none"> <li>Eligible for approximately 20%–100% tax reduction for up to 25 years depending on investment plan</li> <li>VAT exemption on imports of raw materials</li> <li>Simplification of certificate of origin acquisition procedure</li> <li>Foreign investors investing in SEZs can own assets, obtain residence permits, etc.</li> </ul>	<p><u>24 locations in operation</u>  Processing/logistics: Arun Lhokseumawe, Sei Mangkei, Galang Batang, Batam, Kendal, Gresik, Palu, Bitung, etc  Tourism and creative industries: Mandalika, Tanjung Kelayang, Tanjung Lesung, Morotai, Lido, Singhasari, etc  <u>7 locations planned (as of October 2024)</u>  Processing/logistics: Subang, Patimban, Kutai Timur, etc  Tourism and creative industries: Nongsa</p>
	Bonded Zone (KB)	<ul style="list-style-type: none"> <li>Exemption from import duties, VAT, and luxury goods sales tax</li> <li>Exemption from VAT and luxury goods sales tax for transactions in and out of bonded areas for the processing of products</li> <li>Domestic sales are possible within the upper limit (50% for finished goods, 60% for unfinished goods)</li> </ul>	Can apply at the company level with the special zone as the minimum unit
	Free Trade Zone (FTZ)	<ul style="list-style-type: none"> <li>Exemption from import duties, VAT, and other import-related taxes</li> </ul>	Batam, Bintan, Karimun, and Sabang Island area of Aceh Special Region
	Eastern Indonesia (KTI)	<ul style="list-style-type: none"> <li>50% exemption from land and building taxes</li> <li>Loss carryover for up to 8 years</li> <li>Companies that export at least 65% of their products will be given incentives when hiring foreign nationals in terms of number of persons, length of stay, and directorships held.</li> </ul>	Sulawesi (North Sulawesi, Gorontalo, Central Sulawesi, West Sulawesi, South Sulawesi, Southeast Sulawesi)
Other Preferential Systems	Import Duty Exemptions	<ul style="list-style-type: none"> <li>Exemption from import duties on machinery, supplies, and raw materials when starting or expanding a business</li> <li>The duty-free period is two years; however, if a company is a manufacturer and uses more than 30% domestic machinery, it will be exempted for four years.</li> </ul>	<ul style="list-style-type: none"> <li>The exemption only applies to 246 industries such as manufacturing, manufacturing, transportation,</li> <li>Applicable imports are limited to machines, goods and raw materials that have not yet been manufactured domestically, or are manufactured but do not meet the required specifications / quantity</li> </ul>

## III-3. Company Law (1)

- Indonesia's current Company Law was enacted in 2007 and consists of 161 articles.
- The Investment Law is the highest level of legislation governing investment activities in Indonesia
  - The first legal procedure when establishing a PMA (foreign capital) company is to apply for and obtain a basic investment permit from the Investment Coordinating Board (BKPM).

### Main Regulations of the Company Law

#### Corporate Structure

- ✓ "Company" in the Company Law refers to a joint stock company (Perseroan Terbatas). Like a joint stock company under Japanese law, it exposes its shareholders to limited liability.
- ✓ Joint stock companies are classified as either "private companies" or "public companies (Perseroan Terbuka)," the latter being classified as "large companies (Perseroan Publik)" and "companies that conduct public offerings of shares." (Most Japanese companies are private companies.)

#### Shareholders

- ✓ In Indonesia, **at least two shareholders are required**, even in business sectors where foreign capital investment can be 100%.
- ✓ Regardless of the relationship between the two minimum shareholders, the requirements of the Company Law are satisfied if the two shareholders formally exist, such as a Japanese parent company and its representative director.

#### Articles of Incorporation

- ✓ The required information in the Articles of Incorporation (Anggaran Dasar) is generally similar to that in Japanese law. The Articles of Incorporation may contain optional provisions as long as they do not violate the provisions of the Company Law.

### Main Differences with Japanese Corporations

#### ✓ Principle of permission for establishment

- A joint stock company is established when two or more individuals or corporations (hereafter referred to as "founders") prepare a notarized certificate of incorporation and obtain approval from the Minister of Law and Human Rights.
- Each founder must subscribe to a portion of the company's stock, and therefore, a stock company has at least two shareholders from the time of its incorporation.

#### ✓ Corporate Management Structure

- The organization of an Indonesian company consists of Shareholders, Board of Directors, and Board of Commissioners
- Each organization has different requirements for the number of employees depending on whether it is a public or private stock company.

#### ✓ Board of Commissioners

- This is a body that supervises the management of the company by the Board of Directors and advises the Board of Directors on management matters (similar to a Board of Auditors in Japan)
- Under the Company Law, each commissioner (auditor), like a director, owes a duty of care to the company and is personally liable to the company for damages if he or she causes damage to the company due to a breach of this duty.

### III-3. Company Law (2)

- In the case of Indonesia, dividends are allowed only if the company is profitable for the fiscal year, and an amount up to 20% of paid-in capital must be set aside from net income as a legal reserve.

#### Dividend Regulations

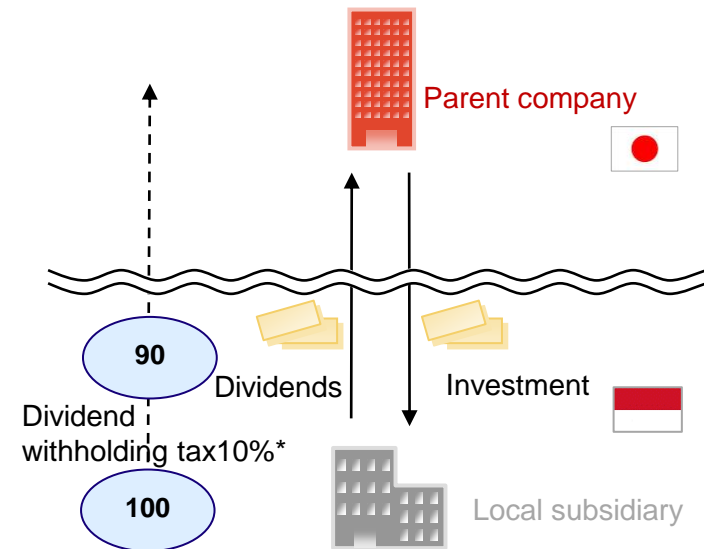
##### Dividends

- ✓ If the company is profitable on a cumulative basis each fiscal year, a certain amount of net income (up to 20% of paid-in capital) must be set aside as a legal reserve.
- ✓ The amount remaining after deducting the amount for the legal reserve from the net income is to be distributed to shareholders as dividends, although the disposition of the remaining amount is subject to resolution at the General Shareholders' Meeting.
- ✓ If there are accumulated deficits, the company is required to resolve them. If net income remains after resolving the accumulated deficits, the company is allowed to apply it to the legal reserve or to dividends to shareholders, etc.

##### Interim dividends

- ✓ Interim dividends may be paid only when specifically provided for in the Articles of Incorporation.
- ✓ When interim dividends are paid, the payment must be limited such that the company's net assets do not fall below the total of paid-in capital and legal reserve.
- ✓ If the interim dividend results in a loss as of the end of the fiscal year, the shareholders shall return the interim dividend they received. If the interim dividend cannot be returned, the Board of Directors and the Board of Commissioners are jointly and severally obligated to make up the amount.

#### — Cash flow at the time of dividend payment (for Japanese parent companies with 25% or more ownership) —



Note: Dividend withholding tax rates

- Withholding tax on domestic resident individuals: 10%
- Withholding tax on domestic corporations: tax-free
- Withholding tax on foreign (legal) persons: 20%
- However, if a tax treaty has been concluded, the tax rate is determined by the tax treaty.
- In the case of dividends sent to Japan, more than 25% stake: 10%; less than 25% stake: 15%

\* Corporate tax on parent companies in Japan

- In case of controlling share of 25% or more: 5% of the total dividend amount taxable
- In case of controlling share of less than 25%: Full dividend amount taxable

## III-4. Foreign Exchange Controls (1): Trade Transactions

- Foreign exchange control is regulated by the central bank, Bank Indonesia(BI). Foreign exchange control is not regulated by one single law, but it is mainly managed by the BI's regulation of foreign exchange transaction (HKPLLD), and by several Presidential Decrees, Regulations of the Minister of Finance, and BI's Notifications.
- Since it is a floating exchange rate system and the Indonesian rupiah is a minor currency, in general it is prohibited in to handle rupiah transaction outside Indonesia.

Trade Transactions	Import transactions	<ul style="list-style-type: none"> <li>• For transactions with 62 countries including Japan, possible settlement methods include L/C (including usance), D/P and D/A, advance payment, and consignment sales method.</li> <li>• There are 25 countries/regions with foreign currencies designated for receipt. There are no currency restrictions on import settlements</li> <li>• Foreign currencies for import settlement are required to be reported to BI no later than the last day of the third month following the month of import customs declaration.</li> </ul>
	Export transactions	<ul style="list-style-type: none"> <li>• For remittances from overseas involving export transaction, invoice-related information (object code, invoice number, amount) has to be submitted to the receiving bank (BI Regulation No. 21/14/PBI/2019 and others). If not complied, exporters may be ordered by BI to suspend export transactions</li> <li>• Foreign currency from export transaction must be received through domestic foreign exchange banks by the end of the third month after the registration of the Export Declaration Form (PEB)</li> <li>• If the value of the export declaration is more than US \$10,000 or an equivalent amount, export declaration date, customs code number, export declaration number and the taxpayer identification number (NPWP) of the exporter must be submitted to the foreign exchange bank no later than the 5th of the next month after receiving the foreign currency</li> <li>• If the export transaction is paid by usance L/C, consignment, open account, or collection, and the deadline exceeds 3 months after the registration of the export declaration, then the export foreign currency must be received through the domestic foreign exchange bank within 14 days from the date of the given payment deadline.</li> <li>• <u>If netting between exporter's debt and receivables results in the receipt of an export foreign currency that is less than the value of the export declaration, only netting of settlements relating to the export activity is permitted</u>, provided that there is a netting agreement between the exporter and importer</li> </ul>
	Obligation to settle L/C for export of some commodities .	<ul style="list-style-type: none"> <li>• L/C settlement is required for export of 13 mineral items, 7 coal items, and 2 palm oil items based on the 8-digit HS code.</li> <li>• The price listed on the L/C must be at least the same as the international price, and the L/C settlement must be done at a domestic foreign exchange bank.</li> <li>• A surveyor report (appraisal report) will not be issued unless the settlement is by L/C.</li> </ul>
	Obligation related to export of natural resources	<ul style="list-style-type: none"> <li>• As regulated by BI Regulation No.21/14/PBI/2019, foreign currency earned from the export of natural resources such as mining, agriculture, forestry and fisheries has to be deposited in the domestic foreign exchange bank export account by the end of the third month following the month of PEB registration</li> </ul>

## III-4. Foreign Exchange Controls (2): Non-Trade & Capital Transactions

### Non-Trade & Capital Transactions

Non-Trade Transactions	<b>Prohibition / regulation of specific rupiah transactions and foreign currency credit transactions with foreigners and foreign corporations</b>	<ul style="list-style-type: none"> <li>This applies to foreign nationals and corporations outside of Indonesia and representative offices in Indonesia.</li> <li>Prohibited transactions include rupiah-denominated or foreign currency-denominated loans (excluding syndicated loans, credit cards, consumer loans, etc.), purchase of rupiah-denominated securities issued by foreign corporations, rupiah-denominated billing between head offices and branches, and rupiah-denominated capital payments, etc.</li> <li>With the exception of certain transactions, such as sending rupiah-denominated salaries to accounts opened by foreigners at domestic banks, it is necessary to submit documentation explaining the type of economic activity.</li> </ul>
	<b>Regulations for foreign currency purchased using rupiah</b>	<ul style="list-style-type: none"> <li>It is prohibited for banks to remit rupiah to a non-foreign side (Indonesian individuals or corporations, etc.) abroad.</li> <li>Foreign currency derivative transactions with foreigners, etc., involving rupiah are limited to a face-value maximum of US\$1 million or the equivalent amount for each individual transaction and for each outstanding position of each derivative transaction of each bank.</li> </ul>
	<b>Regulations on carrying in/carrying out rupiah in cash</b>	<ul style="list-style-type: none"> <li>When foreign currency is purchased at a domestic bank with rupiah by an individual, a corporation other than a bank, or a foreign individual, a foreign corporation, or an overseas branch, if the foreign currency purchase exceeds US\$25,000 per customer in a month, documentation must be submitted certifying that the foreign currency purchase is necessary.</li> <li>Foreign currency purchases with rupiah are limited to non-speculative transactions.</li> <li>In particular, foreign currency purchases with rupiah exceeding US\$25,000 per customer per month are limited to the following transactions.               <ol style="list-style-type: none"> <li>For Indonesian citizens: Goods and services importation activities; payment of services such as payment of medical expenses abroad and consultant fees abroad as well as payment for services related to the employment of foreigners in Indonesia; repayment of foreign currency-denominated debt, payment for purchase of assets abroad; non-bank foreign currency trading business activities, travel agent business activities, and foreign currency-denominated deposits</li> <li>In the case of foreigners: Documented proof is required regarding the necessity of the foreign currency purchase to purchase foreign currency in excess of US\$25,000 or the equivalent per customer per month for the withdrawal of rupiah-denominated assets and investments, receipt of repayment from debtors, and actual exchange of income, etc., from investments such as capital gains, coupons, interest, and dividends, etc.</li> </ol> </li> </ul>
Capital Transactions	1. Investors can freely remit funds domestically and internationally through foreign currency accounts (since November 1, 2016, evidence must be provided to the central bank(Bank Indonesia:BI) to remit more than US\$100,000 abroad)	
	2. For foreign currencies approved by the Investment Coordinating Board (BKPM), there is a specified conversion rate for recording shares paid-in foreign currency in a rupiah-denominated capital account.	
	3. Permission is required to remit the principal of foreign investments to the home country during the period when receiving tax incentives.	
	4. When borrowing from abroad, such as from the parent company in the home country, etc., a report on the borrowing abroad must be submitted to BI.	

## III-4. Foreign Exchange Controls (3): Main Regulations

- Since 2011, Indonesia's central bank has tightened controls on foreign currency transactions, including reporting on foreign debt, currency hedging obligations, and the obligation to use rupiah.

### Main Central Bank Regulations

	Content	Details
External debt regulations	The Reporting of the Application of the Prudential Principle in the Management of Non-Bank Entities' Foreign Debts(16/22/PBI/2014)	<ul style="list-style-type: none"> <li>• <u>Borrowings from abroad must be reported to Bank Indonesia.</u></li> <li>• <u>For borrowings from abroad, it is necessary to report all borrowings, both long-term over 1 year and short-term of 1 year or less.</u> <ul style="list-style-type: none"> <li>✓ Report the borrowing plan by March 15 every year</li> <li>✓ Report financial data of the borrowing company by June 15 and December 15 every year</li> </ul> </li> </ul>
	Foreign Exchange Risk Hedging for Foreign Currency-denominated External Debt (16/21/PBI/2014)	<ul style="list-style-type: none"> <li>• <u>Private companies with foreign currency-denominated external debt (parent-subsidiary loans, etc.) need to meet certain currency hedging ratios, liquidity ratios, and external rating acquisitions.</u></li> </ul>
Currency regulations	Mandatory Use of Rupiah (17/3/PBI/2015)	<ul style="list-style-type: none"> <li>• <u>Law No. 7 of 2011 on Currency requires the use of rupiah for payment transactions in Indonesia, monetary debt fulfillment, and other monetary transactions including remittances to banks.</u></li> <li>• Businesses are required to display prices in rupiah. Payment is required in rupiah for cash transactions that use banknotes or coins as the payment method as well as for non-cash transactions that use mechanisms or methods to pay without cash, including checks, credit cards, debit cards, ATM cards, electronic money, etc.</li> </ul>

Note: Foreign currency control in Indonesia is regulated and revised by notifications from institutions, detailed enforcement regulations, presidential decrees, etc., and the above is not guaranteed to be the latest information. Please check other sources for the latest regulations.

## III-5. Financing Scheme

- There are three main means of financing in Indonesia: (1) capital increase, (2) parent-subsidary loan, and (3) local borrowing (from a financial institution).
- All are feasible, but be aware that foreign currency-denominated debt from abroad is subject to regulation.

	(1) Capital Increase	(2) Parent-Subsidiary Loan	(3) Local Borrowing (financial institution)
Main fund use	<ul style="list-style-type: none"> <li>No special restrictions on use of funds</li> </ul>	<ul style="list-style-type: none"> <li>No special restrictions on use of funds</li> </ul>	<ul style="list-style-type: none"> <li>Ordinary working capital / equipment funds</li> </ul>
Currency utilized	<ul style="list-style-type: none"> <li>Limited to IDR/USD</li> </ul>	<ul style="list-style-type: none"> <li>Any currency can be used</li> <li>However, if a loan is from overseas and denominated in foreign currency, please be aware of foreign debt regulations (see p. 30 for details).</li> </ul>	<ul style="list-style-type: none"> <li>IDR / USD / JPY, etc.</li> </ul>
Standard amount	<ul style="list-style-type: none"> <li>No special restrictions</li> </ul>	<ul style="list-style-type: none"> <li>No special restrictions</li> <li>Note the debt-to-capital ratio regulation (expenses related to debt which is more than 4 times capital are not deductible)</li> </ul>	<ul style="list-style-type: none"> <li>Ordinary working capital = trade receivables + (raw materials + work in process + inventory) - trade payables (basic formula)</li> <li>Equipment funds = Range of costs required to introduce real estate and machinery/equipment</li> </ul>
Interest rate	—	<ul style="list-style-type: none"> <li>Same level as the prevailing market rate (to maintain fair transaction conditions in accordance with transfer pricing taxation)</li> </ul>	<ul style="list-style-type: none"> <li>Base rate (financial institution procurement cost: Cost of Funds, etc.) + Spread (interest payment cycle is linked to base rate)</li> </ul>
Period	—	<ul style="list-style-type: none"> <li>Can be set for any period</li> </ul>	<ul style="list-style-type: none"> <li>Ordinary working capital: In principle, short term (1 year or less)</li> <li>Equipment funds: Depends on the business plan (about 3 to 5 years)</li> </ul>
Repayment conditions	For dividend regulations, see p.31	<ul style="list-style-type: none"> <li>No special restrictions</li> <li>It is common to set a deadline for a lump-sum repayment without setting conditions for regularly scheduled payments</li> </ul>	<ul style="list-style-type: none"> <li>Corresponds to the use of funds and the financial plan</li> <li>Depending on interest rate terms and conditions, costs may be incurred upon early repayment</li> </ul>
Procedure required for implementation	<ul style="list-style-type: none"> <li>Resolution of capital increase at General Meeting Of Shareholders, notarization of minutes regarding capital increase</li> <li>Amendment of Articles Of Incorporation / Acquisition of certification at the Ministry of Law and Human Rights</li> <li>Receipt of increased capital amount and proof of payment</li> <li>Application for capital increase / obtaining of permission from the Investment Coordinating Board (BKPM) through Online Single Submission (OSS)</li> </ul>	<ul style="list-style-type: none"> <li>Conclusion of loan agreement with parent company</li> <li>It is necessary to consider foreign exchange hedging on the sides of the parent company (rupiah-denominated) or the Indonesian subsidiary (hedges other than rupiah-denominated).</li> </ul>	<ul style="list-style-type: none"> <li>Routine screening by the financial institution</li> <li>Adjustment regarding guarantee deposit from the parent company (if necessary)</li> </ul>

Note: 1. The general theory for accounting and taxation is described. Please check with your accounting office or tax accountant for accounting and tax procedures at your company.  
2. Foreign currency control in Indonesia is regulated and revised by notifications from institutions, detailed enforcement regulations, presidential decrees, etc., and the above is not guaranteed to be the latest information. Please check other sources for the latest regulations.

## IV. Recent Topics

# IV-1. Recent Topics

## Capital City Relocation(1)

- The capital relocation plan was proposed to correct disparities due to the concentration in Jakarta and Java, to improve traffic congestion and air pollution in the Jakarta metropolitan area, and to prevent flooding and land subsidence.
- The cost of relocating the capital is estimated at US\$ 33 billion, and while the central government has announced its intention to contribute a portion, the rest will be funded by public-private partnerships (PPP) and private funds. Whether the large amount of funding can be raised is an issue.
- In January 2022, a bill was passed concerning the proposed site, functions, and name (Nusantara) of the new capital, and the relocation plan is expected to proceed.
- However, since it is a very long-term project that will take more than 25 years to complete, the relocation plan may be subject to alteration due to changes in the administration or economic conditions in the future.



Basic Information of the New Capital “Nusantara”	
Location	East Kalimantan. About 1,200 km from Jakarta (about 2 hours from Jakarta to Balikpapan Sepinggan Airport)
Area	Total: 256,142 hectares, urban area: 56.180 hectares
Concept	Forest City (75% of the area covered in greenery) Sponge City (limitation of soil runoff) Smart City (utilization of digital technology)
Development Period	2022 to 2045
Development Budget	IDR 486 trillion (USD 31 trillion)
Legal Allowance	Jan. 2022: Law on State Capital passed in Congress Oct. 2023: Amendment on Law on State Capital passed in Congress (In order to accelerate the development of the new capital, regulations have been established to strengthen the authority of the Nusantara Capital Authority, including provisions related to land such as business usage rights, and the management of budgets and materials.)

# IV-1. Recent Topics

## Capital City Relocation (2): Development Schedule

- The development of the new capital city of Nusantara will take place in four phases. In the first phase, the development will focus on 6,600 hectares of government office buildings and the construction of infrastructure such as roads, hospitals, and five-star hotels.
- As of June 2025, buildings for key ministries such as the Presidential Palace and the Coordinating Ministry for Economic Affairs has been completed. The President's office and the relocation of major ministries to Nusantara are scheduled to take place within 2028.

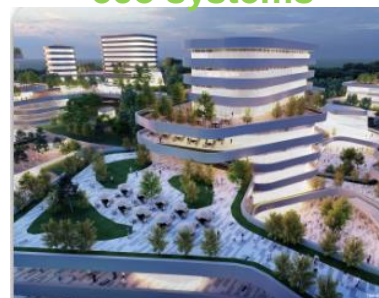
### Relocation first round



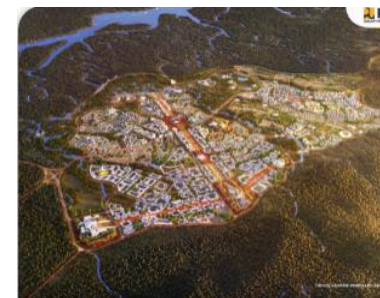
### Nusantara developed into a core region



### Development of infrastructure and eco systems



### To a world-class city



#### 2022–2024

- Development of basic infrastructure such as roads, water, electricity, etc.
- Relocation of the Executive Office of the President and other government agencies, as well as housing for public employees
- Independence Day celebrations to be held in Nusantara in August 2024

#### 2025–2035

- Completion of the relocation of government institutions
- Construction of innovation and economic centers
- Incentives for priority economic sectors
- Achievement of SDG targets in Nusantara

#### 2035–2045

- Development of infrastructure and ecosystems in three cities (Nusantara, Balikpapan, Samarinda)
- Becoming the no.1 FDI destination in priority economic sectors
- Becoming ranked among the top 5 major tourist destinations in Southeast Asia

#### 2045 onward

- Becoming recognized as one of the top 10 most-livable cities in the world
- Achievement of net zero emissions
- Becoming the world's first city of more than 1 million people to be powered by 100% renewable energy

# IV-2. Recent Topics

## Key Industrial Parks (1): Overview

- Indonesia has 154 industrial parks nationwide, with the largest industrial areas concentrated on Java Island. Many Japanese companies entering Indonesia focus on the Karawang area of West Java province, which is known for its concentration of automobile and motorcycle industries.
- In recent years, the Indonesian government has focused on developing industrial parks outside the island of Java. This includes the development of a "Green Industrial Park" in Bulungan Regency, North Kalimantan Province, which will use the largest amount of renewable energy in Indonesia. Development begun in 2021 and sales are expected to begin by the end of 2026.

### Major Industrial Park Areas in Indonesia

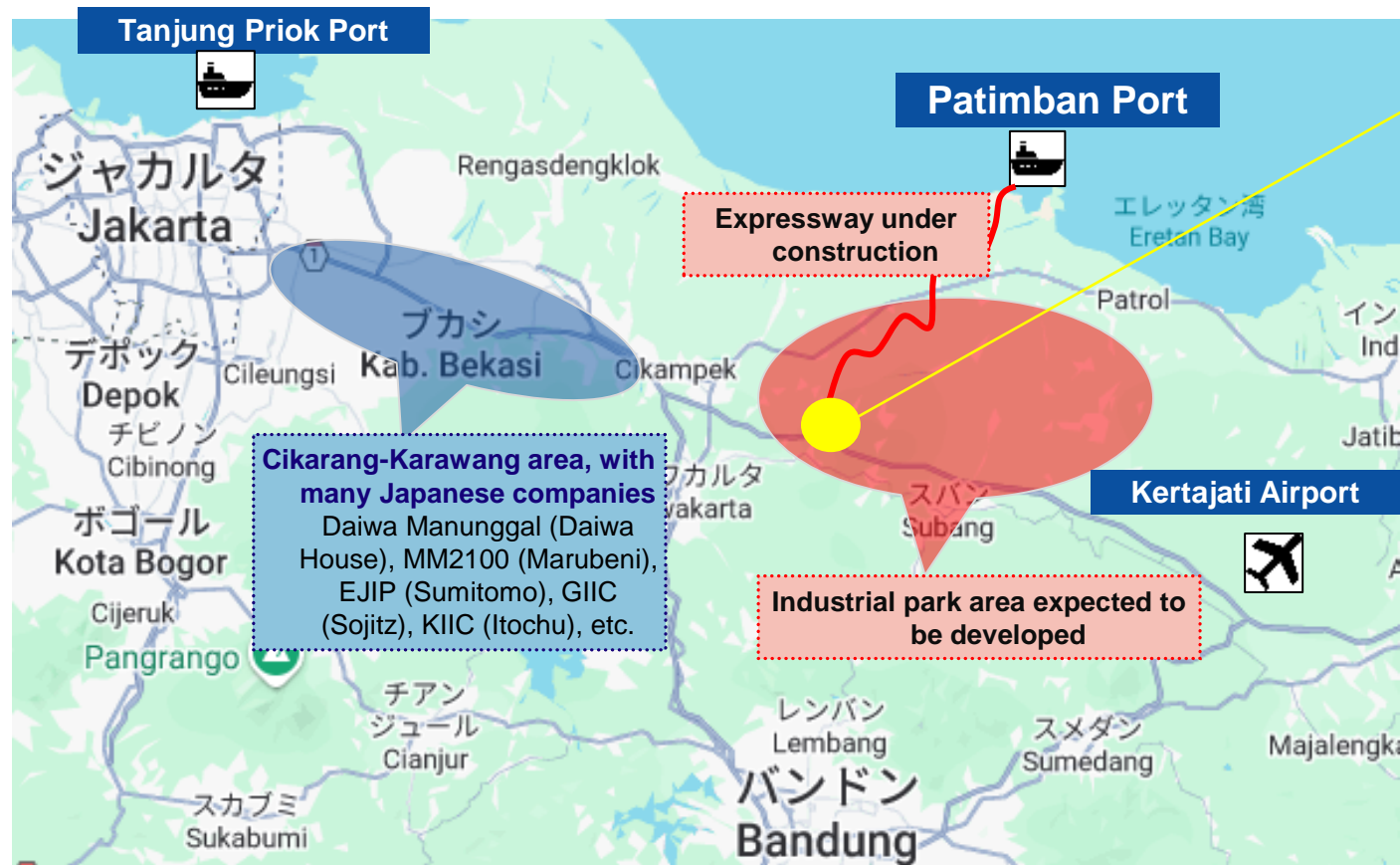


## IV-2. Recent Topics

### Key Industrial Parks (2): West Java

- Many of the plants of Japanese companies are located in industrial parks along the expressway that runs about 80 km east of Jakarta.
- In Subang Regency of West Java Province, a new port (Patimban Port) is under construction via yen loans. The new port, which is expected to be fully operational by the end of 2025, will serve as a new gateway to Indonesia, replacing the Port of Tanjung Priok, which has faced overcapacity concerns in recent years. Industrial park development and expressway construction are also underway in the vicinity of the new port.

#### West Java Province Industrial Parks



#### Subang Smartpolitan

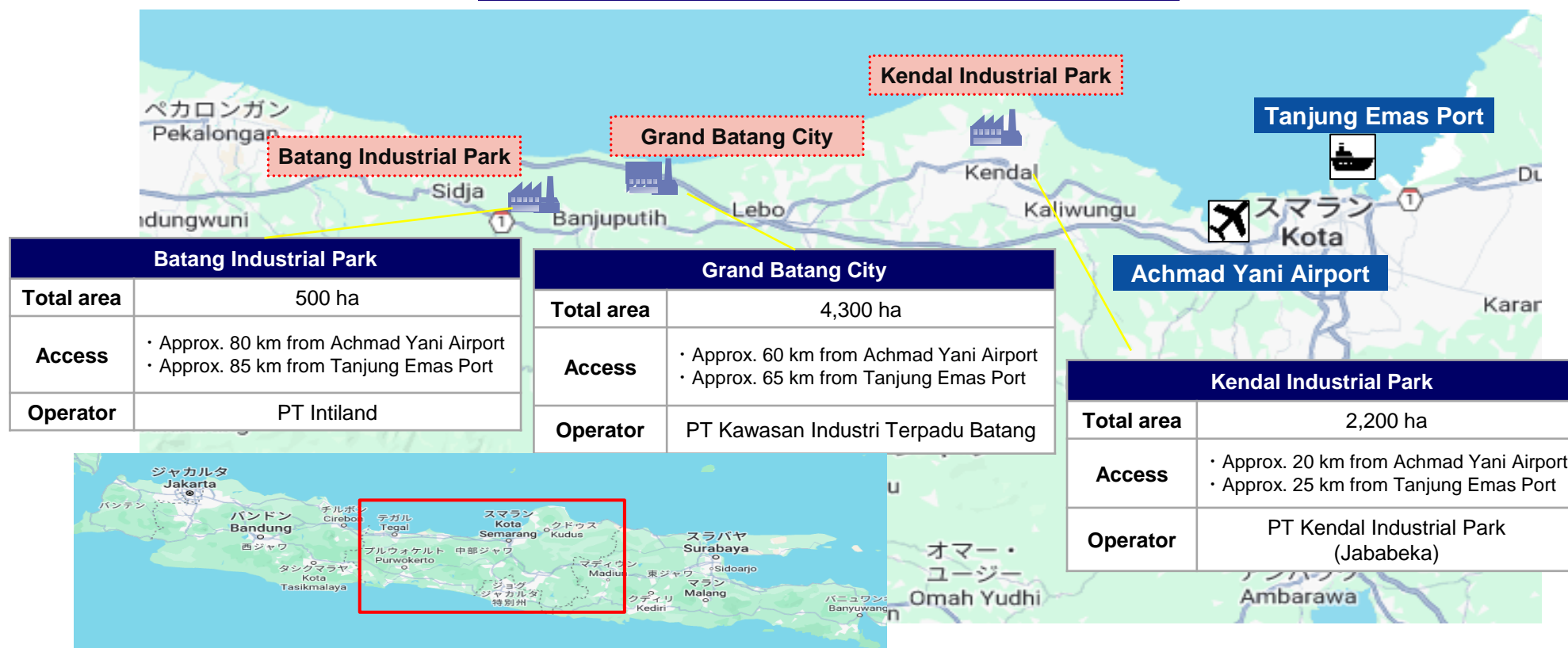
Area	Total area: 2,717 ha
	Phase 1: 418 ha (from 2020 to 2023) Phase 2: 627 ha (plan) Phase 3: 378 ha (plan) Phase 4: 230 ha (plan) Phase 5: 298 ha (plan) Phase 6: 766 ha (plan)
Access	Directly connected to Patimban Access Toll Road (under construction) • Approx. 90 km from Jakarta • Approx. 40 km from Patimban Port • Approx. 100 km from Tanjung Priok Port
Zone area	• Large industrial zone (20 ha or larger) • Medium industrial zone (5–20 ha) • Small industrial zone (1–5 ha) • Commercial zone • Residential zone • Medical service zone • Educational zone
Business operator	PT Suryacipta Swadaya (also operating Suryacipta City of Industry in Karawang)
Tenant	Sanwa Musen (Japan), BYD (China), apparel companies (China), etc.

## IV-2. Recent Topics

### Key Industrial Parks (3) Central Java

- In Central Java Province, Grand Batang City and Kendal Industrial Park, designated as a "National Strategic Project," are under development. In addition to the development of the industrial park, the infrastructure of Central Java Province, such as Achmad Yani Airport and Tanjung Emas Port, is being developed. Further development of the area is expected.
- The total area of Grand Batang City is 4,300 ha—the largest in Central Java Province. The first phase of development (450 ha) has been completed, and the plots are already sold out. Korean companies account for more than half of the total area, followed by companies from the Netherlands and China. Construction of a seaport is also planned for the future.

#### Major industrial parks in Central Java



# IV-3. Recent Topics

## Transportation Infrastructure (1): Maritime Transportation

- Maritime transportation in Indonesia is estimated to account for about 90% of foreign trade and 80% of domestic trade, playing an important role in the country's supply chain. Tanjung Priok Port handles more than half of the country's cargo as the largest container handling port and serves as the most-important logistics hub as Indonesia's gateway port with shipping routes to 120 countries and 600 ports around the world.
- The construction of Patimban Port, which is expected to become Indonesia's new gateway port, started in 2018 as a yen-loan project by JICA. The port consists of an automobile terminal and a container terminal. The automobile terminal began operations in December 2020 and is currently operated by a group of Japanese companies led by Toyota Tsusho Group. The container terminal is expected to be completed by around 2025, and once fully operational, it is expected to handle 800,000 TEUs of containerized cargo per year.

Major ports in Indonesia



Cargo volume handled by major ports

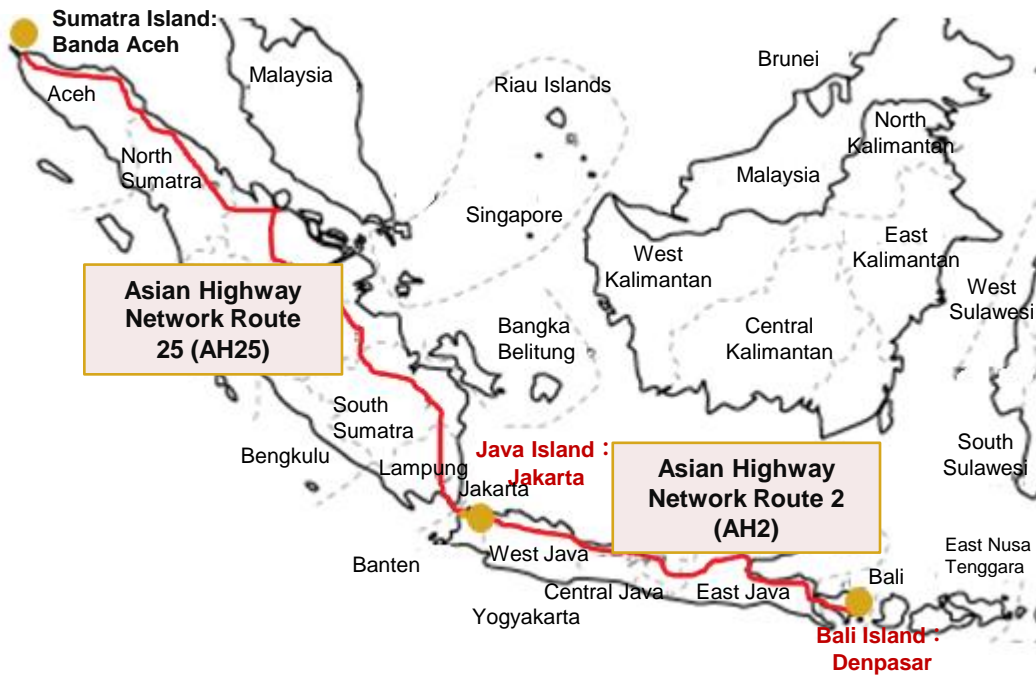
	Port	Estimated volume of cargo handled in 2023 (thousand tons)	
		Domestic Trade	Foreign Trade
1	Tanjung Priok Port	30,784	57,929
2	Merak Port	59,194	38,187
3	Tanjung Perak Port	31,313	28,630
4	Belawan Port	12,045	12,148
5	Batu Ampar Port (Batam Island)	12,225	7,306
(☆)	Patimban Port		—

# IV-3. Recent Topics

## Transportation Infrastructure (2): Urban Transportation, Expressways, and Railroads

- Most major cities in Java are connected by expressways and highways, but other islands lag in road development. About 20 expressways are in operation in the Jakarta metropolitan area and play an important role in urban transportation. However, due to heavy traffic congestion, the government aims to reduce heavy traffic by further expanding the road network in the future.
- A high-speed rail line is planned to connect Jakarta and Surabaya—the country's second largest city. The 730-kilometer line will cut travel time from the current 12 hours to 6 hours. The project has been preceded by the opening of a 145-km rail line between Jakarta and Bandung in October 2023. This project was initially negotiated to be developed with a Japanese ODA, but China won the bidding at the last minute due to issues such as financial burden and availability of technology transfer. The total cost of the project is about US\$8 billion.

Major highways in Indonesia



Jakarta-Bandung high-speed rail

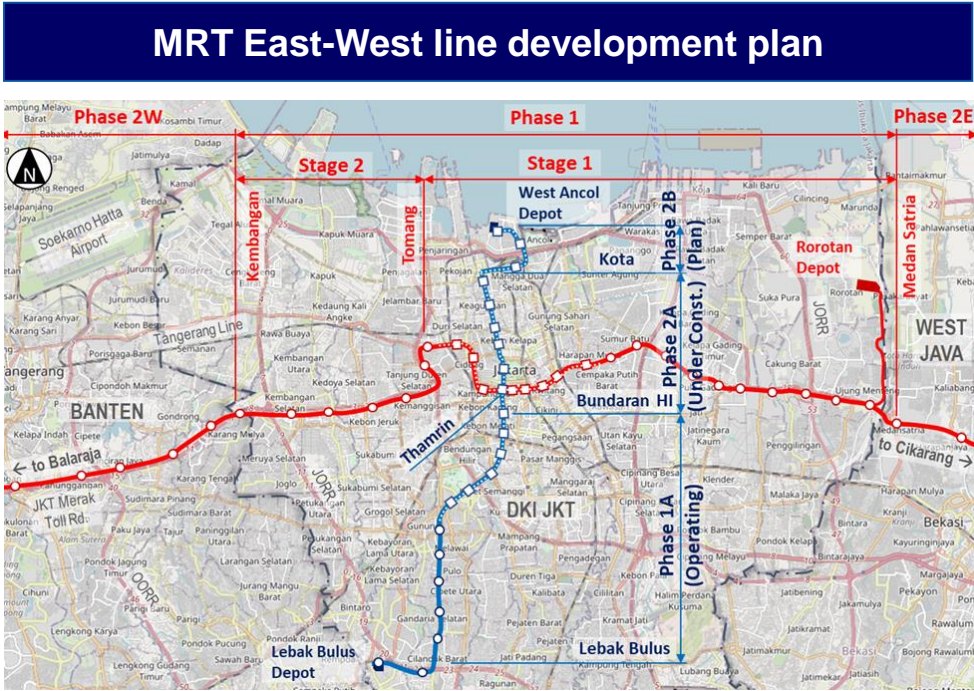


Project title	Jakarta-Surabaya High-speed Rail	Jakarta-Bandung High-speed Rail
Total project cost	TBD	Increased from US\$6 billion to US\$8 billion
Sponsor	TBD	People's Bank of China 75%
Operator	TBD	PT Kereta Cepat Indonesia China
(Planned) completion	TBD	2023
Total distance traveled	730 km	145 km

# IV-3. Recent Topics

## Transportation Infrastructure (3): Urban Transit Jakarta MRT

- The MRT (Mass Rapid Transit) is a project designed to alleviate traffic congestion in Jakarta. The North-South and East-West lines are planned as shown in the figure below, and Phase 1 of the North-South Line, which was constructed with the support of Japanese yen loans, is now operating. Since the first year of operation, the number of passengers has gradually increased from an average of 86,000 per day to more than 110,000 per day today.
- Phase 2 of the North-South Line is also proceeding under Japanese yen loans. Shimizu Corporation's joint venture was commissioned in September 2022, and construction started with some delays. Sojitz received orders for track installation and delivery of an integrated railway system. As of February 2025, Phase 2 was 32% complete, and development is generally on track.
- Regarding the East-West Line, which connects Banten and West Java across Jakarta, a one-year review was conducted from November 2022 regarding the JICA-supported project period and cost-sharing scheme. In May 2024, the Japanese government agreed to provide 140 billion yen in loans to support Phase 1 construction. Construction is scheduled to begin in early 2026, with the line planned to open in 2031.



	North-South line Phase 1	North-South line Phase 2	East-West line
Total investment	JPY 157.0 billion	JPY 170.0 billion → Cost expected to increase	Approx. JPY 745.2 billion
Yen loans (included in the above amount)	JPY 125.0 billion	JPY 70.0 billion	JPY 140.6 billion
Operator	Provincial government MRT Jakarta	Provincial government MRT Jakarta	Provincial government MRT Jakarta
Start of operation	April 2019	2027 Extension: 2029	2031
Number of stations	13 stations	11 stations	48 stations
Total distance travelled	15.7 km	11.8 km	84 km
Constructor (Japanese general contractor)	Shimizu Corp., Obayashi Corp., Sumitomo Mitsui Construction, etc.	Shimizu Construction, etc.	TBD

Photo: JICA material

Source: Prepared by the Global Strategic Advisory Department of Mizuho Bank based on JICA materials and the MRT Jakarta website

# IV-3. Recent Topics

## Transportation Infrastructure (4) Bandung High-speed Rail Line

- With the opening of the Bandung high-speed rail line, the journey between Jakarta and Bandung, which previously took 4 hours by car and 3 hours on the previous railway system, was reduced to 50 minutes. The number of passengers continues to grow, and by February 2025, the number of passengers has exceeded 7.8 million.
- The Bandung metropolitan area ranks third in the country in terms of economic size, after the capital city of Jakarta and the Surabaya metropolitan area (East Java Province). Bandung is also a popular tourist destination as a “summer resort”. Its textile industry is thriving due to the area’s history as a "textile city." It is also an academic city, with many higher-education institutions. Easier access to Jakarta is expected to lead to the redevelopment of the surrounding area and the establishment and relocation of manufacturing and research facilities.

Overview of the Bandung high-speed rail line	
Rail name	Whoosh
Total project cost	US\$8 billion (increased from the original US\$6 billion)
Total distance traveled	145 km
Maximum speed	350 km/h
Fare (one way)	250,000 to 325,000 rupiah (variable) Note: From the first station to the last station
Number of services	62 trains/day (14 trains/day at the beginning of the service)
Total number of passengers	Approximately 7.8 million passengers (as of February 2025)



- Bandung metropolitan area consists of five areas: Bandung City, Cimahi City, Bandung Regency, West Bandung Regency, and Sumendang Regency. The population of the metropolitan area is approximately 9 million, making it the third most-populous metropolitan area in the country after Jakarta and Surabaya metropolitan area. The regional GDP is US\$40 billion.
- Bandung is also a popular tourist destination as a summer resort and is a city of learning, with many higher-education institutions, including the Bandung Institute of Technology.

V. Other

## IV-1. Mizuho Bank Group's Offices in Indonesia

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### ◆ PT Bank Mizuho Indonesia

Location	Menara Astra, 53 <sup>rd</sup> Floor, Jl. Jend Sudirman Kav 5-6 Jakarta 10220
Telephone Number	+62-21-5091-0888
Days of Operation	Monday - Friday

### ◆ PT MHCT Consulting Indonesia

Location	Menara Astra 23 <sup>rd</sup> Floor, Jl. Jenderal Sudirman Kav 5-6 Jakarta 10220
Telephone Number	Telephone: +62-21-5085-1880, FAX: +62-21-5085-1884

## IV-2. Business Cooperation (1): Bank Negara Indonesia

- Mizuho Bank signed a Memorandum of Understanding (MOU) with Bank Negara Indonesia (BNI) in February 2013 regarding a business alliance.
- The MOU enables collaboration in a wide range of areas, including the use of BNI's nationwide network by Mizuho Bank, introduction/matching of business partners, and use of retail banking.

### Outline of Bank Negara Indonesia (BNI)

- Bank Negara Indonesia (BNI) is the fourth largest national bank by assets
- First state-owned bank to go public in 1996
- Domestic branch network of approximately 1,500 locations and approximately 19,000 ATMs
- Characterized by its customer base of local blue-chip companies, mainly state-owned enterprises
- The only Indonesian state-owned bank with an office in Tokyo
- BNI Sekuritas, the security company of BNI, partnered with Japanese-owned SBI Securities and sold a portion of its shares to the company in 2011.
- Announced entry into digital banking by acquiring Bank Mayora, a mid-sized local bank, in February 2022. The digital banking division has now been rebranded as "hibank."

### Support from Mizuho Bank

#### **(1) Collaboration on liquidity**

- ⇒ Mutual accommodation of Mizuho's dollars and BNI's rupiah

#### **(2) Collaboration in cash management services**

- ⇒ Provision of cash management services utilizing BNI's extensive network

#### **(3) Collaboration in retail business geared toward Japanese customers**

- ⇒ Provision of retail banking services such as payroll accounts, credit cards, etc.

#### **(4) Collaboration in cross-border M&A/business matching**

- ⇒ Matching of the investment needs of Mizuho clients with the investment needs of BNI clients

#### **(5) Support of BNI customers with information provision**

- ⇒ BNI can provide information to its clients by utilizing Mizuho's global network

## IV-2. Business Cooperation (2): Ministry of Investment and Downstream Industry / BKPM

- In August 2006, Mizuho Bank signed a Memorandum of Understanding (MOU) with the Ministry of Investment and Downstream Industry/BKPM regarding mutual cooperation to promote investment by Japanese companies.
- There are many past records of collaboration, such as co-sponsoring of investment seminars. Investment support in Japan is also possible through collaboration with the BKPM Japan office.

### Overview of BKPM

- **Official Name:** Kementerian Investasi dan Hilirisasi / **Badan Koordinasi Penanaman Modal**
- **English Name:** Ministry of Investment/ Investment Coordinating Board
- **Business Content:** Issuance of licenses for foreign-funded and domestic-funded investment projects, and coordination with related ministries and agencies (excluding oil, gas and finance)
- **Location:** Jl. Gatot Subroto 44. Jakarta, Indonesia
- **Japan Office:** Fukoku Seimei Bldg., 2-2-2 Uchisaiwaicho, Chiyoda-ku, Tokyo, Japan

### Mizuho's Support

- Introduction of Japanese advisors(resident in Jakarta), arrangement of interviews
- Introduction of BKPM office staff, arrangement of interviews
- Confirmation of general inquiries
- Explanation of the general work flow up to the establishment of companies
- Introduction of consulting companies and various specialized businesses (law, tax, accounting, labor, etc.)

# Disclaimer

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