

Investment Climate Statement Malaysia

August 2025

Mizuho Bank, Ltd.
Global Strategic Advisory Department

Mizuho Research & Technologies, Ltd.
Research Division



I. Country Profile

II. Investment-related Information

III. Setting up an Entity

IV. Regulations, Incentives, Reference Information

I. Country Profile

I-1. Key Economic Indicators for Asia

Country/Region	Malaysia	Singapore	Vietnam	Indonesia	Thailand	The Philippines
Population (millions)	33.5	6.0	101.3	281.6	70.3	113.2
Nominal GDP (US\$100 million)	4,196	5,474	4,595	13,963	5,264	4,616
Real GDP growth rate (y-o-y, %)	5.1	4.4	7.1	5.0	2.5	5.7
GDP per capita	12,541	90,674	4,536	4,958	7,492	4,079
Estimated GDP growth rate (2025, %)	4.1	2.0	5.2	4.7	1.8	5.5
Credit rating (S&P) as of Mar. 2025	A-	AAA	BB+	BBB	BBB+	BBB+
Country/Region	Myanmar	Cambodia	Laos	India	China	Japan
Population (millions)	54.9	17.2	7.7	1,441.7	1,408.3	123.9
Nominal GDP (US\$100 million)	612	473	159	39,091	187,480	40,262
Real GDP growth rate (y-o-y, %)	-1.1	6.0	4.3	6.5	5.0	0.1
GDP per capita	1,114	2,755	2,066	2,711	13,313	32,498
Estimated GDP growth rate (2025, %)	1.9	4.0	2.5	6.2	4.0	0.6
Credit rating (S&P) as of Mar. 2025	n.a.	n.a.	n.a.	BBB-	A+	A+

1. Data are for 2024. Estimated GDP growth rate for 2025 and other data in italic are estimate by IMF.

2. S&P rating is as of 31 March 2025. Rating definition:

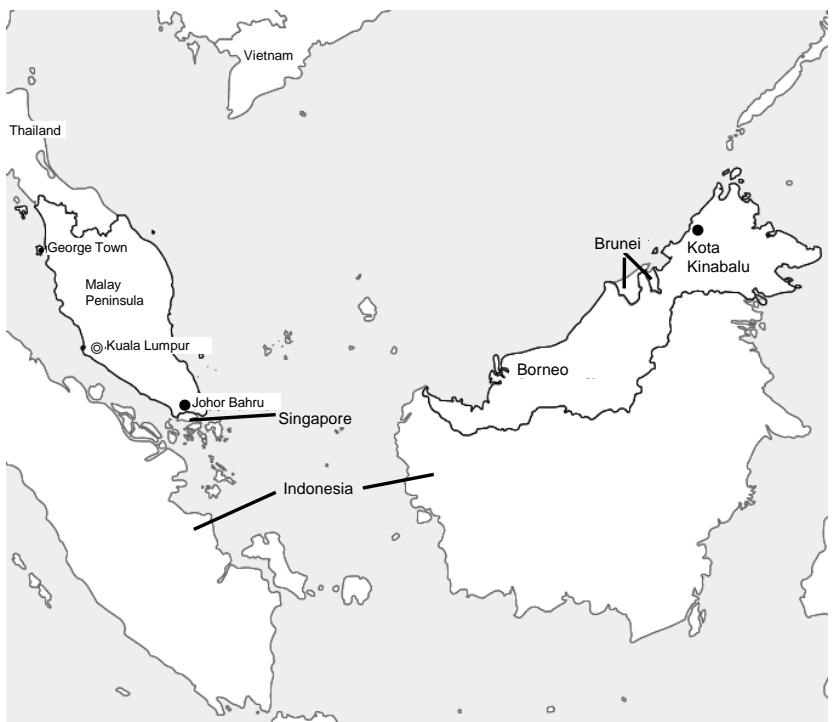
A An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitments on the obligation is still strong.

BBB An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.

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.

Source: Prepared by Mizuho Research & Technologies (MHRT) based on the IMF's World Economic Outlook Database March 2025 Edition and Bloomberg

I-2. Basic Data and Overview



Basic Data

Population	33.5 million (2024, IMF)
Square area	Approx. 330,000 km ² (0.9 times Japan's size)
Capital	Kuala Lumpur (Population: 1.95 million, 2023, Department of Statistics Malaysia)
Language	Malay, English, Chinese, Tamil
Ethnicities	Malay approx. 70.1% (including indigenous 12%), Chinese 22.6%, Indian 6.6%, Other 0.7% (2023, Department of Statistics Malaysia)
Religions	Muslim 64%, Buddhist 19%, Christian 9%, Hindu 6%, Confucianist, Taoist, etc. 2% (2020, Department of Statistics Malaysia)
Currency	Malaysian ringgit (MYR)
Politics	Constitutional monarchy (parliamentary democracy)
Head of state	Ibrahim Iskandar, 17 th Supreme Head of the Federation (took oath of office in January 2024, five-year term)
Major industries	Manufacturing (electrical and electronic products), agriculture and forestry (palm oil), mining (crude oil)
Nominal GDP	US\$419.6 billion; Per capita: US\$12,541 (2024, IMF)
Real GDP growth rate	5.1% (2024, IMF)

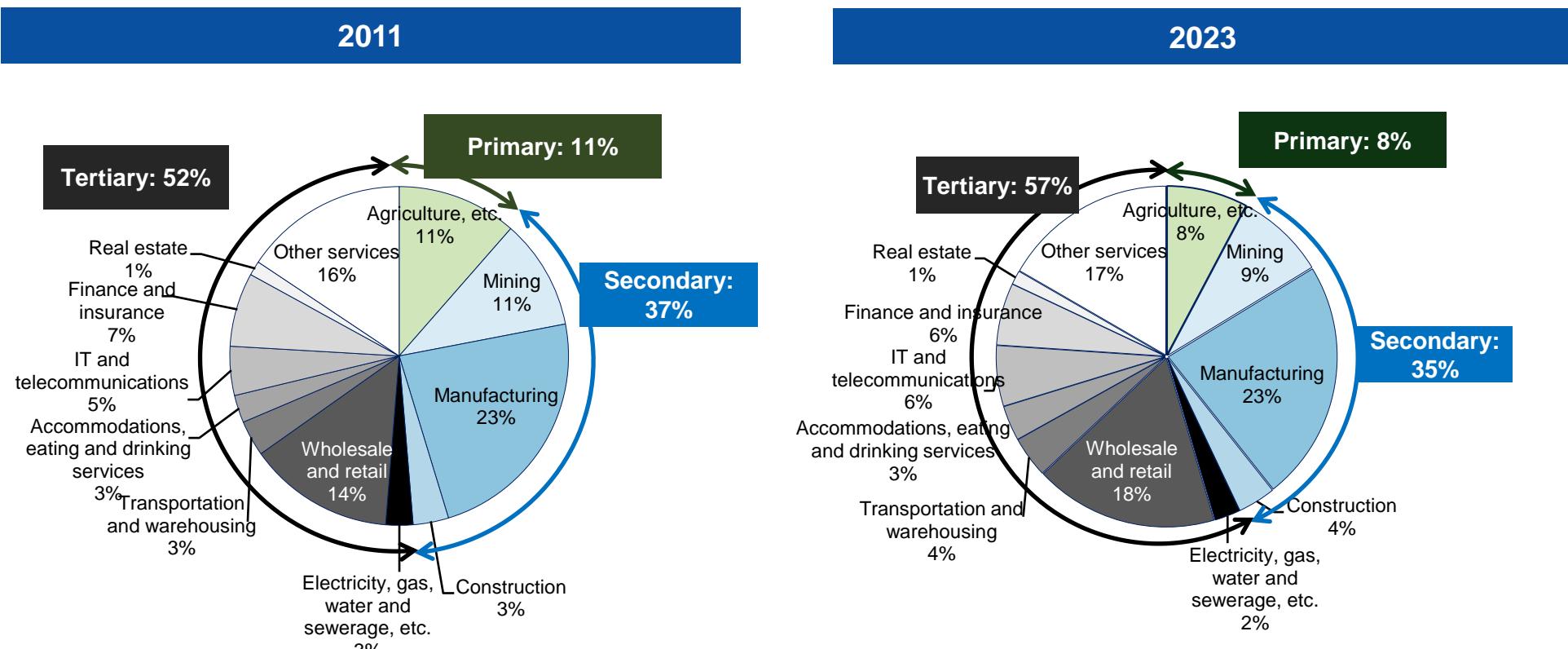
Overview

- Malaysia is a federal state consisting of the southern half of the Malay Peninsula and the northwestern coastal areas of Borneo Island (Sabah, Sarawak). It is divided into three federal territories (Kuala Lumpur, Labuan, and Putrajaya) and 13 states. About 80% of the total population is concentrated on the Malay Peninsula. The eastern region of Malaysia is rich in mineral resources and has a small population.
- Major natural resources include crude oil, natural gas, natural rubber, palm oil, timber, tin ore, copper ore, bauxite ore, etc.
- On November 24, 2022, King Abdullah appointed the former Deputy Prime Minister Anwar Ibrahim as the new Prime Minister. He belongs to a political coalition known as the Alliance of Hope (Pakatan Harapan [PH]), which won the largest number of votes in the general election held on November 19. This is a change of government from the previous government of Ismail Sabri, which consisted of the National Front (Barisan Nasional [BN]), the National Alliance (Perikatan Nasional [PN]), and others. Malaysia's political scene has been characterized by turmoil involving multiple political parties and short-lived governments. How well the new government will operate going forward is yet to be judged.

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

- Malaysia is one of the most industrialized of the major ASEAN countries. Secondary industry currently accounts for nearly 40% of GDP.
- Although share of the agricultural sector, including palm oil production on plantations, has declined over the years, it continues to compose a certain share of GDP.
- The share of the tertiary sector has grown to account for 57% of GDP.

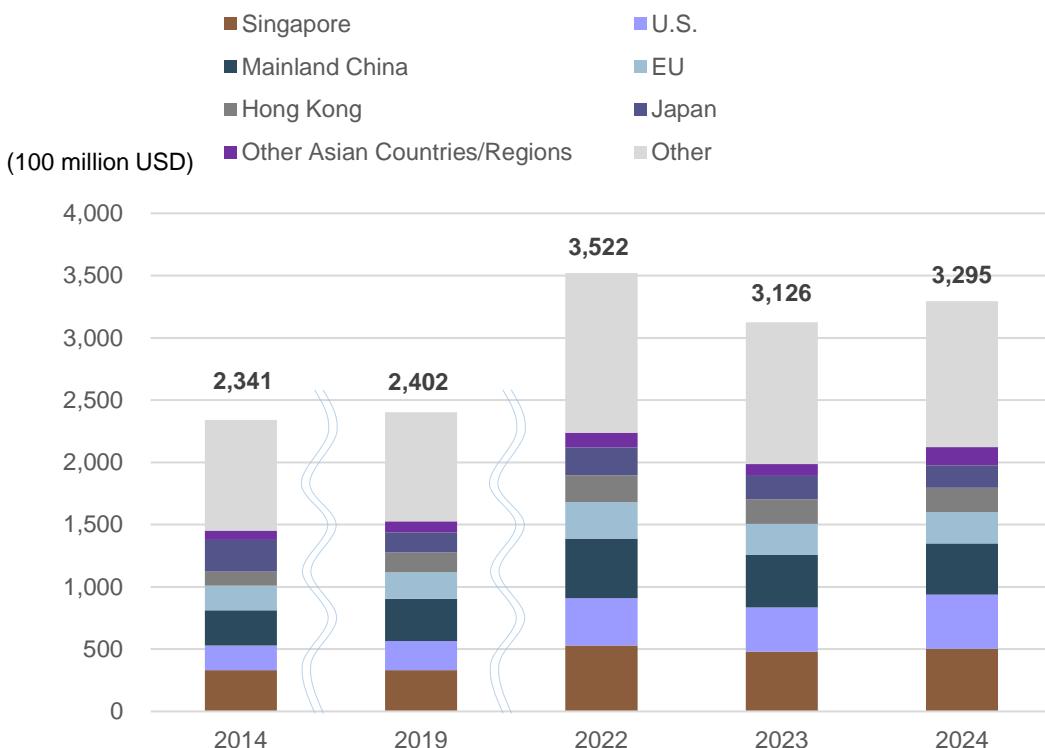
GDP Composition by Industry (Comparison of 2011 and 2023)



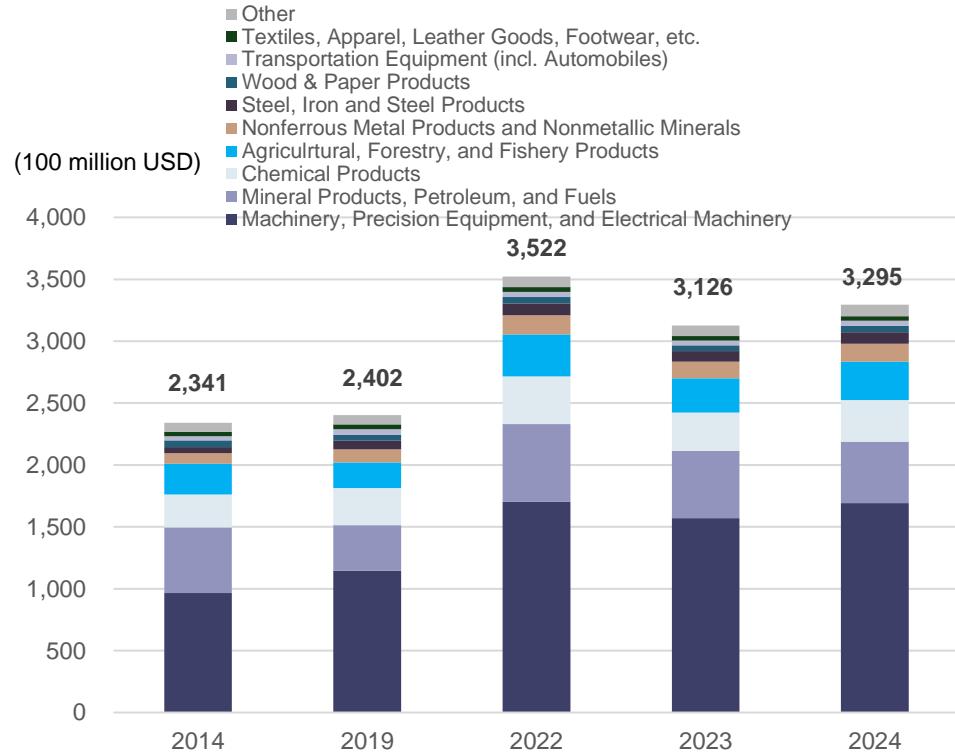
I-3. Economic Structure (Industry/Trade) (2): Trends in Export Value

- Main export destinations are China, Singapore, the United States, and Japan. Exports to the United States increased by approximately 23%, while exports to Mainland China decreased by about 3%. Exports to the United States reached a record high due to increased demand for electrical and electronic products, machinery, and rubber products.
- By product category, machinery and precision instruments led exports in value. Integrated circuits, accounting for about half of this category, grew 4.8% year-on-year, contributing to the expansion in exports for this product group

Trend in Export Value by Country/Region



Trends in Export Value by Item Classification



Note: "Other Asian Countries/Regions" represents the combined trade value of countries/regions not individually aggregated in the source data.

Product classifications are based on the two-digit HS code classification.

I-3. Economic Structure (Industry/Trade) (3): Breakdown of Export Values (by Country/Region and Export Item Category)

■ The United States surpassed China in export value for the first time in 16 years. Changes in the global supply chain due to U.S.-China relations among others are behind the shift in export destinations.

Breakdown of Export Values (by Country/Region and Export Item Category)											(100 million USD)
	Agricultural, Forestry and Fishery Products	Mineral Products, Petroleum, and Fuels	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	Area Total
Singapore	35.3 (11.4%)	74.7 (15%)	23.8 (7.1%)	4.6 (8.6%)	4.5 (12.2%)	15.4 (16.6%)	13.5 (9.4%)	311.3 (18.4%)	7.5 (18.3%)	14.0 (15.1%)	504
United States	12.7 (4.1%)	1.1 (0.2%)	30.3 (9%)	5.1 (9.6%)	4.0 (10.8%)	9.0 (9.8%)	10.1 (7%)	339.5 (20.1%)	4.2 (10.2%)	18.4 (19.8%)	434
Mainland China	28.4 (9.2%)	56.5 (11.4%)	66.5 (19.8%)	16.0 (30.3%)	3.0 (8.2%)	1.4 (1.6%)	31.7 (22%)	201.6 (11.9%)	3.2 (7.8%)	1.7 (1.8%)	410
EU	25.7 (8.3%)	5.4 (1.1%)	38.1 (11.3%)	2.5 (4.7%)	2.4 (6.4%)	5.2 (5.7%)	10.2 (7.1%)	154.9 (9.2%)	2.5 (6.1%)	6.4 (6.9%)	253
Hong Kong	3.1 (1%)	2.0 (0.4%)	3.7 (1.1%)	0.1 (0.2%)	0.8 (2.1%)	7.1 (7.7%)	2.4 (1.7%)	169.2 (10%)	1.1 (2.6%)	4.7 (5.1%)	194
Japan	13.5 (4.3%)	67.7 (13.6%)	15.2 (4.5%)	5.7 (10.8%)	3.1 (8.3%)	2.8 (3.1%)	8.5 (5.9%)	54.9 (3.2%)	0.9 (2.2%)	8.2 (8.9%)	181
Other Asian Countries/Regions	4.3 (1.4%)	9.2 (1.8%)	5.6 (1.7%)	0.8 (1.6%)	0.3 (0.7%)	1.3 (1.5%)	3.7 (2.6%)	119.1 (7%)	1.5 (3.5%)	0.6 (0.7%)	146
Other	187.6 (60.4%)	280.9 (56.5%)	153.1 (45.5%)	18.1 (34.1%)	19.0 (51.3%)	50.1 (54.2%)	63.9 (44.4%)	340.1 (20.1%)	20.1 (49.1%)	38.5 (41.7%)	1,171
Total by Item Category	311	497	336	53	37	92	144	1,691	41	92	3,295

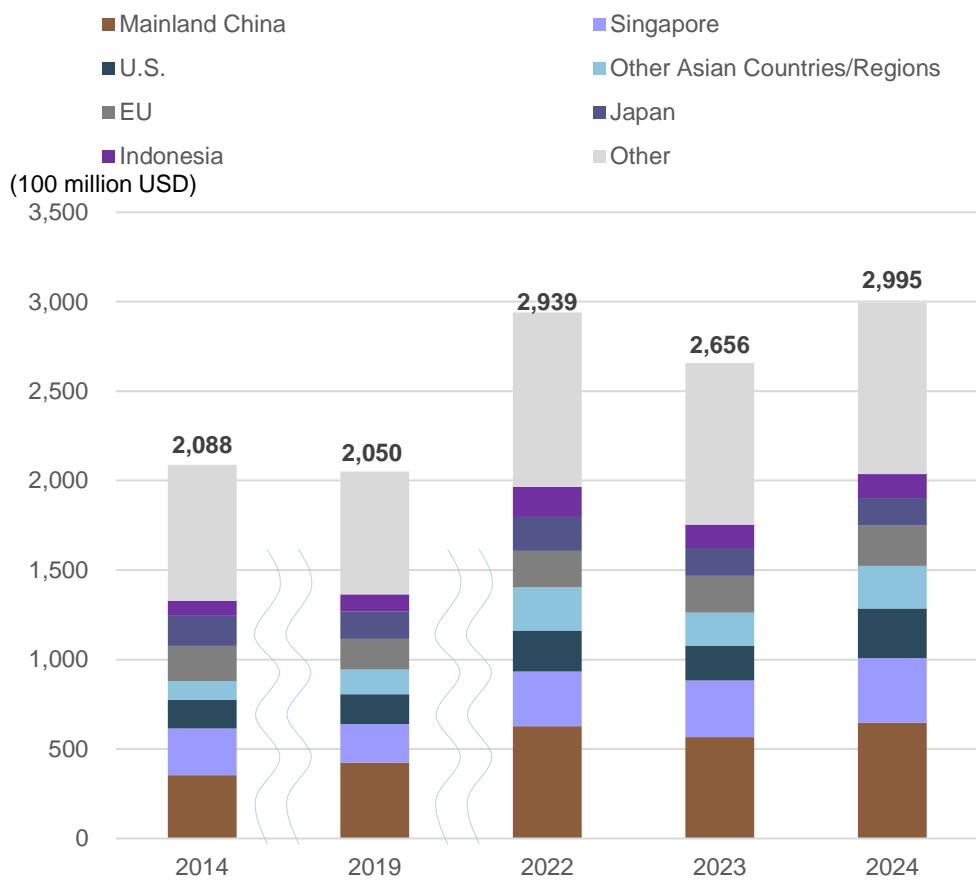
Note 1: Percentage of each export item category by export destination country and region; the cells with the highest percentage are shown in blue.

Note 2: "Other Asian Countries/Regions" represents the aggregate trade value of countries/regions not individually aggregated in the source data and includes Taiwan.

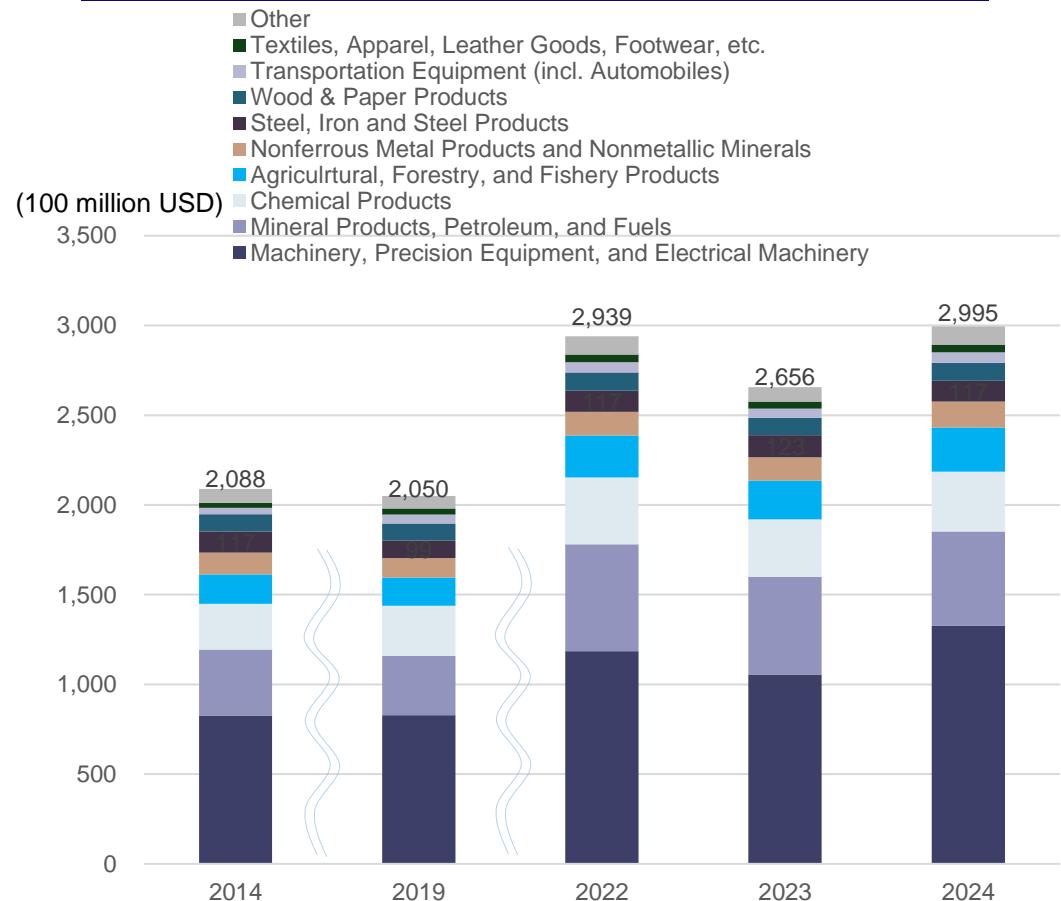
I-3. Economic Structure (Industry/Trade) (4): Trend of Import Values

- Main import sources include China, Singapore, and the United States. Imports from neighboring Asian countries have also been increasing in recent years.
- Major import items are electrical and electronic equipment. Imports in 2024 increased by approximately 26% compared to the previous year driven by increased data center and semiconductor related investments.

Trend of Imports by Country and Region



Trend of Import Value by Product Category



I-3. Economic Structure (Industry/Trade) (5): Breakdown of Import Values (by Country/region and Import Item Category)

■ China was the top import source in 2024, with import value 1.8 times larger than second-place Singapore, indicating high import dependency on China

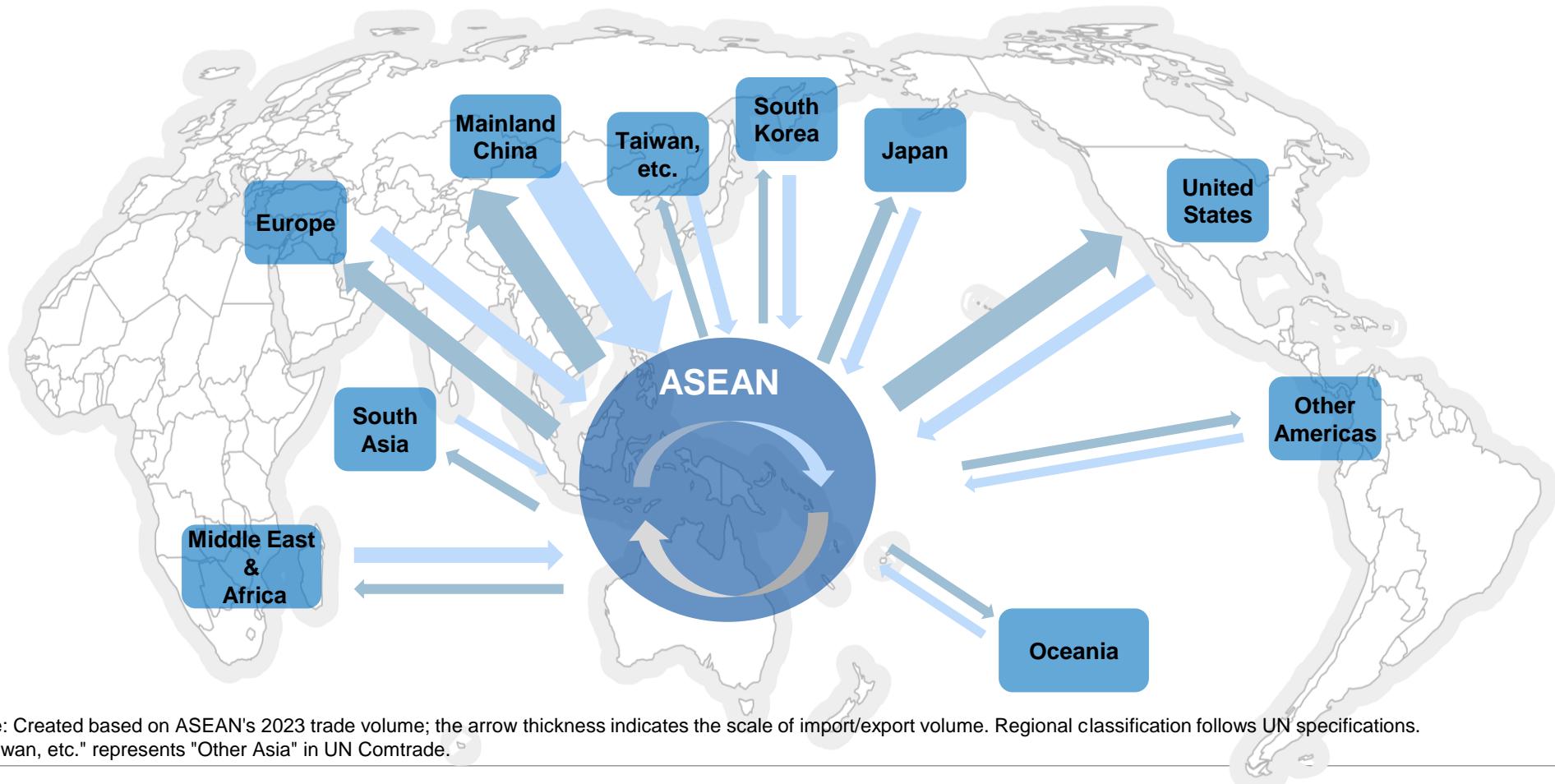
Breakdown of Import Values (by Country/region and Import Item Category)											(100 million USD)
	Agricultural, Forestry and Fishery Products	Mineral Products, Petroleum, and Fuels	Chemical Products	Wood and Paper Products	Fibers & Textiles, Clothing, Leather, Footwear, etc.	Steel and Steel Products	Non-ferrous Metal Products and Non-metallic Minerals	Machinery, Precision Instruments, Electrical Machinery	Transportation Equipment (including Automobiles)	Other	Area Total
Mainland China	29.0 (11.7%)	30.3 (5.8%)	76.5 (22.9%)	12.0 (28%)	21.8 (37.4%)	38.5 (38.6%)	34.7 (24.2%)	355.1 (26.8%)	26.1 (22.4%)	23.7 (23.3%)	648
Singapore	8.3 (3.3%)	95.0 (18.1%)	35.1 (10.5%)	1.4 (3.2%)	7.1 (12.1%)	9.9 (10%)	6.4 (4.5%)	174.4 (13.1%)	2.1 (1.8%)	21.7 (21.4%)	361
United States	9.2 (3.7%)	15.4 (2.9%)	25.9 (7.8%)	6.0 (14%)	1.2 (2.1%)	2.0 (2%)	20.9 (14.5%)	174.8 (13.2%)	18.5 (15.9%)	2.0 (2%)	276
Other Asian Countries/Regions	1.2 (0.5%)	14.8 (2.8%)	11.6 (3.5%)	0.6 (1.4%)	0.5 (0.8%)	6.4 (6.4%)	2.9 (2%)	199.4 (15%)	0.3 (0.2%)	0.9 (0.9%)	238
EU	15.5 (6.3%)	6.2 (1.2%)	32.4 (9.7%)	3.8 (8.7%)	3.9 (6.7%)	3.9 (3.9%)	6.5 (4.5%)	125.9 (9.5%)	21.4 (18.3%)	5.7 (5.6%)	225
Japan	2.2 (0.9%)	5.8 (1.1%)	18.9 (5.7%)	1.8 (4.1%)	1.6 (2.7%)	10.2 (10.2%)	9.9 (6.9%)	79.6 (6%)	15.6 (13.4%)	7.8 (7.7%)	153
Indonesia	21.1 (8.5%)	39.9 (7.6%)	29.6 (8.9%)	6.0 (14%)	2.9 (5%)	5.9 (5.9%)	11.1 (7.8%)	9.0 (0.7%)	8.2 (7.1%)	1.3 (1.3%)	135
Other	160.5 (65%)	317.0 (60.4%)	103.9 (31.1%)	11.4 (26.5%)	19.4 (33.2%)	23.0 (23%)	51.2 (35.6%)	208.6 (15.7%)	24.5 (21%)	38.3 (37.8%)	958
Total by Item Category	247	524	334	43	58	100	144	1,327	117	101	2,995

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

Note 2: "Other Asian Countries/Regions" represents the aggregate trade value of countries/regions not individually aggregated in the source data and includes Taiwan.

I-3. Economic Structure (Industry/Trade) (6): World and ASEAN Trade Flow Diagram

- ASEAN's trade is expanding driven by its high economic growth rates. Mainland China, the United States, Europe, and Japan serving as major external trading partners. While ASEAN maintains a trade surplus with Europe and the United States, imports from East Asia tend to exceed exports.
- Backed by agreements like the ASEAN Trade in Goods Agreement (ATIGA) effective since 2010 and RCEP effective since 2022, ASEAN is deepening economic ties with countries both within and outside the region, strengthening its presence as a supply chain hub in the Asia-Pacific region.



I-3. Economic Structure (Industry/Trade) (7): Global and ASEAN Trade Flows

Breakdown of Imports from ASEAN Countries/Regions (2023)

(Billion JPY)

	Thailand	Indonesia	Malaysia	Philippines	Singapore	Vietnam	Brunei	Myanmar	Cambodia	Laos	ASEAN Region
Japan	3,476	2,938	2,656	1,473	2,734	3,295	221	170	166	14	17,143
South Korea	858	1,456	1,732	492	2,918	3,314	43	57	40	2	10,911
Mainland China	4,830	9,177	5,956	1,505	9,269	8,561	265	484	214	326	40,589
Hong Kong	1,568	375	2,784	1,240	7,125	1,357	6	15	23	10	14,503
Taiwan	680	947	1,342	372	2,905	666	27	6	18	1	6,963
South Asia	1,795	3,886	2,136	175	2,921	1,413	25	135	45	12	12,543
United States	6,851	3,291	5,011	1,615	6,349	13,719	14	83	1,271	14	38,219
Middle East & Africa	2,639	2,343	2,483	136	2,807	1,683	5	40	35	3	12,174
Europe	4,435	3,103	4,037	1,338	6,063	7,360	4	448	636	53	27,478
Other Americas	1,644	1,018	1,100	279	1,870	2,344	54	19	166	2	8,496
Oceania	1,986	587	1,917	99	3,639	836	351	4	55	49	9,525
ASEAN region	9,483	7,453	13,025	1,583	18,581	4,537	568	613	392	301	56,536

Breakdown of Exports to ASEAN Countries/Regions (2023)

(Billion JPY)

	Thailand	Indonesia	Malaysia	Philippines	Singapore	Vietnam	Brunei	Myanmar	Cambodia	Laos	ASEAN Region
Japan	4,409	2,334	2,199	1,543	2,995	3,055	13	28	88	21	16,685
South Korea	1,225	1,488	1,710	1,255	3,627	7,404	9	78	66	10	16,871
Mainland China	10,010	8,887	8,015	4,372	8,309	15,639	111	720	1,523	298	57,883
Hong Kong	369	357	472	297	312	228	2	0	46	2	2,088
Taiwan	2,346	558	2,597	697	6,872	2,603	2	12	93	2	15,783
South Asia	924	1,013	1,054	334	1,059	897	11	72	35	5	5,402
United States	2,748	1,602	2,760	1,288	7,358	1,954	39	25	36	29	17,839
Middle East & Africa	4,807	2,970	3,289	931	4,785	2,155	292	42	21	1	19,292
Europe	4,066	2,694	3,801	1,391	9,146	2,672	92	66	165	33	24,124
Other Americas	1,236	1,326	1,076	521	1,603	1,315	10	27	45	6	7,165
Oceania	1,188	1,493	1,233	673	1,107	1,306	81	24	22	12	7,138
ASEAN region	7,446	6,637	9,322	5,601	12,530	5,779	395	1,231	1,309	482	50,732

I-3. Economic Structure (Industry/Trade) (8): Import/Export Ratio by Industry (2023)

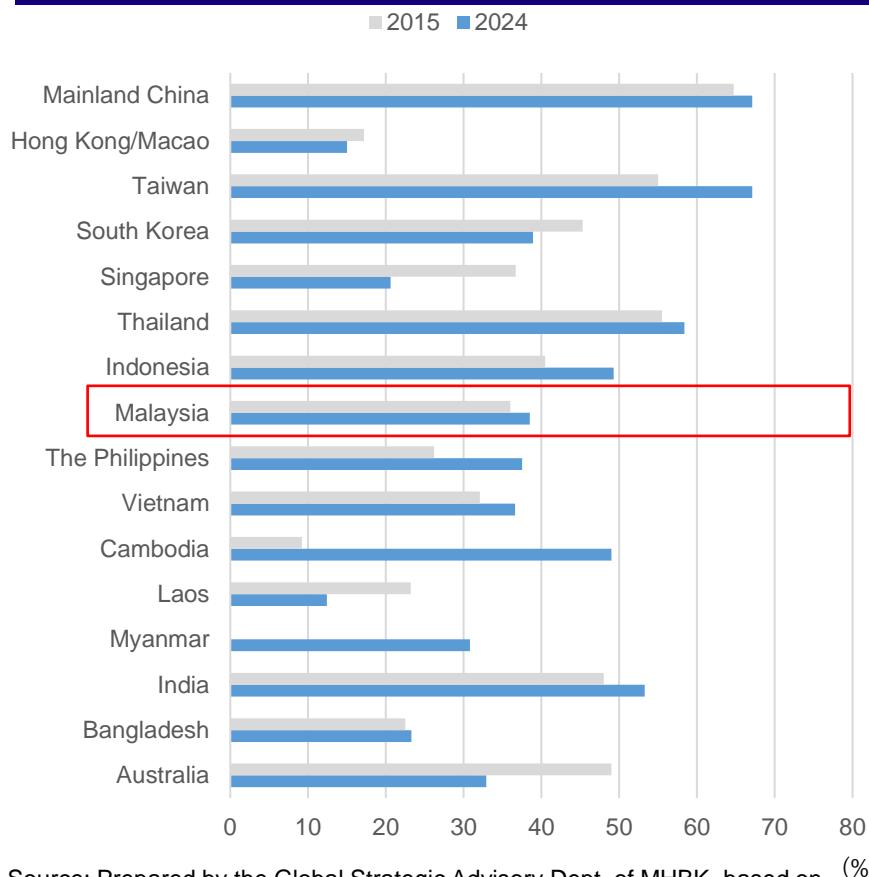
- For electrical and optical machinery, which has the highest production value, both import ratio and export ratio are relatively high. This indicates that the market is open to foreign capital and that Malaysia possesses strong competitiveness in this sector.
- However, the high import and export ratios for the most produced items makes the economy vulnerable to external economic factors such as exchange rate fluctuations and trade friction.

Product Classification	Unit: Million USD				Unit: %	
	①	②	③	② / (① + ②)	③ / (① + ②)	
	Production Value	Import Value	Export Value	Import Ratio	Export Ratio	
Agriculture, Forestry, and Fisheries	67,122	17,984	7,229	21.1		8.5
Mining	15,581	4,063	1,383	20.7		7.0
Food, Beverages & Tobacco	59,537	17,418	19,232	22.6		25.0
Textiles and Textile Products	34,706	11,884	31,632	25.5		67.9
Leather and Footwear	16,603	5,443	14,815	24.7		67.2
Wood and Wood Products	8,759	1,629	2,075	15.7		20.0
Paper and Paper Products	11,933	3,053	1,121	20.4		7.5
Coal, Petroleum Products, Nuclear Fuel	5,119	1,583	191	23.6		2.8
Chemicals	17,690	8,190	3,585	31.6		13.9
Rubber & Plastics	17,291	6,327	4,639	26.8		19.6
Other Non-metallic Minerals	15,158	5,021	2,255	24.9		11.2
Base Metals and Fabricated Metal Products	51,944	15,432	7,268	22.9		10.8
Other Machinery	7,172	12,927	3,917	64.3		19.5
Electronics and Optical Machinery	126,956	82,959	114,167	39.5		54.4
Transportation Equipment	18,882	10,150	6,282	35.0		21.6
Other Products	20,661	7,991	11,797	27.9		41.2

I-3. Economic Structure (Industry/Trade) (9): Supply Chain Trends (Local Procurement of Raw Materials and Parts)

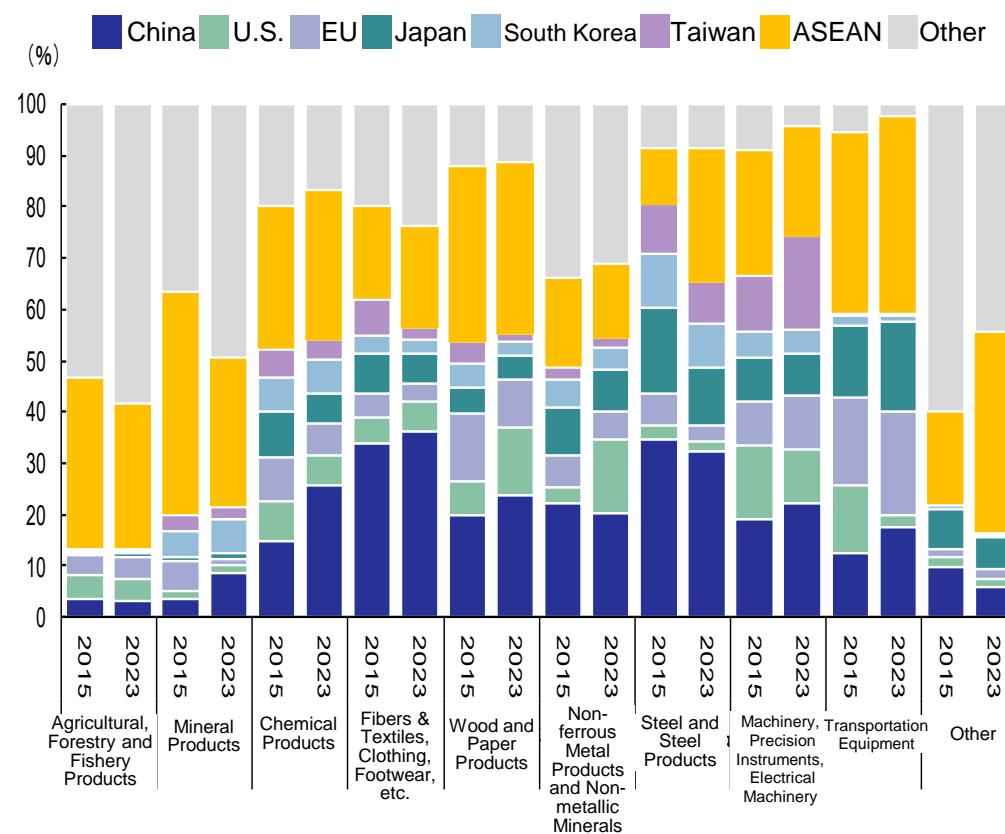
- The local procurement ratio for product manufacturing is not particularly high compared to other countries and regions, and it can be said that a relatively large proportion of raw materials and parts are procured through imports.
- China and ASEAN account for a large proportion of material and parts procurement. Imports from China increased in many cases compared to 2015.

Local Sourcing Ratio of Japanese Manufacturers Overseas



Source: Prepared by the Global Strategic Advisory Dept. of MHBK, based on a JETRO survey on the actual conditions of Japanese companies operating overseas

Procurement Sources of Materials in Malaysia
(Import Share by Country/Region)



Note: The definition of components follows RIETI-TID. "Taiwan" is aggregated under "Other Asia," as it is not classified under other countries/regions in the UN Comtrade dataset.
Source: Prepared by MHRT based on UN Comtrade

I-4. Economic and Industrial Characteristics (1): Economy and Society

- **Malaysia is a multi-ethnic nation composed of a wide variety of ethnic groups, including Malays, Chinese, and Indians.**
- **A large economic disparity has historically existed between the Malays and the Chinese, who were powerful in the country since before independence. The Bumiputra policy was implemented for many years to reduce the disparity, but in 2009, relaxation of the policy was announced.**
- **The country has abundant natural resources such as natural gas, crude oil, and palm oil.**

Society	<ul style="list-style-type: none">✓ In Malaysia, the Chinese held strong economic influence even before independence. The economic gap between the Malays and the Chinese caused riots to break out. The government adopted the Bumiputra policy to narrow the gap by fostering Malay entrepreneurs. As a result, ethnic tensions are not as great as they used to be. The presence of Malay companies is increasing year by year, but Chinese entrepreneurs still retain significant influence.
Economy	<ul style="list-style-type: none">✓ An export-oriented country with a strong export industry as a base; exports include electronics, mineral resources and their processed products, and agricultural products such as natural rubber and palm oil. These industries have been actively welcoming foreign-owned companies since long ago.✓ Fiscal and monetary policy management is basically conservative, and the economy is stable. The current account balance remains in the black. However, foreign exchange reserves are often described as somewhat low.
Politics	<ul style="list-style-type: none">✓ Since independence in 1957, the National Front (BN) was consistently in power. However, in the general election of May 2018, the Alliance of Hope (PH), represented by former Prime Minister Mahathir, won a majority, resulting in a historic change of government.✓ However, in February 2020, Prime Minister Mahathir resigned due to conflicts within the coalition government. On March 1 of the same year, Muhyiddin Yassin of the National Alliance (PN) became the new prime minister (resulting in a change of government without elections). However, he resigned after less than six months due to conflicts within the coalition government. In August 2021, Ismail Sabri of the National Front (BN) was appointed as the new prime minister and remained in power until the general election in November 2022.✓ In November 2022, Anwar Ibrahim of the Alliance of Hope (PH), which won the largest number of votes in the general election, became the new prime minister. This is a change of government from the previous government of Ismail Sabri, which consisted of the National Front (BN) and other parties. The political scene is still in a state of turmoil involving multiple political parties.
Diplomacy	<ul style="list-style-type: none">✓ Malaysia's foreign policy is based on the five principles of (1) freedom and independence, (2) good neighborly relations, (3) promotion of cooperation within the ASEAN region, (4) promotion of world peace and prosperity, and (5) compliance with the UN Charter.✓ Centered on a policy of non-alignment and neutrality, it pursues multifaceted diplomacy including cooperation with ASEAN and Islamic nations, balanced relations with major powers like the US and China, and active participation in UN activities.✓ In July 2024, Malaysia formally applied for membership in BRICS. It is the second ASEAN country to do so, following Thailand.

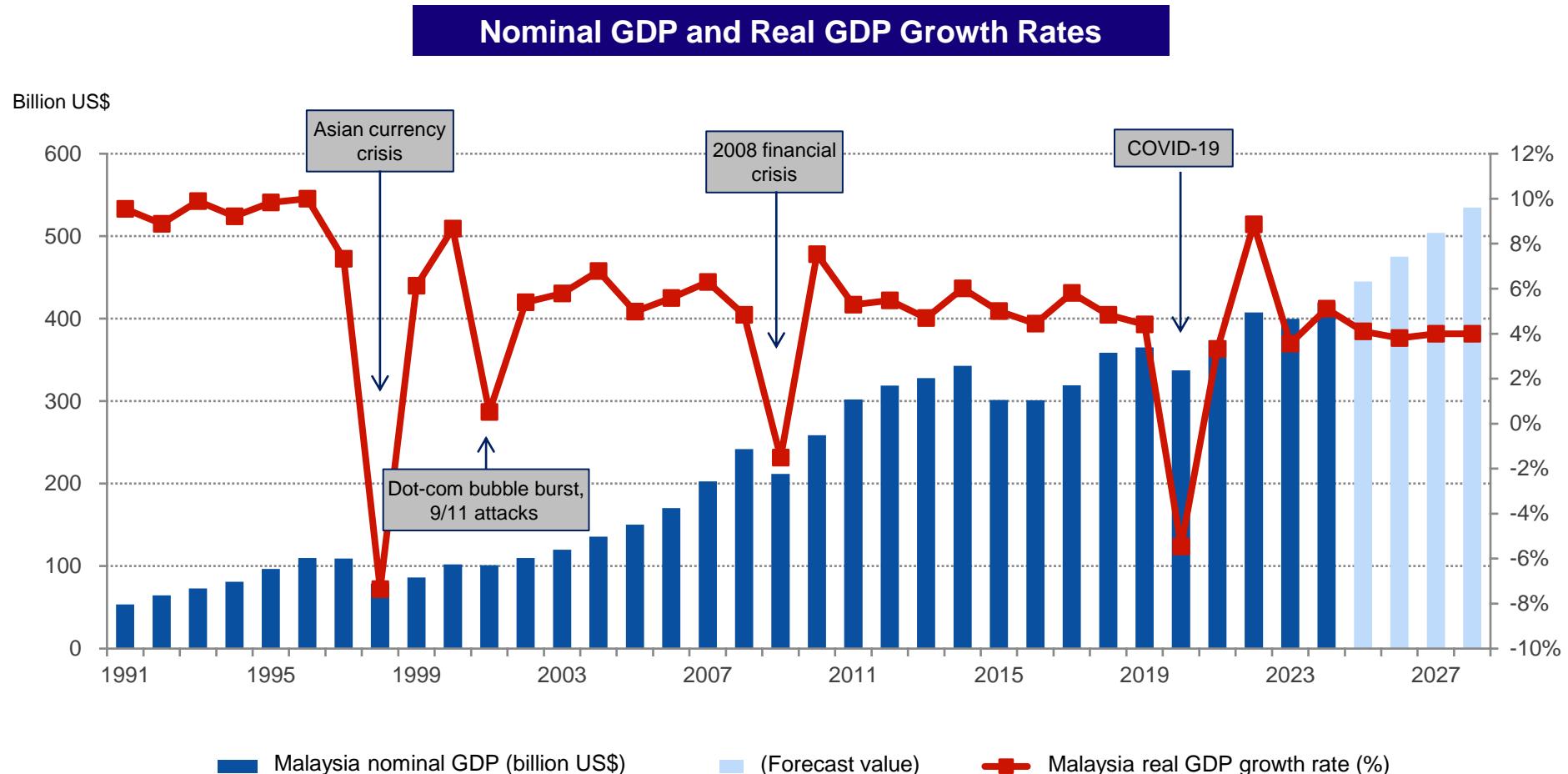
I-4. Economic and Industrial Characteristics (2): Industry

- Possesses abundant natural resources, ranking among the world's top producers of natural rubber, palm oil, timber, tin, LNG, and crude oil
- Manufacturing focuses on electronics products like semiconductors and chemicals processed from mineral resources.
- Against a backdrop of relaxed foreign investment regulations and increased foreign tourists, the share of the tertiary sector has been rising in recent years.

	Agriculture, Forestry, and Fishery	Manufacturing	Tertiary Industry
Characteristics	<ul style="list-style-type: none">✓ Natural rubber production ranks sixth globally.✓ Palm oil production ranks second globally after Indonesia.✓ Forestry production is declining due to logging restrictions implemented for forest conservation.	<ul style="list-style-type: none">✓ Transitioning from resource-processing to export-oriented and high-value-added industries✓ Two domestic automobile manufacturers exist, with efforts also underway to develop the automotive parts industry.✓ Issues include rising wages and a shortage of skilled workers.	<ul style="list-style-type: none">✓ The tertiary sector accounts for over half of Malaysia's GDP and drives economic growth.✓ Wholesale and retail trade, along with food and beverage, finance, and digital sectors, play significant roles.
Recent Trends	<ul style="list-style-type: none">✓ The use of palm oil for non-food purposes, such as biofuels, is expanding, leading to increased production.✓ The government promotes sustainable production for each product. It also addresses environmental concerns by introducing certification systems for each sector.	<ul style="list-style-type: none">✓ JAKIM, the government-accredited halal certification body, established the International Halal Accreditation Board (IHAB) comprising of 69 organizations from 42 countries to establish and oversee international certification systems.✓ The government is focusing on promoting electric vehicles (EVs) in its Low Carbon Society Implementation Plan through 2030. Proton, the national car manufacturer, has announced its first EV model.	<ul style="list-style-type: none">✓ Recent easing of foreign investment regulations and Bumiputra policies have expanded the range of service industries accessible to foreign investment.✓ Investment in the ITC sector is drawing attention, with companies like Google and Microsoft executing large-scale investments.

I-5. Economic Environment (1): Mid- to Long-term Growth Trends

- Since 2011, GDP growth rates have generally fluctuated around 5%.
- While affected by the COVID-19 pandemic and global economic slowdown in 2022 and 2023, growth reached 5.1% in 2024, driven by expanding domestic demand and recovering exports.



I-5. Economic Environment (2): Short-term Outlook

- In 2022, growth reached 8.9% due to post-pandemic economic recovery and expanded exports but fell to 3.6% the following year due to a global economic slowdown and reduced demand for electronic products.
- Growth accelerated in 2024 due to expanding domestic demand and increased investment. While concerns remain about the impact of Trump tariffs from 2025 onward, robust domestic demand and sustained investment are expected to support a reasonable growth rate.

Asian Economic Outlook Summary (short term)

	2018	2019	2020	2021	2022	2023	2024	2025	2026
	(%)								
	(Forecast)								
Asia	6.2	5.2	– 0.6	7.6	4.2	5.6	5.2	4.6	4.3
Mainland China	6.7	6.1	2.2	8.4	3.1	5.4	5.0	4.4	3.8
NIEs	3.1	2.0	– 0.4	6.0	2.3	1.5	3.1	1.5	1.7
South Korea	3.2	2.3	– 0.7	4.6	2.7	1.4	2.0	0.9	1.6
Taiwan	2.9	3.1	3.4	6.7	2.7	1.1	4.6	1.8	1.6
Hong Kong	2.8	– 1.7	– 6.5	6.5	– 3.7	3.2	2.5	2.3	1.8
Singapore	3.5	1.3	– 3.9	9.7	3.8	1.8	4.4	2.2	2.0
ASEAN5	5.4	4.9	– 3.4	3.4	6.0	4.4	5.0	4.4	4.7
Indonesia	5.2	5.0	– 2.1	3.7	5.3	5.0	5.0	4.7	4.9
Thailand	4.2	2.1	– 6.1	1.6	2.5	2.0	2.5	2.1	2.3
Malaysia	4.8	4.4	– 5.5	3.3	8.9	3.6	5.1	4.1	4.2
Philippines	6.3	6.1	– 9.5	5.7	7.6	5.5	5.7	5.4	5.7
Vietnam	7.5	7.4	2.9	2.6	8.5	5.1	7.1	5.2	6.1
India	7.3	4.6	– 5.9	9.4	6.5	8.8	6.7	6.3	6.3
Australia	2.8	1.9	– 2.0	5.4	4.1	2.0	1.1	1.5	1.8
(Reference) NIEs + ASEAN5	4.5	3.8	– 2.2	4.4	4.6	3.3	4.3	3.3	3.6
(Reference) Asia excluding mainland China	5.9	4.3	– 4.0	7.0	5.7	6.0	5.5	4.9	5.0

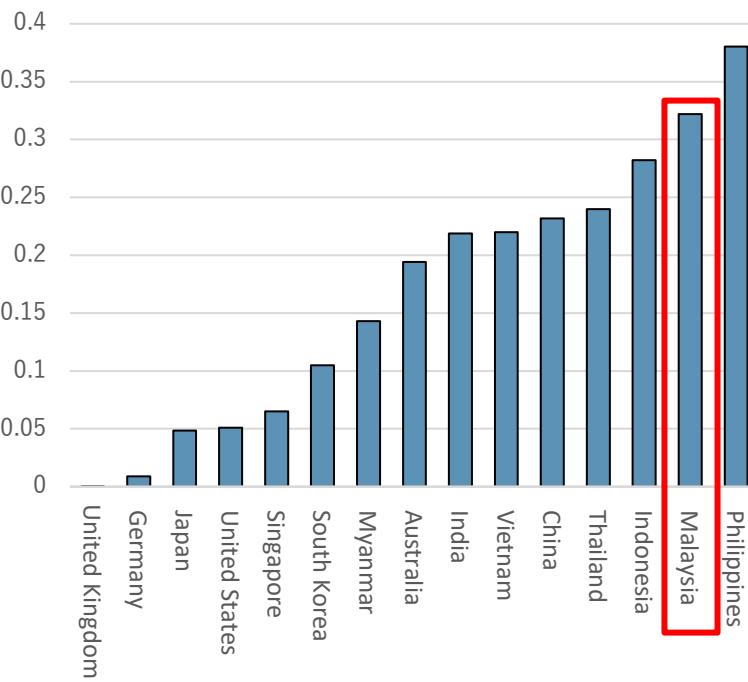
Note 1: Real GDP growth rate (YoY); shaded areas are forecasts.

Note 2: Averages are calculated by the IMF using GDP share (purchasing power parity basis).

I-6. Challenges in Economic Development

- Despite being at a relatively advanced stage of economic development within Asia, Malaysia has been somewhat slow to liberalize direct investment in the service sector.
- It has adopted preferential policies for indigenous groups such as the Malay community ("Bumiputra policy"). While recent years have seen a trend toward relaxation, foreign investment restrictions remain in place for certain industries.

Direct Investment Restriction Index (2023)



Outline of the Bumiputra Policy

Education	✓ Malay is designated as the national language and is a compulsory subject even in Chinese schools. ✓ University enrollment quotas allocated according to 55% Malay, 35% Chinese, and 10% Indian.
Employment	✓ Allocate employment quotas at 55% for Malays, 35% for Chinese, and 10% for Indians.
Housing	✓ Construct affordable housing for Malays. ✓ Prioritize discounted property sales for Malays.
Capital	✓ Require a minimum 30% investment by Malays or Malay-owned companies, as a general rule.
Financing	✓ Establish a low-interest loan program for Malaysians and Malaysian-owned companies.
Assets	✓ Establish investment trusts to support asset formation for the Malay community.
Other	✓ Prioritize leasing promising public utilities to Malays.

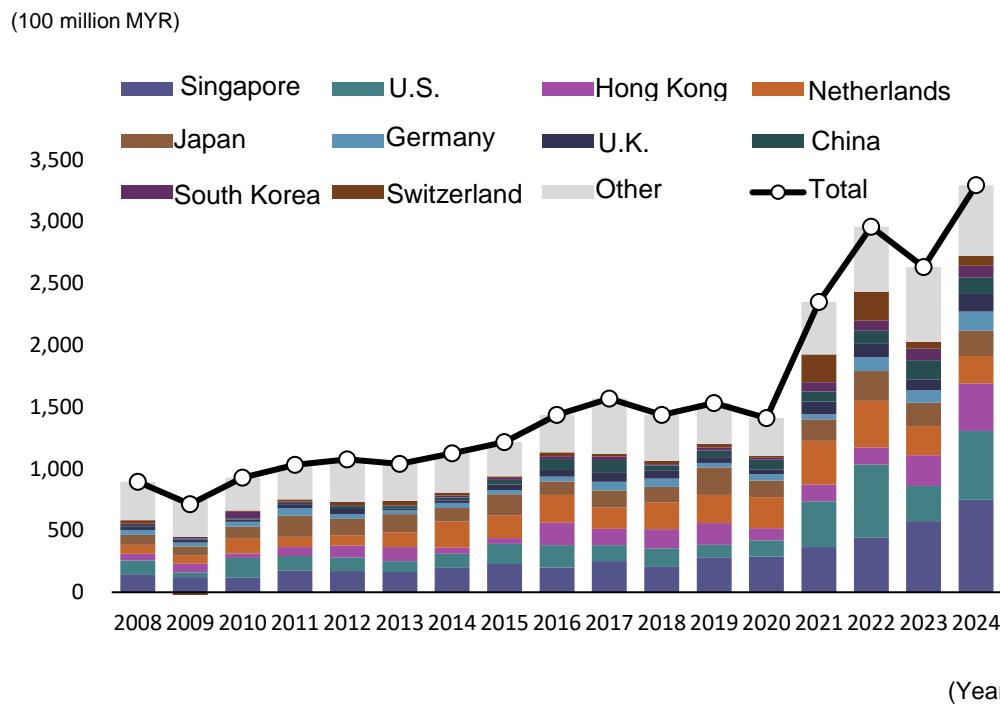
Note: A lower number indicates greater liberalization of direct investment.
Only a portion of the data (104 countries) is excerpted.

Note: "Bumiputra" refers to the collective term for indigenous peoples such as the Malay ethnic group.

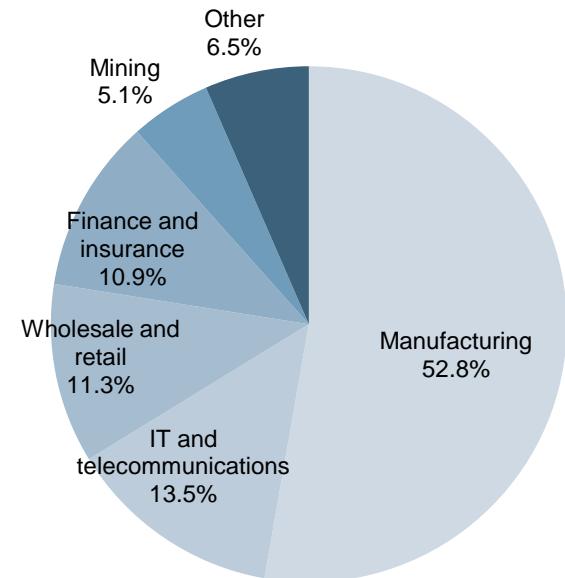
I-7. Direct Investment Trends (1): Investment from the World

- Net FDI inflows declined in 2023 due to the global economic slowdown. However, in 2024, investments in digital infrastructure and renewable energy expanded, setting a new record high for net FDI inflows. Investments from Singapore, the United States, Hong Kong, and Germany increased.
- In terms of sector breakdown of inward direct investment in 2024, manufacturing accounted for the largest share. IT and telecommunications, which ranked fourth in 2022, rose to second place. This indicates growing investment in digital-related sectors, particularly data centers.

Direct Investment Flow (Trends by Country/Region)

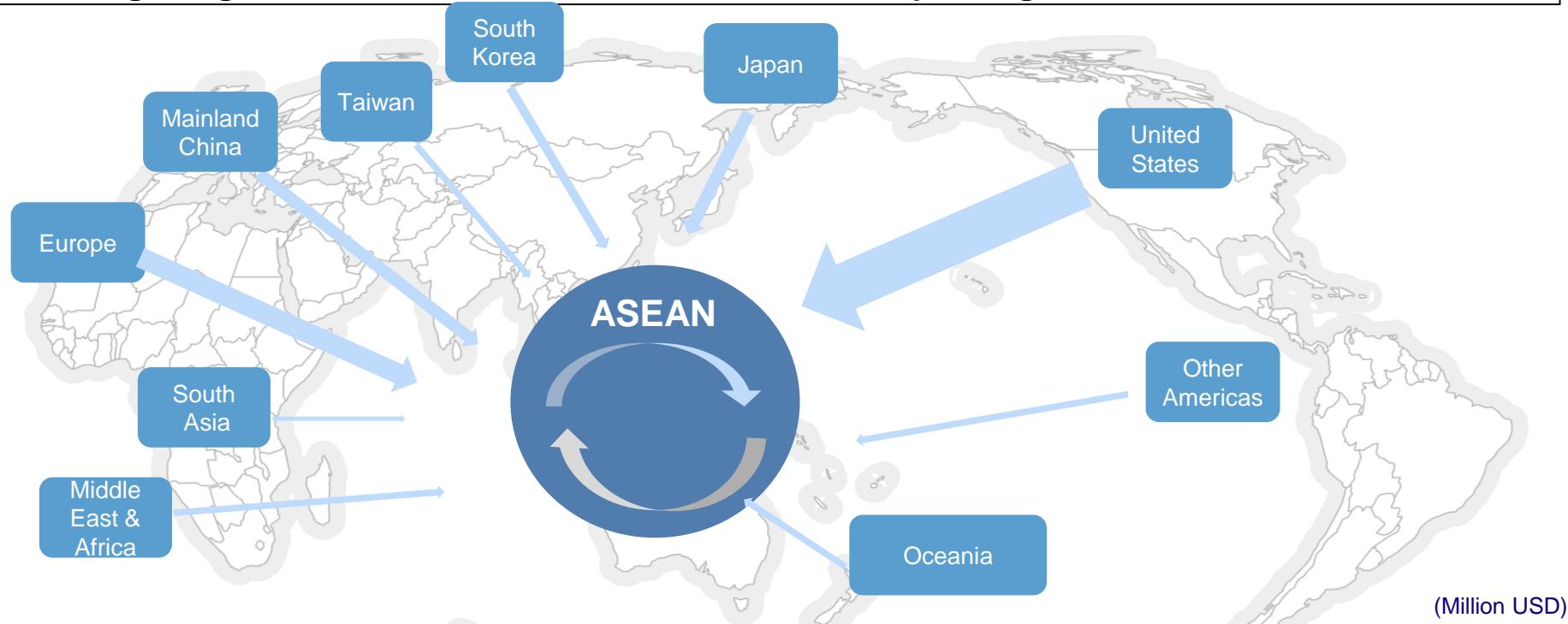


Breakdown of Direct Investment Flow by Industry (2024)



I-7. Direct Investment Trends (2): Investment from the World to ASEAN

■ The top three sources of FDI into ASEAN are the U.S., Europe, and Japan. In recent years, Mainland China, Hong Kong, Taiwan, and South Korea have also been expanding their investments.



	Thailand	Indonesia	Malaysia	Philippines	Singapore	Vietnam	Myanmar	Cambodia	ASEAN Total
Japan	2,145	2,212	1,201	849	5,874	6,753	297	301	19,632
South Korea	-248	1,724	610	21	5,153	5,131	776	403	13,571
Mainland China	1,894	1,679	889	16	7,152	4,588	602	1,991	18,812
Middle East & Africa	91	1,025	-237	-2	17	374	3	2	1,272
South Asia	58	27	-25	-0	5,016	168	473	1	5,718
Europe	2,068	2,898	-2,501	67	26,746	2,252	1	110	31,642
Taiwan	921	-5	563	37	5,235	2,958	9	28	9,747
United States	417	1,151	-300	113	73,228	647	14	50	75,319
Other Americas	-504	165	-295	13	2,762	1,081	-41	411	3,593
Oceania	138	578	-665	7	1,565	1,232	5	14	2,876
ASEAN region	977	6,259	4,965	225	4,590	9,156	408	397	26,976

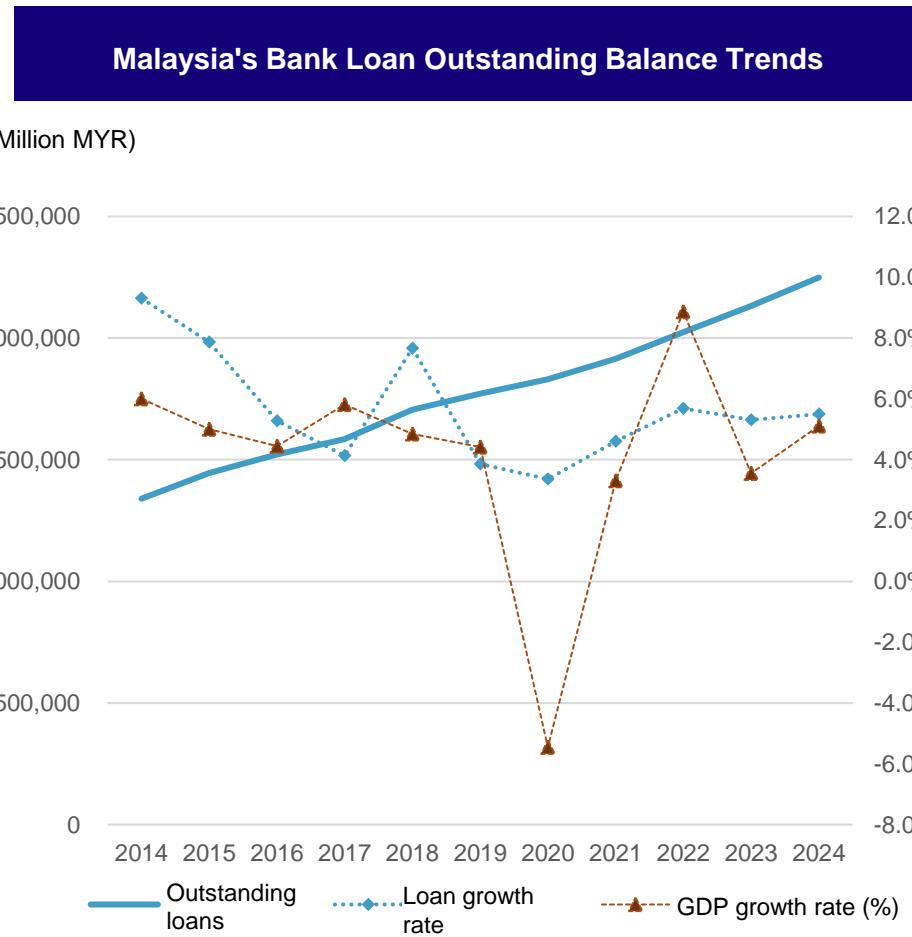
I-8. Trends in Policy Interest Rates and Outstanding Loan Balances

- The policy interest rate was held steady at 3.00% as of May 2025. Compared to other APAC countries, it has remained at a low level.
- Outstanding loans show an annual growth trend of around 5%.

Trends in Policy Interest Rates of Major APAC Countries/Regions (%)					
Country/Region	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
Indonesia	3.75	3.50	5.50	6.00	6.00
Philippines	2.00	2.00	5.50	6.50	5.75
Vietnam	4.00	4.00	6.00	4.50	4.50
Malaysia	1.75	1.75	2.75	3.00	3.00
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 rates are recorded at the end of December each year.

Source: Prepared by MHRT from central banks of respective countries

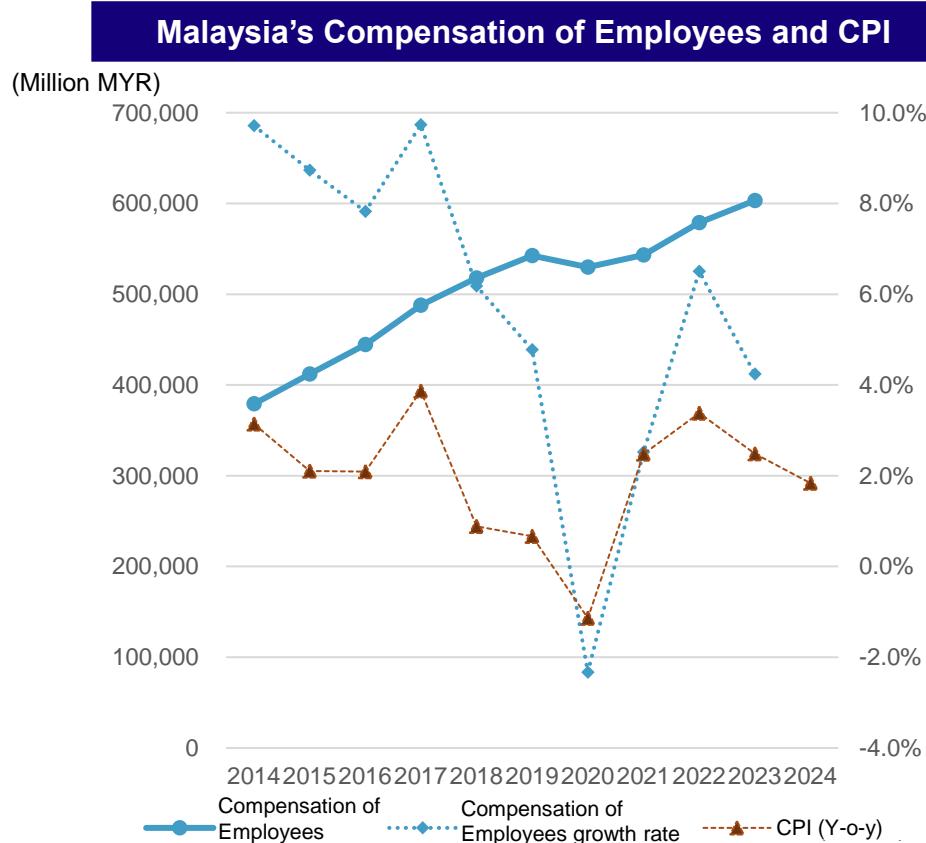


Note: GDP growth rate refers to the change in real GDP.

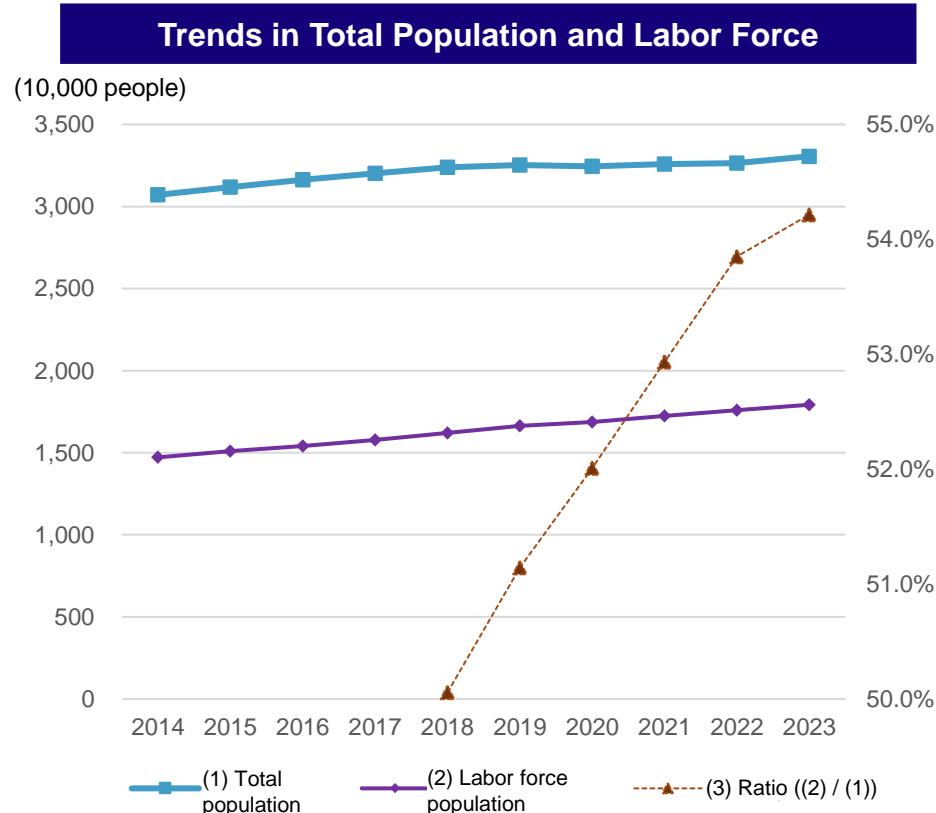
Source: Prepared by MHRT based on data from Bank Negara Malaysia and the IMF

I-9. Trends in Income, CPI, and Working Population

- Compensation of employees has risen steadily. Driven by economic recovery and increases in the minimum wage, growth rate exceeded 6.0% in 2022. However, the growth slowed in 2023 amidst the global economic downturn.
- Both the total population and the labor force population are gradually increasing, partly due to a rise in immigration.



Note: Left axis: employee compensation;
right axis: employee compensation growth rate and CPI (YOY)



I-10. Potential as an Investment Destination

- Malaysia boasts the most-advanced infrastructure services among ASEAN countries.
- Strong language skills, halal certification by a government agency, and geographical advantage are some of the factors that can be advantageous for companies that wish to use Malaysia as a base for expanding their business to third countries.

Attractiveness of Investment		Investment Considerations (Issues)	
Advanced infrastructure	Stable electricity supply Developed transportation and port infrastructure	Tight labor supply	The labor market is chronically tight, and there is a tendency to depend on foreign labor; especially for skilled labor.
Strong language skills	Many speakers of English, Malay, Chinese. Effective for business development in third countries	Labor cost	Labor cost is high among ASEAN countries, and the number of foreign firms entering Malaysia is declining due to cost-cutting.
Gateway for the Muslim market	Trusted by other countries because Malaysia offers one of the few halal certifications by a government agency in the world	Market scale	With a population of 33 million, Malaysia's domestic market is not large.
Active conclusion of FTAs	Concludes FTAs inside and outside the region based on the ASEAN framework and actively concludes bilateral FTAs outside the framework		
Measures to attract investment	Various tax incentives and support from government agencies		
Geographical advantage	Adjacent to Singapore, an Asian economic hub, and Thailand, a manufacturing hub		
Legal development	A well-developed legal system based on British law and highly transparent		

II. Investment-related Information

II-1. Labor-related Information (1): Visas and Employment Regulations

- A work visa is required to stay in Malaysia for employment purposes, even for a short period of time. Main types of work visas available are the Employment Pass, the Professional Visit Pass, and the work permit for foreign workers.
- Work permits are limited to workers from certain countries and to certain sectors, from the perspective of securing employment and maintaining public safety.

Requirements and Considerations for Visas		Local Employment and Dismissal Regulations
Employment Pass	<ul style="list-style-type: none">✓ Required when signing an employment contract with a Malaysian company, including foreign-owned companies, and usually issued to foreigners in managerial and professional positions (categorized based on minimum monthly salary)✓ The application process is done online. First, register your company with the Expatriate Services Division of the Immigration Department, and then apply for an employment pass for the relevant person(s).✓ The minimum paid-in capital is (1) RM250,000 for 100% local capital, (2) RM350,000 for a joint venture between local and foreign capital, and (3) RM500,000 for 100% foreign capital. In addition, there are cases where a separate license is required, such as in the distributive trade business.	<ul style="list-style-type: none">✓ Malaysians First <p>This government policy is aimed at securing employment for Malaysians. Employers must try to hire Malaysians first, and if they cannot find Malaysian workers, then they can consider hiring foreign workers. In addition, the Employment Act stipulates that when reducing the number of employees, an equivalent number of foreign workers should be dismissed first before dismissing Malaysian employees. (Section 60 of the Employment Act: Principle of FWFO)</p>
Professional Visit Pass	<ul style="list-style-type: none">✓ Obtained when working in Malaysia for a short period of time while employed with a company outside of Malaysia✓ As with the employment pass, the application is done online, and a schedule of planned activities, etc., is submitted.	<ul style="list-style-type: none">✓ Retirement age in the private sector is 60 years old. Demanding that a worker retire before the mandatory retirement age is prohibited, and violations are subject to a fine up to RM10,000.✓ Starting January 2018, an unemployment insurance system was introduced that provides a monthly benefit of RM600 for up to three months to those laid off, and private companies will be required to contribute to the system.✓ Effective Feb 1, 2025, the minimum wage was raised uniformly to RM1,700 nationwide.
Visit Pass Temporary Employment	<ul style="list-style-type: none">✓ The government has a “Malaysians First” policy with detailed rules for hiring semi-skilled and unskilled foreign workers.✓ Six sectors (manufacturing, construction, agriculture, plantations, and specific services such as cleaning) are open to foreign workers between 18 and 45 of age at the time of application.✓ A total of 15 countries can send workers. Workers from 12 countries, including Thailand, Cambodia, Myanmar, and Vietnam, are allowed to work in all sectors. In some cases, the rules specify sex and sectors.✓ Depending on the sector and type of business, a per-capita tax of RM410 to RM1,850 per person per year is imposed.✓ Since April 2011, work permits may be extended for up to a maximum of 10 years.	

II-1. Labor-related Information (2): Labor Cost

Country/region	Japan	China	Hong Kong	Taiwan	South Korea	Singapore	Malaysia	(US\$)
City	Tokyo	Shanghai	Hong Kong	Taipei	Seoul	Singapore	Kuala Lumpur	Thailand
Manufacturing	Workers' wages (general worker)	2,024	832	415	2,138	1,212	2,426	2,195
	Engineers	2,636	1,434	519	3,536	1,586	2,745	917
	Managers	4,221	2,217	1,036	4,889	2,264	3,678	1,773
	Staffs' wages (general level)	2,050	1,291	1,024	2,639	1,490	2,181	844
	Managers' wages	3,838	2,625	1,987	4,556	2,479	3,533	2,179
	Shop staffs' wages (apparel)	2,784	—	1,450	1,702	1,068	2,933	754
Non-manufacturing	Shop staffs' wages (food)	2,286	—	721	2,005	996	1,887	530
	Legal minimum wage	7.95/hour	375/month	329/month	5.1/hour	828/month (5.52/hour)	1,564/month	—
	Bonus payments (fixed bonus + variable bonus)	4.63 months' base salary	2.24 months' base salary	1.54 months' base salary	1.90 months' base salary	3.34 months' base salary	2.55 months' base salary	2.32 months' base salary
	Social security burden ratio (employer's burden)	13.202% to 25.252%	32.66% to 36.02%	19.74% to 33.49%	(1) 5% Less than HKD 30,000 monthly salary (2) HKD 1,500 HKD 30,000 and more monthly salary	13.96%	10.7% to 30.1%	17%
	Nominal wage increase rate	2.5% (2024)	6.9% (2022)	5.9% (2022)	3.0% (2023)	1.57% (Jan. to Jul. 2023)	5.07% (2022)	5.2% (2023)
	5.88% (manager) 5.56% (non-manager) (2023)	0.45% (2023)	—	—	—	—	—	—
Country/region	Indonesia	The Philippines	Vietnam	Laos	Cambodia	Myanmar	India	
City	Jakarta	Manila	Hanoi	Ho Chi Minh	Vientiane	Phnom Penh	Yangon	New Delhi
Manufacturing	Workers' wages (general worker)	475	314	278	329	115	243	148
	Engineers	600	478	520	619	203	453	351
	Managers	1,295	1,042	1,121	1,215	672	1,049	713
	Staffs' wages (general level)	545	567	797	759	336	656	508
	Managers' wages	1,289	1,472	1,688	1,537	751	1,398	1,381
	Shop staffs' wages (apparel)	296 to 395	324	—	249 to 322	128	250 to 350	86 to 119
Non-manufacturing	Shop staffs' wages (food)	296 to 460	324	—	237 to 249	91	250 to 500	86 to 110 (Meals & Dormitory Provided) 119 to 143 (Commutable)
	Legal minimum wage	333/month	10.66 to 11.31/day	206/month (0.99/hour)	206/month (0.99/hour)	73.1/month	204/month	2.29/day
	Bonus payments (fixed bonus + variable bonus)	2.26 months' base salary	1.84 months' base salary	1.6 months' base salary	1.6 months' base salary	1.01 months' base salary	1.08 months' base salary	1.44 months' base salary
	Social security burden ratio (employer's burden)	10.24% to 11.74%	9.5%	21.5% (public insurance premium) 17.5% (foreign workers)	21.5% (public insurance premium) 17.5% (foreign workers)	LAK 4.5 million or less LAK 270,000 (monthly salary over LAK 4.5 million)	7% (age 60 or under) 7.5% (over age 60)	13%
	Nominal wage increase rate	3.38% (2024)	5.74% to 6.11% (2024)	—	—	—	—	8.0% (2023)
	25.0% (2023)	—	—	—	—	—	—	—

II-2. Major Industrial Parks and Special Economic Zones

- Industrial parks are located throughout Malaysia, with over 200 industrial parks and 18 free industrial zones in existence.
- Japanese companies have established numerous bases in Selangor State (near Kuala Lumpur) and Johor State.

Major Industrial Parks in Kedah State

Bakaalan Industrial Estate

Access: 30 km from Penang
Japanese companies: Honda, Sharp, Sumitomo Rubber, etc.

Klim Hi-Tech Park

Access: 27 km from Penang
Japanese companies: Fuji Electric, Menicon, Reso Nac (formerly: Showa Denko), etc.

Major Industrial Parks in Penang State (Penang Island)

Prai Free Trade Zone

Access: 20 km from Penang Port
Japanese companies: Toray, Kao, Canon Electronics, etc.

Major Industrial Parks in Selangor State (Near Kuala Lumpur)

HiCom Glenmarie Industrial Park

Access: 25 km from Kuala Lumpur
Japanese companies: Fujifilm, Yamazen, Yakult, etc.

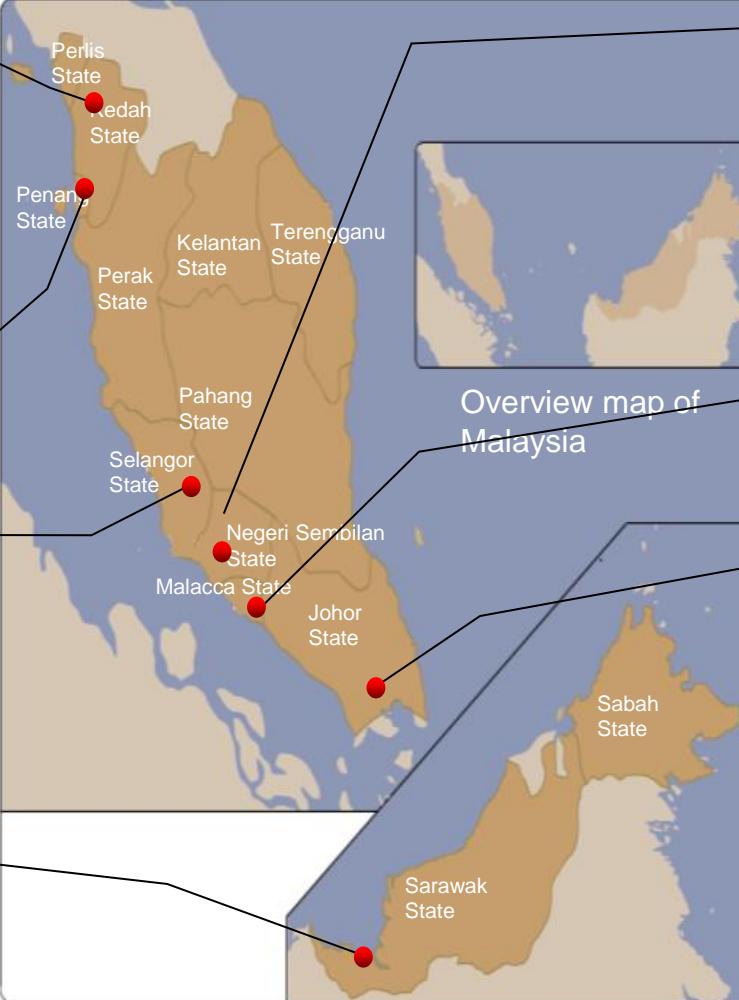
Banggi Industrial Park

Access: 6 km from Kajang
Japanese companies: Nidec (formerly Nidec Corporation), Sony, Metal One, etc.

Major Industrial Parks in Sarawak State

Samaraju Industrial Estate

Access: Approximately 70 km northeast of Bintulu
Japanese companies: Shin Nippon Denko, Iwatani Corporation, etc.



Major Industrial Parks in Negeri Sembilan

Nilai Industrial Park

Access: 26 km from Seremban
Japanese companies: Alps Alpine, Nidec Components (formerly Nidec Copal Electronics), etc.

New Senawan Industrial Park

Access: 70 km from Kuala Lumpur
Japanese companies: Daiichi Kasei, TOTO, etc.

Major Industrial Parks in the State of Malacca

Batu Pahat Free Trade Zone

Access: 5 km from Malacca
Japanese companies: Maxell Holdings, etc.

Hicom Pegoh Industrial Estate

Access: 30 km from Malacca
Japanese companies: Honda, Astemo (formerly Keihin), etc.

Major Industrial Parks in Johor

Pasir Gudang Industrial Estate

Access: Adjacent to Pasir Gudang Port
Japanese companies: Panasonic, Idemitsu Kosan, Resonac (formerly Hitachi Chemical), etc.

Tanjung Rangsat Industrial Estate

Access: 48 km from Johor Bahru
Japanese companies: Adeka Foods, Nippon Paint, Lion, etc.

Johor-Singapore Economic Zone

In Jan. 2025, the governments of both Malaysia and Singapore reached a final agreement to establish this zone.

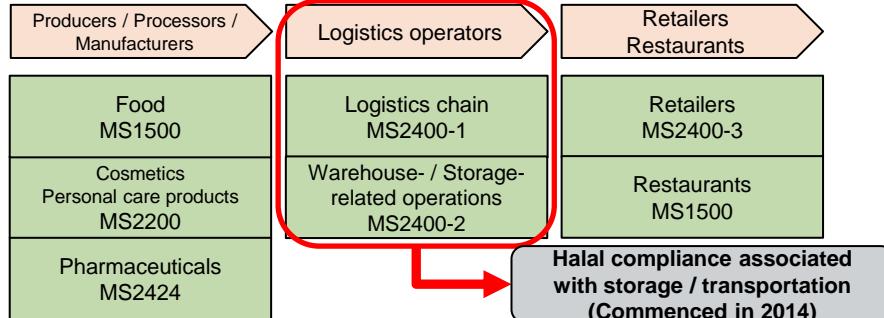
II-3. Logistics-related Information

- In the World Bank's 2023 Logistics Performance Index, Malaysia ranked 26th out of 139 countries and regions worldwide. This represents a significant improvement from its 41st place in 2018 and 32nd place in 2016.
- The government envisions establishing Malaysia as a halal logistics hub.
 - JAKIM certification is stringent, and because other countries permit domestic distribution of JAKIM-certified products, companies holding JAKIM certification often export to ASEAN nations, the Middle East, and Africa.

Local Logistics Market Trends



Supply Chain and Halal



Related Regulations and Key Players

- ✓ Foreign investment restrictions in the logistics industry vary by business type (land transport, sea transport, air transport, warehousing, airline agencies, customs brokerage, etc.), with different regulatory bodies and requirements.
- ✓ Numerous capital restrictions remain, necessitating the selection of a local partner when entering the market.
- ✓ Preferential treatment is available through obtaining Integrated Logistics Centre (ILS) or International Integrated Logistics Centre (IILS) status (IILS allows 100% foreign ownership).

Industry	Major Players	Est	Business
Warehouse	Tiong Nam Logistics Holdings	1989	International / General Logistics
	TASCO Bhd	1974	General logistics
	EXPEDITORS (MALAYSIA) .	1987	International general logistics
	Freight Management Holdings	1988	International freight forwarding / warehouse
Delivery	DKSH Holdings Malaysia	1923	Warehouse
	POS Malaysia	1926	Postal services
	GD Express Carrier	1997	Land transportation
	DHL EXPRESS (MALAYSIA)	1973	International / General Logistics
	FEDERAL EXPRESS SERVICE (M)	1989	International / General Logistics
	Century Logistics Holdings	1997	International / General Logistics
Cold chain logistics	FELDA TRANSPORT SERVICES	1995	Land transportation
	Kontena Nasional	1971	General transportation
	Gerimis Baiduri	2000	Low-temperature logistics

II-4. Accounting and Tax-related Information

- **Transfer Pricing Taxation:** Due to the 2021 tax reform, from January 1, 2021, a penalty of up to MYR 100,000 will be imposed if transfer pricing documentation requested by the Inland Revenue Board is not submitted. In addition, if a transfer pricing adjustment is made by the Board, a surcharge of up to 5% of the adjustment amount will apply.
- **Taxation of Foreign-Source Income:** Previously, foreign-source income received in Malaysia by individuals, companies (excluding banking, insurance, and air/sea transport industries), etc., was exempt from tax. However, under the 2022 tax reforms, foreign-source income received by Malaysian residents (individuals and companies) on or after January 1, 2022, is subject to taxation in Malaysia.
- **Capital Gains Tax:** In principle, only gains related to real estate were taxed. However, under the 2024 tax reform, from March 1, 2024, net gains from the disposal of shares in unlisted Malaysian companies are also subject to tax (transfers due to group internal restructuring are generally exempt).
- **Service Tax:** Under the 2024 tax reform, from March 1, 2024, the service tax rate was increased from 6% to 8%, excluding food & beverage, telecommunications, and parking services. Additionally, new taxable services were added, including logistics (excluding import/export) at 6%, karaoke at 8%, brokerage/underwriting (excluding financial services) at 8%, and repair/maintenance services (excluding residential properties) at 8%.
- **e-Invoice System:** Mandatory implementation began in phases starting August 2024. It applies to taxpayers with annual sales exceeding MYR 100 million from August 2024, taxpayers with annual sales exceeding MYR 25 million from January 2025, and all taxpayers from July 2025.

Major Accounting Systems

- ✓ Listed companies and financial institutions under the supervision of Bank Negara Malaysia must adopt MFRS accounting standards, while other companies may choose to apply either MFRS or MPERS accounting standards. Many Japanese companies (excluding financial institutions) relatively often opt for the simpler MPERS.
- ✓ Key differences between IFRS and MFRS or MPERS include the fact that IFRS provides exemptions from preparing consolidated financial statements (under certain conditions, such as when the ultimate parent company prepares consolidated statements), whereas Malaysian company law mandates that Malaysian corporations with subsidiaries prepare consolidated financial statements. Consequently, MFRS or MPERS do not include such exemptions for consolidated financial statement preparation.

Taxation and Tax Treaty Status

- ✓ The corporate income tax rate is generally 24%. Starting from the 2023 tax year, for small and medium-sized enterprises (SMEs) with annual sales of MYR 50 million or less, the corporate income tax rates applied are: 15% on income up to MYR 150,000, 17% on income up to MYR 600,000, and 24% on income exceeding MYR 600,000.
- ✓ In Malaysia, tax incentives in the form of income deductions from corporate income are available for businesses designated as "promoted activities" by the Malaysian government. These include manufacturing, agriculture, hotel and tourism industries, research & development, environmental protection, and ICT businesses.
- ✓ The tax treaty concluded between Japan and Malaysia covers definitions such as permanent establishment, dividends, interest, and royalties.

II-5. Financial Information

- Malaysia's financial system consists of conventional financial institutions and Islamic financial institutions.
- Licensed banks are broadly categorized into 25 commercial banks, 10 investment banks, 17 Islamic banks, and five digital banks.
- In November 1989, the Federal Territory of Labuan was designated as an international offshore center. In February 1996, the Labuan Offshore Financial Services Authority was established (now renamed the Labuan Financial Services Authority: Labuan FSA).

Local Financial Sector Trends

- ✓ Malaysia's former Finance Minister, Tengku Abdul Aziz, announced the "Financial Sector Blueprint 2022-2026" for the development of the financial sector over the five years starting in 2022. It sets key objectives including the nation's long-term growth, environmental protection, and shared prosperity, and is intended to complement the new five-year national development plan, the Twelfth Malaysia Plan (12MP) (2021-25).
- ✓ Key Components of the Financial Sector Blueprint 2022–26
 - ① Financing Malaysia's Economic Transformation
 - ② Financial Well-being for Households and Businesses
 - ③ Advancing the Digitalization of the Financial Sector
 - ④ Establishing a Financial System for Transition to an Environmentally Conscious Economy
 - ⑤ Advancing a Leading Position in Islamic Finance

Islamic Finance

- ✓ Islamic finance refers to the collective term for financial transactions compliant with Islamic law (Sharia) and has three main points:
 - ① Prohibition of the Concept of Interest (Riba)
 - ② Profit & Loss Sharing by Both Funders and Debtors
 - ③ Prohibition of Transactions Involving Businesses Contrary to Islamic Teachings
(e.g., interest, pork, alcohol, gambling, etc.)
- ✓ Main Schemes in Islamic Finance
Finance (≈ Loan)

Name	Form	Alternative to interest
Murabahah	Trading of goods	Proceeds from trading
Ijarah	Lease	Lease fees
Istisna'	Manufacturing contract	Profit
Mudharabah	Investment	Dividends
Musyarakah	Joint investment	Dividends

Takaful (≈ Insurance)

Name	Characteristics
Family Takaful	Life insurance
General Takaful	Non-life insurance

III. Setting up an Entity

III-1. Business Models

	Local Subsidiary	Labuan Company	Branch	Representative Office/Regional Office
Summary	When a foreign company establishes a company in Malaysia, it generally chooses a "company limited by shares." A company limited by shares uses the letters "SDN. BHD." after the name of the company.	A Labuan company is a legal entity that can be established on Labuan Island, a special financial zone located off the east coast of Malaysia.	Approval is granted for the establishment of some Malaysian branches in the name of foreign corporations (wholesale, retail, restaurants, etc., are not allowed).	The normal duration of establishment is two years and may be extended if approved. Activities are limited to research and information-gathering, etc., as a preliminary step toward full-fledged entry into Malaysia in the future. Commercial transactions and business activities are not allowed.
Minimum capital	MYR1 (but check employment pass and licensing requirements)	USD1 (the smallest unit of other currencies is also acceptable)	N.A.	N.A. A minimum operational expenditure is required
Foreign investment ratio	Manufacturing: basically 100% Others: 70% or less (100% in some industries)	100% foreign capital is allowed.	N.A.	N.A.
Registration fee	Depends on the amount of authorized capital (MYR1,000 to MYR70,000)	N.A	Depends on the headquarters' amount of authorized capital	N.A.
Limitations on activities	None in particular; however, a license may be required depending on the type of business.	No limitations; Malaysian ringgit-denominated transactions are prohibited.	Limitations exist; many types of businesses are not allowed to obtain permits or business licenses (e.g., in the wholesale/retail industry, opening a branch is not allowed).	Limited to market research, R&D, and free after-sales service, etc. Businesses that generate sales are not allowed.
Time required for establishment	Three months approx.	Four to six business days	—	One month approx.
Directors	At least one Malaysian resident (including employment pass holders) is required.	1 person acceptable; non-resident acceptable; company director acceptable	—	—
Corporate tax	24% (with a 17% reduction for taxable income up to MYR500,000 for capital of MYR2.5 million or less)	Business partners 3% Non-business trading companies (holding companies, etc.) 0%	24%	None
Application of tax treaties	Subject to tax treaties concluded between Malaysia and other countries	Concluded with mainland Malaysia (indirect application to approx. 80 countries) Excluded from tax treaties with Australia, Chile, Germany, India, Indonesia, Japan, U.K., etc.	Since they are not regarded as Malaysian residents, they are subject to the tax treaties between Japan and the subject country.	N.A.
Difficulty of closing	Difficult (liquidation by liquidators)	Easy (liquidation procedure or deregistration as in Japan)	Medium (deregistration, corporate tax clearance required)	Easy (deregistration)

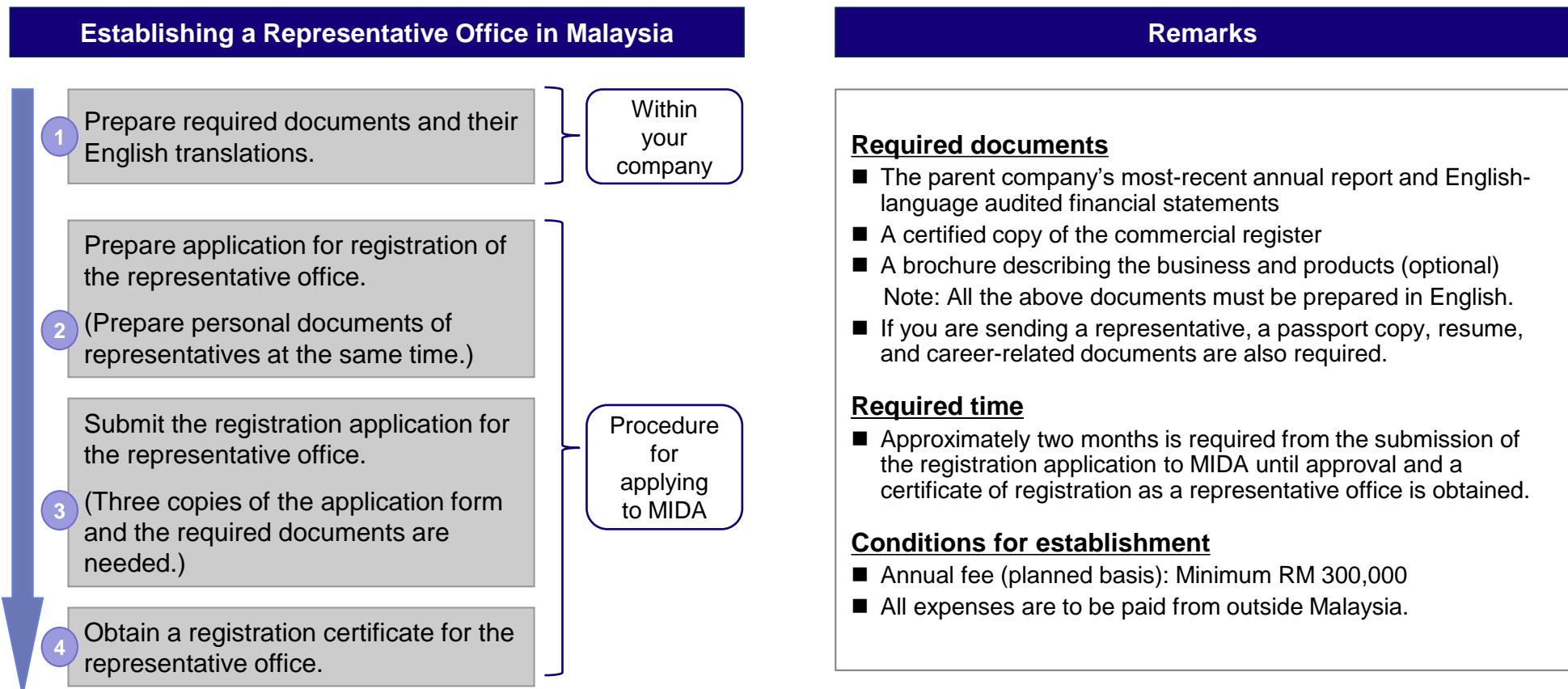
III-2. Procedure to Establish Local Subsidiaries

■ The process of establishing a local subsidiary in Malaysia is as follows.

Establishing a Local Subsidiary in Malaysia	Remarks
<p>1 Apply for permission to use a trade name (company name) (name search). (Usually one to two days)</p> <p>2 Prepare documents required for application for company registration. Select promoters and directors at the time of establishment. Determine authorized capital and paid-in capital.</p> <p>3 Prepare application form. (Approx. two weeks when using an agent)</p> <p>4 Submit application documents to the company registration office (CCM/SSM). (Usually two to three days)</p> <p>5 Company is established (registration document obtained).</p> <p>6 First meeting of the Board of Directors Submit registration documents to SSM (share allotment form, list of directors, etc.). (Held within one month after establishment of company)</p> <p>7 Open bank account. (Usually opened one to two months after submitting documents)</p> <p>8 Capital remittance, share transfer, capital increase procedures</p> <p>9 Apply for employment passes at Immigration Department.</p> <p>10 Receive employment passes.</p>	<p>approx. 4 weeks</p> <p>approx. 4 months.</p> <p>approx. 8 weeks</p> <p>approx. 4 weeks</p> <p>✓ Steps to establish and register a company ‣ Online application to the company registration office (CCM/SSM) is required to establish a local subsidiary. ‣ Must register company within 30 days after company name is approved</p> <p>✓ Selection of promoters and directors ‣ The Companies Act requires the appointment of at least one "resident" director (two for public companies); "resident" includes foreigners with long-term visas such as an employment pass.</p> <p>✓ Company secretary ‣ The Companies Act requires the appointment of at least one qualified company secretary. ‣ The company secretary advises on procedures for general meetings of shareholders and board of directors, prepares minutes and resolutions, and handles various procedures such as changes to directors and the statutory filing of annual reports. ‣ The new Companies Act allows promoters or shareholders to register the incorporation of a company. ‣ The company secretary must be appointed within 30 days of incorporation.</p> <p>✓ Fees for establishing company ‣ Company name application: RM 50 ‣ Company registration fee: RM 1,000 to RM 70,000 (Registration fee depends on amount of authorized capital)</p>

III-2. Procedure to Establish Representative Offices

- Representative offices are normally open for two years. The term may be extended by applying for an extension. Approval is decided on a case-by-case basis.
- The contact point for visa applications, including those for representatives, is the Malaysian Investment Development Authority (MIDA).



III-3. Local Expenses

■ Typical local expenses in Malaysia (Kuala Lumpur) are as follow.

	Type of Expense	Amount (USD)	Remarks
Land price, office rent, etc.	Industrial park (land) purchase price (per m ²)	120.02	Telok Panlima Galang (about 9 km from Klang Port); excluding tax and other expenses
	Industrial park rent (per m ² , monthly)	9.11	Hicom Glenmarie (approx. 23 km from the Port of Klang); excluding tax and other expenses
	Office rent (per m ² , monthly)	16.00	Kuala Lumpur city center, average 344 m ² ; excluding tax and other expenses
	Rent for retail space/showroom in city center (per m ² , monthly)	27.56	Kuala Lumpur city center area; excluding tax and other expenses
	Housing rent for expatriate (monthly)	1,554	Kuala Lumpur city center area, Average price for 93–111 m ² house, two bedrooms, fully-furnished serviced apartments and condominiums, excluding tax and other expenses
Utilities	Electricity	Business (per kWh)	Monthly base rate: 143.88 Rate per kWh: a.0.09 b.0.05 a. Peak hours (8 am to 10 pm) b. Off-peak hours (10 pm to 8 am)
		Residential (per kWh)	Monthly base rate: 0.72 Rate per kWh: 0.05–0.14 Rate per kWh varies depending on the amount used.
	Water/Sewer	Business (per m ³)	Monthly base rate: 8.63 Rate per m ³ : 0.65–0.71 The survey was conducted in Selangor State; the rate per m ³ varies depending on the amount used.
		Residential (per m ³)	Monthly base rate: 1.56 Rate per m ³ : 0.16–0.63 The survey was conducted in Selangor State; the rate per m ³ varies depending on the amount used.
	Gas	Business (per unit)	7.13 – 7.88/MMBtu (Rate per m ³ : 0.25–0.28) Fixed rate (categories B, C, D, E, F, L); natural gas Other costs such as connection fees to pipelines are not included.
		Residential (per unit)	5.22/MMBtu (Rate per m ³ : 0.20) Fixed rate (category A); natural gas Other costs such as connection fees to pipelines are not included

Survey dates: October – November 2024

IV. Regulations, Incentives, Reference Information

IV-1. Regulations for Foreign Investors (1): Overview

- Companies in the manufacturing industry can be 100% foreign-owned, with the exception of some business types.
- For companies in the non-manufacturing industry, partial ownership by Bumiputra capital is required.
 - Since April 2009, the government has announced the easing and elimination of capital controls.
 - The number of industries and sectors that allow 100% foreign capital investment has expanded.

Restrictions on Foreign Investment

Regulated industries	<ul style="list-style-type: none">✓ Foreign investment is limited to 30% or 49% in businesses related to national interests (water, energy, power supply, broadcasting, defense, security, etc.).✓ For industries such as transportation, education, and the sale of petroleum-related products, which require licenses in accordance with relevant laws and regulations, capital requirements are set by the competent authorities.
Capital adequacy restrictions	<ul style="list-style-type: none">✓ Manufacturing: None (Restrictions exist on finished vehicle manufacturing.)✓ Non-manufacturing: So far, 70% (30% Bumiputra capital required); companies that acquired the status of Principal Hub or Multimedia Super Corridor can be established with 100% foreign capital. <p>—Changes since April 2009—</p> <ul style="list-style-type: none">✓ The requirement for 30% of Bumiputra capital was abolished in some service industries (27 sectors including computer-related services, tourism services, etc.).✓ In the financial and insurance industry, foreign investment restrictions were abolished (however, prior approval from the Central Bank of Malaysia is required for acquisition of 5% or more of shares, regardless of foreign or domestic investment). (Financial Services Act 2013)✓ The requirement for 30% of Bumiputra capital was abolished for distributive trade services (part of sales company and service industry).✓ In the revised guidelines of February 2020, the prohibition of foreign capital participation in convenience stores was relaxed. In addition to that, the foreign capital participation in the distributive trade services industry was divided into three types of industries: a. Industries where no capital restrictions are established (i.e., 100% foreign capital participation is possible), b. Industries where foreign capital participation is possible but where capital restrictions are imposed, c. Industries in which foreign capital cannot participate.

IV-1. Regulations for Foreign Investors (2): Restrictions on Foreign Investment in the Distributive Trade

- When entering the market, companies in the distributive trade services industry (retailers, wholesalers, trading companies, franchisors, etc.) must obtain approval from the Ministry of Domestic Trade, Co-operatives & Consumerism (MDTCC).
- An MDTCC approval letter is required when applying for an employment pass to the Immigration Department.
- The minimum paid-in capital is usually RM 1 million.
- According to MDTCC guidelines with respect to personnel matters, foreign-owned distributive trade companies are to “appoint a Bumiputra director.”
 - In practice, this does not apply to businesses other than those subject to Bumiputra capital requirements such as hypermarkets.

Foreign Investment Restrictions as Stated in MDTCC Guidelines

Specialty shops	Hypermarkets/department stores	Restricted industries
<p>Specialty shops*</p> <ul style="list-style-type: none">• Minimum capital of MYR 1 million (MYR 1 million per store)• If the shop is street level, or if floor area is over 5,000 m², the impact on the local retail industry shall be considered before approval is granted.	<p>Hypermarkets (Sales floor area of 5,000 m² or more)</p> <ul style="list-style-type: none">• Minimum capital of MYR50 million• Minimum of 30% Bumiputra capital required• At least 30% of products on display must be manufactured by local SMEs or Bumiputra companies. <p>Department stores</p> <ul style="list-style-type: none">• Minimum capital of MYR20 million• At least 30% of products on display must be manufactured by local SMEs or Bumiputra companies.	<p>Industries where foreign investment is restricted</p> <ul style="list-style-type: none">• Supermarkets (sales floor area less than 3,000 m²)• Grocery stores/general sales stores• Newspaper and general merchandise stores• Gas stations• Jewelry stores• Restaurants (not high-end) etc.

*Definition of a specialty shop: A store that carries one major brand name/product/product line in connection with one product

IV-1. Regulations for Foreign Investors (3): Foreign Investment Restrictions in the Logistics Industry

- Foreign investment regulations in the logistics industry vary by jurisdiction and content depending on the business activities.
- Capital restrictions remain prevalent, necessitating selection of a local partner for market entry (entry as a wholly owned subsidiary possible if IILS qualification is obtained).

Business Activities	Regulatory Authority	Regulatory Content
Land Transport	Land Public Transport Commission	<ul style="list-style-type: none"> ✓ Commercial vehicle license required; licenses are divided into Class A (cargo), B (containers), and C (transportation of company-owned goods). ✓ Class A (Cargo) permits <u>51% Malaysian capital</u> (with a minimum of 30% Bumiputera capital), while Class C permits 100% foreign capital.
Maritime Transport	Ministry of Transport	<ul style="list-style-type: none"> ✓ Domestic vessel license required; for Malaysian-flagged vessels, the license period varies based on compliance with approval conditions (maximum two years). For a two-year license, <u>minimum 30% Bumiputera capital</u> is required. Additional approval requirements include: At least 30% Bumiputera board members, at least 30% Bumiputera administrative staff, at least 75% Malaysian crew, and vessels under 10 years old. ✓ For foreign-flagged vessels, maximum approval period is three months and no capital requirements.
Air Freight (Air Courier Services)	Malaysia Communications and Multimedia Commission	<ul style="list-style-type: none"> ✓ Courier license required; licenses <u>are categorized as</u> Class A (Domestic/International), Class B (Domestic/Inbound), and Class C (Specific Regions), <u>with 100% foreign ownership permitted</u>. Minimum paid-up capital is MYR1 million, MYR500,000, and MYR100,000, respectively.
Warehousing	State Customs/Local Authorities	<ul style="list-style-type: none"> ✓ Bonded warehouses are classified into ① Private Bonded Warehouses and ② General Bonded Warehouses. ① are held for the company's own use and allow 100% foreign ownership. ② handle goods for multiple companies and require <u>a minimum of 30% Bumiputera capital</u>. ✓ Non-bonded warehouses are not under customs control and are administered by local authorities. There are no foreign investment restrictions.
Airline Agency	State Customs	<ul style="list-style-type: none"> ✓ <u>100% foreign ownership permitted</u>
Customs Brokerage	State Customs	<ul style="list-style-type: none"> ✓ Minimum paid-up capital of MYR100,000 (for companies incorporated under the Companies Act 2016) ✓ Customs license obtainable by acquiring IILS (International Integrated Logistics Services) qualification under MIDA jurisdiction

IV-2. Investment Attraction (1): Major Investment Incentives for Manufacturing

Preferential Measures	Period	Details
Investment Tax Allowance (ITA)	Five years	<ul style="list-style-type: none"> ✓ As an incentive replacing Pioneer Status, companies engaged in the production of government-designated investment-encouraged industries and items may claim a tax credit for 60% of eligible capital expenditures against taxable income. This credit may offset up to 70% of statutory income for the relevant tax year. Any unused credit may be carried forward indefinitely after the incentive period ends. ✓ Companies investing in encouraged regions, high-tech industries (e.g., cutting-edge materials, medical equipment), or nationally/strategically important projects may be eligible for a 100% investment deduction on eligible capital expenditures for five years. ✓ The 2023 Revised Budget Bill introduced a measure allowing manufacturers of electric vehicle charging equipment to receive a 100% investment tax credit for five years, offsetting up to 100% of statutory income for each year. Applications are submitted to MIDA, with the application period running from October 8, 2022, to December 31, 2025.
Reinvestment Allowance (RA)	15 years	<ul style="list-style-type: none"> ✓ Eligible for companies that have been in operation for at least 36 months and are reinvesting to expand production capacity or modernize production facilities ✓ Allows a deduction of 60% of eligible capital expenditures, offsetting up to 70% of statutory income for the assessment year (for 15 years from the application start date); unused credits can be carried forward for seven years after the end of the eligibility period. ✓ Under the Short-Term Economic Recovery Plan announced in June 2020, even companies that had completed the 15-year reinvestment credit period were granted a "Special Reinvestment Credit" for qualified reinvestments made during the 2020 through 2022 taxable years. Furthermore, the 2022 tax reform extended the period for this "Special Reinvestment Credit" through the 2024 tax year. ✓ In the 2024 budget proposal, Under the New Industries Basic Plan 2030, to encourage investment in production capacity enhancement and high-value-added businesses for companies that have completed their reinvestment deduction period, it is proposed that Tier 1 companies can offset 100% of eligible capital expenditures against up to 100% of statutory income, while Tier 2 companies can offset 60% of eligible capital expenditures against up to 70% of statutory income. Applications are submitted to MIDA, and the application period runs from January 1, 2024, to December 31, 2028.
Automation Incentives	-	<ul style="list-style-type: none"> ✓ For labor-intensive manufacturing industries (rubber, plastics, wood, furniture, textiles, etc.) classified as "Category 1," companies are eligible for accelerated depreciation of 20% + 80% on the first RM4 million of eligible capital expenditures incurred for automation by 2023, plus a 100% tax exemption equivalent to the amount. Applications must be submitted to the Ministry of Plantation and Commodities by December 31, 2027. ✓ Manufacturing industries other than those mentioned above are classified as "Category 2." For these industries, the first RM2 million of eligible capital expenditures incurred by 2023 due to automation will be eligible for 20% + 80% accelerated depreciation and a 100% tax exemption equivalent to the amount.

IV-2. Investment Attraction (2): Investment Incentives for the Logistics Industry

	Integrated Logistics Services (ILS)	International Integrated Logistics Services (IILS)
Administrative Authority	Malaysian Investment Development Authority (MIDA)	
Definition	<ul style="list-style-type: none"> ✓ Integrated logistics operators whose primary business involves freight transportation, warehousing, and related value-added services such as logistics, procurement, and supply chain management 	<ul style="list-style-type: none"> ✓ A logistics operator providing seamless regional or global integrated logistics services under a single entity
Benefits	<p>Eligible to choose one of the following two tax incentives</p> <ul style="list-style-type: none"> ✓ Pioneer Status <ul style="list-style-type: none"> • 70% tax exemption on statutory income for five years from business commencement ✓ Investment Tax Allowance (ITA) <ul style="list-style-type: none"> • 60% of qualifying capital expenditures may be deducted from taxable income. This deduction may offset up to 70% of statutory income for the applicable tax year. Any unused portion may be carried forward to subsequent years until fully utilized 	<ul style="list-style-type: none"> ✓ 100% foreign-owned establishment is permitted. ✓ No tax incentives
Eligibility	<ul style="list-style-type: none"> ✓ Minimum 60% Malaysian capital ✓ Engage in warehousing, transportation, and freight forwarding services, and perform at least one of the following activities: <ul style="list-style-type: none"> • Distribution • Other related services (palletizing, assembly/installation, break bulk, consolidated cargo, packing/repacking, procurement, quality control, labeling/relabeling, inspection, etc.) • Supply Chain Management ✓ Possess commercial vehicles (20 units) and warehouse facilities (5,000 m² or more) 	<ul style="list-style-type: none"> ✓ Conducts warehousing, transportation, and freight forwarding operations (including customs clearance) and performs at least one of the following activities: <ul style="list-style-type: none"> • Distribution • Other related operations (palletizing, assembly/installation, break bulk, consolidated shipments, packing/repacking, procurement, quality control, labeling/relabeling, inspection, etc.) • Supply Chain Management ✓ Possess commercial vehicles totaling 20 units and warehouse facilities exceeding 5,000 square meters ✓ Establish Malaysia as a regional logistics hub
Remarks	<ul style="list-style-type: none"> ✓ Separate licenses are required for each business activity apart from ILS. 	<ul style="list-style-type: none"> ✓ Upon obtaining IILS qualification, licenses for each business segment are simultaneously issued by customs.

IV-2. Investment Attraction (3): Other Major Investment Incentives

Preferential Measures	Period	Details
Global Services Hub Tax Incentive (GSH) (See page 55 for details.)	Five years	<ul style="list-style-type: none"> ✓ The previous scheme, Principal Hub 3.0, ended on December 31, 2022. ✓ The 2024 Budget proposes the introduction of the Global Services Hub Tax Incentive (GSH) scheme to maintain Malaysia's competitiveness as a key player in the global services sector. Applications are to be submitted to MIDA, with the application period running from October 14, 2023, to December 31, 2027.
Digital Economy Acceleration Scheme (Digital Ecosystem Acceleration Scheme)	10 years	<ul style="list-style-type: none"> ✓ The 2022 Tax Reform introduced preferential measures under the Digital Ecosystem Acceleration Scheme. The application period runs from October 30, 2021, to December 31, 2025. Details regarding eligibility criteria and other conditions have not been published. ✓ For companies providing digital technology, new companies are subject to a corporate tax rate of 0% to 10% (for up to 10 years), while existing companies (expanding into new business fields) are subject to a corporate tax rate of 10% (for up to 10 years). ✓ Companies providing digital infrastructure services, both new and existing, are eligible for a 100% investment tax credit (ITA) system.
Green Technology	Five years	<ul style="list-style-type: none"> ✓ The 2024 budget proposal revises the preferential tax treatment for green technology as follows, with the aim of making Malaysia a comprehensive and sustainable carbon-neutral country by 2050. This applies to applications accepted by MIDA between January 1, 2024 and December 31, 2026. <ul style="list-style-type: none"> ✓ For Tier 1 green hydrogen projects, 100% of eligible capital expenditure can be offset against 100% or 70% of statutory income for five years (with the possibility of applying for an additional five-year extension). For Tier 2 projects related to integrated waste management and EV charging stations, 100% of eligible capital expenditures can be offset against 100% of statutory income for five years. For Tier 3 projects related to biomass, biogas, geothermal, solar, and wind power generation, 100% of eligible capital expenditures can be offset against 70% of statutory income for five years. ✓ For Tier 1 Treasury-approved qualifying assets and battery energy storage systems acquired in green buildings, 100% of the expenditure can be offset against 70% of statutory income for qualifying capital expenditures incurred between January 1, 2024, and December 31, 2026. For Tier 2 Treasury-approved qualifying assets and renewable energy systems and energy performance, 60% of the expenditure can be offset against 70% of statutory income for qualifying capital expenditures incurred between January 1, 2024 and December 31, 2026. ✓ For solar power leases, those exceeding 3MW but not exceeding 10MW qualify for a 70% statutory income tax exemption for five years, while those exceeding 10MW but not exceeding 30MW qualify for a 70% statutory income tax exemption for 10 years.

IV-3. Company Law (1): Classification of Companies

- The new Companies Act has been in effect since January 2017 (the 1965 Companies Act applied previously), and an amended Companies Act will come into effect in 2024.
- Under the Malaysian Companies Act, company forms include Company Limited by Shares, Company Limited by Guarantee, and Unlimited Company.
- Companies limited by shares are further classified into public companies and private companies. For Japanese companies, the most common form is a private company. For private companies, at least one resident director and one resident shareholder in Malaysia are required.

Types of Companies under the Current Companies Act

Classification by Degree of Shareholder Liability

Company Limited by Shares

Formed on the principle that shareholder liability is limited (even if only in theory) to the amount unpaid on shares taken by the shareholder, as stipulated in the memorandum of association

Company Limited by Guarantee

Formed on the principle that each member's liability is limited to the amount they guarantee to contribute to the company's assets in the event of winding up, as stipulated in the memorandum of association

Unlimited Company

Formed on the principle that shareholders have unlimited liability; if shareholders do not have sufficient assets to cover company debts upon liquidation, they bear unlimited liability for the company's obligations.

Classification of Companies Limited by Shares

Public Company

The company name ends with "Berhad" or "Bhd" (or "Limited" if not in Malay); follows listing rules of each market and guidelines from the Malaysian Securities Commission regarding public disclosure.

Private company

The company name ends with "Sendirian Berhad" or "Sdn Bhd" (or "Private Limited" if not in Malay). Basic requirements for private companies include: (1) restrictions on share transfer, (2) a maximum of 50 shareholders, (3) prohibition of public invitations to subscribe for shares or debentures, and (4) prohibition of public invitations to deposit money with the company that is repayable on demand or at a future date.

IV-3. Company Law (2): Company Positions and Organs

■ The Companies Act stipulates the necessary positions and bodies according to company size

Managing Director	<ul style="list-style-type: none">✓ Under the Malaysian Companies Act, a managing director is appointed by the board of directors pursuant to the articles of association to carry out certain delegated powers and responsibilities in the conduct of business.✓ Although not a statutory corporate body and therefore not mandatory, in practice most companies appoint one as the chief executive officer.
Directors	<ul style="list-style-type: none">✓ A minimum of one director is required for a private company, with a minimum of two directors for a public company. Directors must be residents of Malaysia.✓ Directors are subject to fiduciary duties and are required to act honestly and properly for the benefit of the company.✓ Other director obligations include: Duty to report and disclose conflicts of interest (Section 221); duty to prepare financial statements and maintain proper accounting records (Sections 245, 248); and duty to establish internal controls (for public companies, Section 246).
Company Secretary	<ul style="list-style-type: none">✓ Under the Companies Act, at least one company secretary must be appointed.✓ The company secretary handles administrative tasks related to business operations under the Companies Act, such as preparing and filing registration documents, and preparing minutes for general meetings of shareholders and board meetings.✓ The company secretary must be a Malaysian citizen or permanent resident and must belong to a specific organization designated under the Companies Act.✓ The appointment of the company secretary is made by the directors (Article 236 (1)).
Auditor	<ul style="list-style-type: none">✓ The Malaysian Companies Act does not provide for an institution called an auditor. However, public companies are required to establish an Audit Committee composed of directors.
Accounting Auditor	<ul style="list-style-type: none">✓ Under the Malaysian Companies Act, companies are required to appoint an auditor and undergo an audit.✓ The auditor must be a certified public accountant registered with the Malaysian Institute of Accountants.✓ The auditor expresses an opinion on whether the financial statements prepared by the company comply with the Companies Act and Malaysian accounting standards.

IV-3. Company Law (3): Shareholders' Meetings and Resolutions

- Public companies are required to hold regular shareholders' meetings, but private companies are exempt from holding shareholders' meetings.
- However, in practice, many Japanese companies hold regular shareholders' meetings as a forum to exercise the parent company's oversight function.

Shareholders' Meetings under the Companies Act 2016

Implementation Items (Public Companies)	<ul style="list-style-type: none">✓ Reporting of audited financial statements, directors' reports, and audit reports✓ Election of successor directors to replace retiring directors✓ Determination of directors' names and compensation✓ Other necessary matters
Quorum and Venue	<ul style="list-style-type: none">✓ Quorum: Two persons, except for a one-shareholder company (Article 329)✓ Venue: The meeting must be held within Malaysia, and the chairperson must participate from the venue.✓ May be held at multiple locations provided shareholders are given the opportunity to speak and exercise voting rights (General Meetings may also be held via teleconference or videoconference) (Article 327)
Notice and Minutes of General Meetings	<ul style="list-style-type: none">✓ Notice of the general meeting must be given at least 14 days prior to the meeting date, stating the venue and time in the convocation notice. However, if a special resolution is required, or if a public company holds an annual general meeting, notice must be given at least 21 days prior.✓ Minutes detailing resolutions and proceedings must be prepared and retained for seven years after holding a shareholders' meeting.

Methods and Types of Resolutions

Treatment of Non-public Companies	<ul style="list-style-type: none">✓ Shareholder resolutions in non-public companies may be adopted either by written resolution or at a shareholders' meeting.✓ Non-public companies are not obligated to hold regular shareholders' meetings. For matters traditionally handled at shareholders' meetings, the following are permitted: ① Sending audited financial statements to shareholders within six months of the fiscal year-end date, ② Nominating directors and auditors via written resolution, and ③ Implementing dividends at the discretion of the directors
Ordinary Resolutions and Special Resolutions	<ul style="list-style-type: none">✓ An ordinary resolution is passed by a majority of shareholders present at a shareholders' meeting (or a majority of voting rights) or by a majority of shareholders with voting rights in a written resolution.✓ Special resolutions require notice of the shareholders' meeting at least 21 days prior to the meeting date and approval by at least 75% of the attending shareholders (written resolutions or resolutions by proxy are also permitted under certain conditions).

IV-3. Company Law (4): 2024 Revised Company Law

- The revised bill amending the Companies Act 2016 was passed in December 2023, and the Revised Companies Act 2024 was promulgated in February 2024.
- This revision implemented mandatory reporting of beneficial owners and revisions to corporate rehabilitation and civil rehabilitation systems.

Key Amendment Point 1: Mandatory Reporting of Beneficial Owners

- ✓ All companies, including foreign-affiliated companies, are now required to identify their beneficial owners (BO) and report their personal information to the authorities
- Definition of “Beneficial Owner”:
A natural person who substantially owns or controls a company and exercises substantial control over it; for a company, this refers to an individual who directly or indirectly holds 20% or more of the shares or voting rights, or who, through means other than shares, exercises significant control or influence over the company's directors or management, where such control or influence is customary or mandated under the individual's instructions or demands.
- Information Required for Notification:
Name, address, nationality, date of birth, ID/passport number, date of becoming the beneficial owner, etc.

Key Amendment Point 2: Revision of Corporate Rehabilitation Procedures

- ✓ To strengthen restructuring and corporate rehabilitation procedures, various procedures were clarified and new systems introduced.
- ✓ These reforms draw upon the Singapore Insolvency Law Amendments (2017, 2020) and the UK Insolvency Law Amendments (2020).
- ✓ These amendments can be seen as balancing the rights and interests of creditors and debtors more effectively

Examples of Key Amendments:

- Amendments to the Preservation Order System
To achieve a balanced approach to creditor and debtor rights, the duration of preservation orders has been clarified, restrictions on additional preservation orders have been imposed, and the scope of preservation orders has been expanded.
- Provisions for Super-priority Rescue Finance
A system enabling financial institutions providing rescue financing to receive priority rights and collateral superior to other existing creditors

IV-4. Foreign Exchange Control System (1): Trade Transactions

- The foreign exchange control regime is governed by the Financial Services Act 2013 and the Islamic Financial Services Act 2013, as well as circulars issued by Bank Negara Malaysia.
- On March 31, 2021, Bank Negara Malaysia announced the relaxation of regulations under the Foreign Exchange Policy to strengthen Malaysia's position in the global supply chain and promote foreign direct investment into Malaysia.

April 2021 Foreign Exchange Control Rules Relaxation

- ✓ The relaxation allows the deposit of proceeds from goods exports into a trade foreign currency account without restrictions on amount or time limit. Previously, only up to 25% of the export proceeds or the amount of eligible foreign currency-denominated debts and eligible foreign currency payments could be deposited into a trade foreign currency account. Additionally, the list of deductible items* from export proceeds has been clarified to include certain cases* beyond the existing commissions, handling fees, and discounts.
 - * Promotional expenses, cancellations due to fraud, value-added inputs received when the exporter does not own the goods themselves, and cases where the importer is in liquidation
- ✓ Furthermore, the deadline for receiving export proceeds has been extended from the previous six months after shipment to 24 months after shipment in certain cases*
 - * Cases involving the importer's financial issues/cancellation/foreign exchange restrictions, or fraud
- ✓ Partially permits foreign currency settlement for goods and services with domestic residents, which was previously not allowed
 - * Foreign currency settlement is possible for transactions between domestic residents involved in the global supply chain. However, individual notification to the transacting bank is required.

IV-4. Foreign Exchange Control System (2): Non-Trade and Capital Transactions

Non-trade/Capital Transactions

Non-trade Transactions	<ul style="list-style-type: none"> ✓ Non-resident individuals and financial institutions are not permitted to solicit deposits or insurance premiums from Malaysian residents or to offer insurance products or other goods to them, whether directly or indirectly.
Capital Transactions	<ul style="list-style-type: none"> ✓ Residents and non-residents are permitted to bring in and take out ringgit currency up to the equivalent of US\$10,000. There are no restrictions on bringing in or taking out foreign currency.
Capital Transactions	<p>Investment</p> <ul style="list-style-type: none"> ✓ <u>Investment in Malaysia by Non-Residents</u> Direct investors may freely remit capital, profits, dividends, interest, fees, and rental income to their home country. Non-residents may sell their assets to residents in ringgit or foreign currency. However, remittances outside Malaysia must be made in foreign currency. ✓ <u>Overseas Investment by Residents</u> Resident corporations and individuals not receiving ringgit-denominated domestic credit may freely invest overseas. Residents receiving ringgit-denominated domestic credit may invest overseas using foreign currency obtained through exchange, up to MYR 50 million per calendar year for corporate groups and MYR 1 million for individuals. Furthermore, all residents may invest overseas without restriction using funds from overseas, funds in foreign currency investment accounts, or funds from non-residents (excluding foreign currency borrowings). When using foreign currency borrowings as the source, individuals may invest up to MYR 10 million and corporations may invest without limit, within borrowing restrictions, using the procured funds. ✓ Other conditions apply for resident investment trust management companies, fund management companies, and licensed insurance companies.
Capital Transactions	<p>Credit Facilities</p> <ul style="list-style-type: none"> ✓ <u>Foreign Currency Credit Granting to Residents</u> Resident corporations may freely obtain foreign currency credit facilities without amount restrictions from resident/non-resident entities within their group, direct shareholders, or domestic authorized banks, etc., or through issuing foreign currency bonds to other residents. From non-resident financial institutions or non-residents outside the same corporate group, foreign currency credit facilities may be obtained up to a total equivalent of RM100 million. Residents may freely obtain ringgit-denominated credit facilities without any amount restrictions from residents or non-residents within the group, direct shareholders, or domestic authorized banks, etc. ✓ <u>Foreign Currency Credit Facilities to Non-Residents</u> Non-residents may freely obtain foreign currency-denominated credit facilities from authorized domestic banks without any amount restrictions. Non-residents may freely obtain ringgit-denominated credit facilities without any amount restrictions through the issuance of ordinary bonds or Islamic bonds (sukuk) from authorized domestic banks (excluding international Islamic banks), provided such facilities are for activities based on genuine domestic needs in Malaysia or for the purchase of residential or commercial real estate in Malaysia.

IV-5. Trade System

- **Administered by the Ministry of International Trade and Industry, the Customs Department, and Malaysia External Trade Development Corporation (trade promotion agency)**
 - On March 21, 2013, the "1 Malaysia One Call Centre" (1MOCC) was established to handle inquiries to government agencies in one location.
- **Regulated by the Customs Act 1967 (CA) and the Customs (Prohibition of Imports) Order 2017**
 - Other domestic laws also apply regarding import/export regulations, such as the Animal Protection Act and Wildlife Protection Act.

Import-related Regulations and Licenses

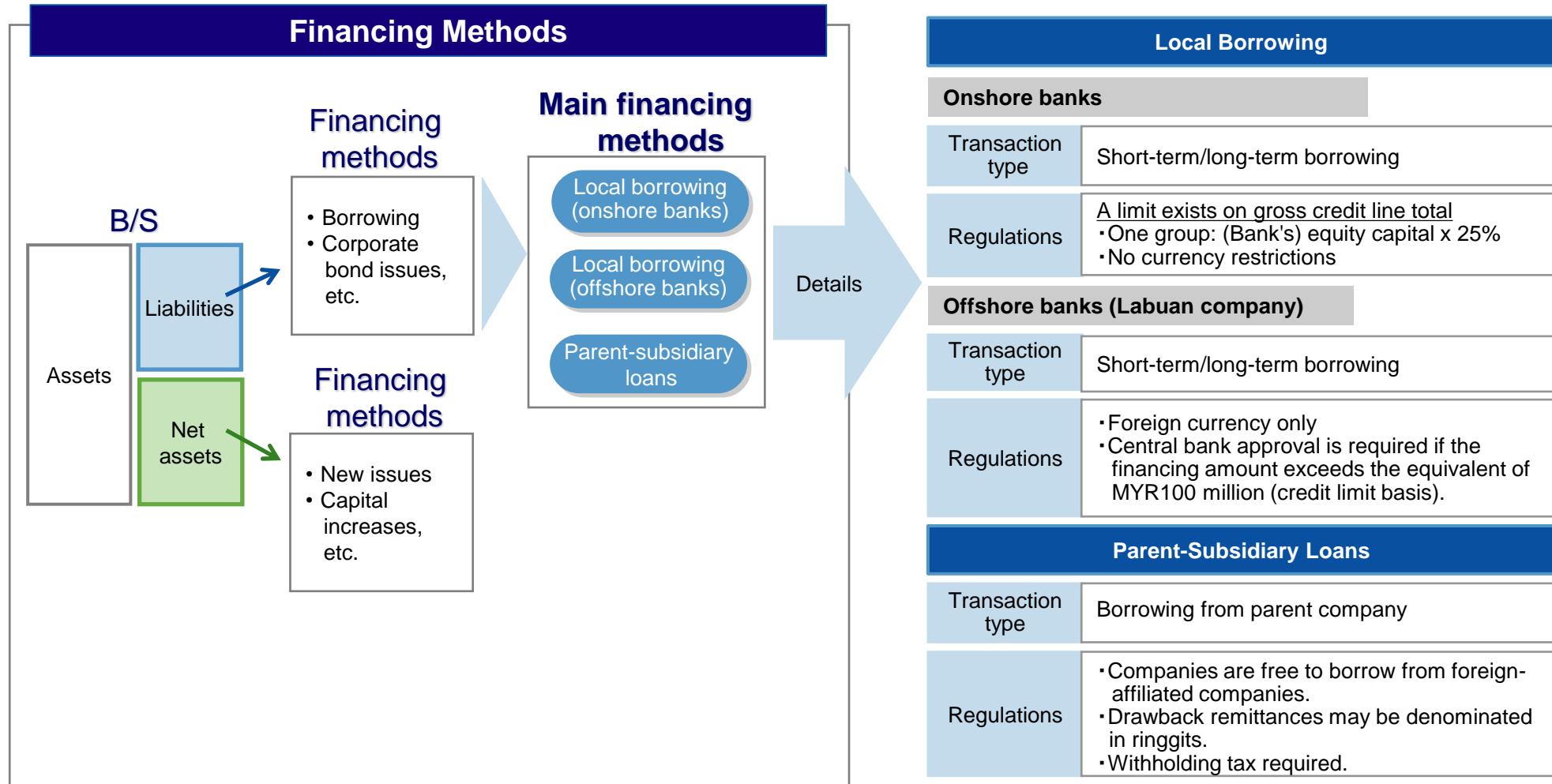
- ✓ Importers are responsible for declaring products to customs and paying duties if applicable.
- ✓ Import restrictions fall into four categories: ① Goods absolutely prohibited for import (e.g., specific hazardous chemicals), ② Goods requiring an import license (e.g., motor vehicles, sugar), ③ Goods subject to certain conditions, (e.g., specific labelling on cigarettes), ④ Goods requiring conforming to Malaysian Standards (e.g., cement, steel products, electrical apparatus).
- ✓ To import automobiles (including used vehicles) into Malaysia, an Import Permit (AP) is required. An Open AP, which has no restrictions on vehicle type or supplier, is available to companies with 100% Bumiputera capital.
- ✓ Mandatory Conformity Assessment (Certificate of Approval: COA) System For steel products, aluminum products, etc., importers must obtain a COA or a COA exemption letter in the interest to prevent substandard products from entering the domestic market,. For construction materials, this is issued by the Construction Industry Development Authority (CIDTA). For raw materials used in manufacturing, the letter is issued by the testing, inspection, and certification body SIRIM QAS.
- ✓ Besides the 1967 Customs Act, other import regulations also apply including acts under the Washington Convention to protect endangered species, and Strategic Trade Act 2010.

Export-related Regulations and Licenses

- ✓ Export controls are categorized into three types: ① Goods absolutely prohibited for export (e.g., specific poisonous chemicals, natural sand), ② Goods requiring an export license (e.g., sugar, palm oils and fats), and ③ Goods subject to certain conditions for export (e.g., animals, pesticides).
- ✓ Export licenses are issued by various ministries, national agencies, and related government departments, such as the Ministry of International Trade and Industry (MITI) or the Malaysian Quarantine Services, depending on the type of product.
- ✓ All items destined for Israel require an export license.
- ✓ From the perspective of fulfilling Malaysia's international obligations and national security, the Strategic Trade Act 2010 was enacted and fully enforced from July 1, 2011. It regulates the export, trans-shipment, and transit of strategic items (weapons and equipment/facilities that can be used as weapons, etc.). Those handling such items, including trade intermediaries, must register with MITI and obtain an export license.

IV-6. Financing (1): Financing Options

- Major source of financing for foreign companies is local bank loans or parent-subsidiary loans.
- Malaysian ringgits can be procured from onshore banks (or parent-subsidiary loans by utilizing drawback remittances).



IV-6. Financing (2): Regulations

General Regulations

	Borrowing from banks		Borrowing from abroad	
Lender	On-shore bank	Off-shore bank (Labuan company)	Affiliated companies Direct shareholder (10% or more ownership)	Non-affiliated companies
Currency	Ringgit: Yes Foreign currency: Yes	Ringgit: Not handled Foreign currency: Yes	Ringgit: Yes (drawback remittance, etc.) Foreign currency: Yes	Ringgit: Yes (drawback remittance, etc.), credit limit is RM 1 million Foreign currency: Yes, credit limit is equivalent of RM 100 million
Interest rate	Ringgit: Base interest rate + SP Foreign currency: Base interest rate + SP	Ringgit: Not handled Foreign currency: Base interest rate + SP	Ringgit: Base interest rate + SP Foreign currency: Base interest rate + SP	Ringgit: Base interest rate + SP Foreign currency: Base interest rate + SP
Fund usage	No limitations	No limitations	Ringgit: Can only be used in Malaysia (and not for investment purposes or acquisition of land only) Foreign currency: No limit	Ringgit: Can only be used in Malaysia (and not for investment purposes or acquisition of land only) Foreign currency: No limit
Permission from authorities	None in particular	Central bank approval is required if the financing exceeds RM 100 million on a credit-limit basis.	None in particular	Central bank approval is required if the financing exceeds RM 100 million on a credit-limit basis.
Stamp duty	Ringgit: 0.5% of contract amount Foreign currency: 0.5% of contract amount	None	Ringgit: 0.5% of contract amount Foreign currency: 0.5% of contract amount	Ringgit, 0.5% of contract amount Foreign currency: 0.5% of contract amount
Withholding tax	Not required	Not required	10% (paid to Japan) 10% (paid to Singapore)	10% (paid to Japan) 10% (paid to Singapore)
Other	Group lending restriction apply (Single Counterparty Exposure Limit)* Lending limit for one group: (Bank's equity capital × 25%)	None in particular		None in particular

*Single Counterparty Exposure Limit (SCEL)

- ✓ The scope of the group is determined based on effective control criteria (confirmation required for each case).
- ✓ Credit transactions include everything except loans (all credit transactions such as guarantees, forward exchange contracts, derivatives, etc.).

IV-7. Real Estate Regulations

- Land within Malaysia is administered by the states, and to own land or real estate, one must obtain approval from the state authorities and register the land.
- Regarding real estate acquisition, the Economic Planning Unit (EPU) under the Prime Minister's Office issues guidelines.

Excerpt from EPU Guidelines

1. Real estate acquisition (non-residential) requiring EPU approval and meeting acquisition conditions
 - a. Direct acquisition of real estate valued at MYR 20 million or more, where this results in dilution of ownership rights held by Bumiputera parties (Bumiputera individuals, Bumiputera-controlled local companies) and/or government agencies
 - b. Indirect acquisition of real estate through share acquisition by non-Bumiputra parties (non-Bumiputra individuals, local companies controlled by non-Bumiputra) in a company owning over 50% of total assets, where this results in a change of control of the company owned by Bumiputra parties or government agencies and the real estate value exceeds MYR 20 million

The conditions for corporate acquisition of real estate are as follows:

 - i. Bumiputra capital must be 30% or more
 - ii. Minimum paid-up capital:
 - For local companies where Malaysians hold over 50% ownership: MYR100,000
 - For local companies where foreigners or foreign companies hold over 50%: MYR 250,000
2. Minimum Purchase Amount

Effective March 1, 2014, the minimum acquisition amount for real estate transactions by foreign parties (foreign individuals or local corporations with over 50% foreign ownership) was increased from MYR500,000 to MYR1,000,000.

Acquisition of commercial properties, industrial land, and agricultural land by foreign parties is permitted for local corporations with over 50% foreign ownership. EPU approval is not required, but authorization from the state government or other relevant authorities is necessary. For agricultural land acquisitions, properties valued at MYR1 million or more, or covering five acres or more, are restricted to the following uses:

- Commercial-scale agriculture
- Agrotourism projects
- Agriculture for export, agro-based industrial activities

IV-8. Tax Incentives

Tax incentives	Principal Hub 3.0 (Jan. 2021–Dec. 2022)	Global Trading Centre (Jan. 2021–Dec. 2022)	Global Service Hub (GSH) (Oct. 2023–Dec. 2027)				
Key objectives	Regional control / International procurement	Procurement / Trading center	Global service sector				
Corporate tax rate		24%					
Preferential corporate tax rate	(Newly established company) Tier 1: 0%; Tier 2: 5% Existing company: 10%	10%	(Newly established company) Tier 1: 5%; Tier 2: 10% (Existing company*) Tier 1: 5%; Tier 2: 10% (*) Tax rates applied to increases in the value-added portion of income				
Key preferential measures	<ol style="list-style-type: none"> 1. Securing a certain number of representatives positions 2. Tariff exemption (subject to certain conditions) 3. Flexible implementation of foreign exchange control 4. The above preferential corporate tax rate applies to income from operations related to control services. 	The above preferential corporate tax rate applies to income from trading.	<p>The above preferential corporate tax rate applies to any of the following types of income.</p> <ol style="list-style-type: none"> 1. Income from services 2. Income from services and sales 				
Tax incentive period	Five years (For newly established companies, the period can be extended for another five years if certain conditions are met.)	Five years (The period can be extended for another five years if certain conditions are met.)	Five years (For newly established companies, the period can be extended for another five years if certain conditions are met.)				
Minimum capital	MYR 2.5 million	MYR 1 million	N.A.				
Key conditions [For newly established companies]	<ul style="list-style-type: none"> • At least MYR 5 million in annual business costs • Providing at least three certified services • Employing at least 30 value-added staff members for at least MYR 5,000 per month, 50% of whom are Malaysians • Providing services to at least seven companies • Additional conditions to be determined through discussions 	<ul style="list-style-type: none"> • Newly established company • At least MYR three million in annual sales • At least MYR 1.5 million in annual business costs • Employing at least 15 valued-added staff members for at least MYR 5,000 per month, 50% of whom are Malaysians • Operating within a bonded area or warehouse • Additional conditions to be determined through discussions 	<ul style="list-style-type: none"> • Continuous business expenditure throughout a year • Employing full-time staff members for value-added operations • C-suite members earning at least MYR 35,000 in monthly remuneration • Providing local ancillary services • Collaborating with higher education institutions / TVET • Training Malaysian students/nationals • Engaging in ESG initiatives • Meeting other conditions determined by the Ministry of Finance (MOF) 				
Key conditions [For existing companies]	<ul style="list-style-type: none"> • Employing at least 30 value-added staff members for at least MYR 5,000 per month, 50% of whom are Malaysians • At least MYR 10 million in annual business costs • Providing services to at least seven companies • Training 1 intern each year • Additional conditions to be determined through discussions 	N.A.	<p>The company must engage in the following business activities.</p> <ol style="list-style-type: none"> 1. Controlling profit/loss and business within the region 2. Establishing business strategies 3. Establishing corporate growth strategies <p>Also, the company must conduct two eligible activities in the following service categories.</p> <table border="0"> <tr> <td>a. Strategic services</td> <td>b. Business services</td> </tr> <tr> <td>c. Shared services</td> <td>d. Other services</td> </tr> </table>	a. Strategic services	b. Business services	c. Shared services	d. Other services
a. Strategic services	b. Business services						
c. Shared services	d. Other services						

IV-9. Growth Policy

- Malaysia's income levels are relatively high compared with other ASEAN countries, necessitating a shift from labor-intensive industries to higher-value-added industries.
- The government is seeking to underpin growth rates through initiatives such as the implementation of "Industry 4.0" launched in 2018.
 - designated key sectors are as per the table below.

Key Industries in Industry 4.0

Electrical and Electronics	Electronic components, industrial electronics, consumer electronics, electrical appliances
Machinery and Equipment	Specialized machinery and equipment, general machinery and equipment, machine tools, power generation machinery and equipment
Chemicals	Petroleum products and petrochemicals, rubber products, plastic products, chemicals and chemical products
Medical equipment	Medical machinery, surgical instruments, medical devices, implants, consumables
Aerospace	Engineering, design, aircraft manufacturing, maintenance, operations, system integration
Other	Automotive, transportation, textiles, pharmaceuticals, metals, food processing, services

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