

# Investment Climate Statement **Philippines**

July 2026

**Mizuho Bank, Ltd.**

Global Strategic Advisory Department

Mizuho Research Institute - Research Department

Mizuho Research Institute is the name of an internal organization of Mizuho Bank, Ltd



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I. Country Profile

II. Investment-related Information

III. Establishing a Local Subsidiary

IV. Regulations, Incentives, Reference Information

V. Other

# I. Country Profile

# I-1. Key Economic Indicators for Asia

| Country/Region                      | Philippines | Vietnam    | Indonesia | Thailand | Malaysia | Singapore |
|-------------------------------------|-------------|------------|-----------|----------|----------|-----------|
| Population (millions)               | 114.1       | 102.3      | 284.4     | 71.6     | 33.9     | 6.1       |
| Nominal GDP (USD 100 million)       | 4,872       | 4,940      | 14,456    | 5,770    | 4,722    | 6,039     |
| Real GDP growth rate (y-o-y, %)     | 4.4         | 8.0        | 5.1       | 2.4      | 5.2      | 5.0       |
| GDP per capita                      | 4,270       | 4,829      | 5,082     | 8,057    | 13,949   | 99,365    |
| Estimated GDP growth rate (2026, %) | 4.1         | 7.1        | 5.0       | 1.5      | 4.7      | 3.5       |
| Credit rating (S&P) as of Mar. 2026 | BBB+        | BB+        | BBB       | BBB+     | A-       | AAA       |
| Country/Region                      | South Korea | Bangladesh | Taiwan    | India    | China    | Japan     |
| Population (millions)               | 51.7        | 173.7      | 23.3      | 1,463.9  | 1,405.1  | 123.3     |
| Nominal GDP (USD 100 million)       | 18,724      | 4,579      | 9,201     | 39,163   | 196,262  | 44,352    |
| Real GDP growth rate (y-o-y, %)     | 1.0         | 3.5        | 8.7       | 7.6      | 5.0      | 1.2       |
| GDP per capita                      | 36,227      | 2,636      | 39,489    | 2,675    | 13,968   | 35,973    |
| Estimated GDP growth rate (2026, %) | 1.9         | 4.7        | 5.2       | 6.5      | 4.4      | 0.7       |
| Credit rating (S&P) as of Mar. 2026 | AA          | B+         | AA+       | BBB      | A+       | A+        |

Note 1: Data are for 2025 estimates; estimated GDP growth rates for 2026 are IMF estimates (based on figures released in March 2026).

2: S&P rating criteria:

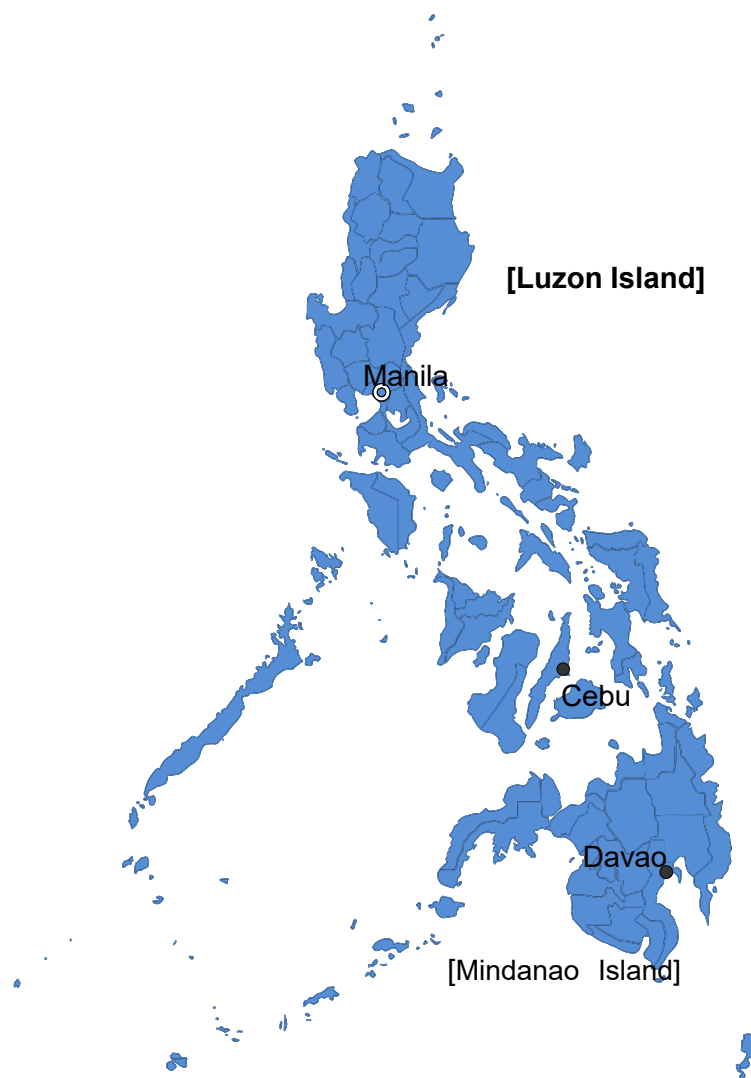
A : An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

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

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

Source: Compiled by the Global Strategic Advisory Dept. of Mizuho Bank, Ltd., (MHBK) based on IMF's World Economic Outlook Database March 2026 Edition

## I-2. Basic Data and Overview



### Basic Data

|                      |                                                                                                          |
|----------------------|----------------------------------------------------------------------------------------------------------|
| Population           | 115.3 million (FY2026, IMF estimate)                                                                     |
| Square area          | 299,000 km <sup>2</sup> approx. (approx. 0.8 times Japan's size)                                         |
| Capital              | Manila (Population: 14.16 million, UN data)                                                              |
| Language             | Filipino (Tagalog), English                                                                              |
| Ethnicities          | Malay 90%, Chinese, Spanish, etc.                                                                        |
| Religions            | Christianity (93%, of which 83% are Catholic), Islam (5%), Others                                        |
| Currency             | Philippine Peso (PHP)                                                                                    |
| Politics             | Constitutional Republic                                                                                  |
| Head of State        | President Ferdinand Marcos Jr. (took the presidential office in June 2022; presidential term: six years) |
| Major industries     | Service Industry                                                                                         |
| GDP                  | Nominal GDP: USD 512.2 billion; Per capita GDP: \$4,440 (2026 IMF estimate)                              |
| Real GDP growth rate | 4.1% (2026 IMF Estimate)                                                                                 |

### Overview

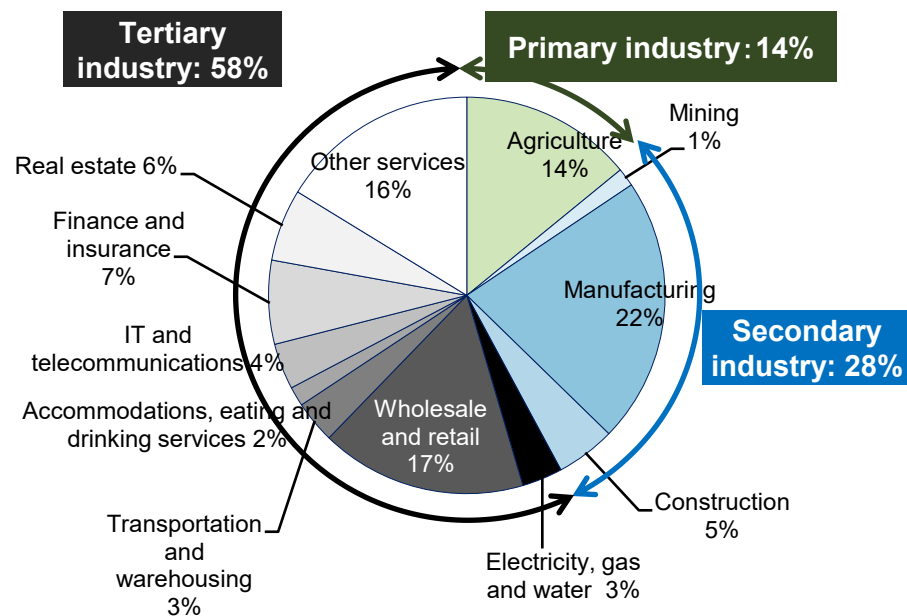
- The Philippines is an island nation in Southeast Asia, consisting of 7,109 islands.
- It is the only Christian country in ASEAN and has developed a unique culture that blends livelihood cultures from America, Spain, and indigenous Filipino traditions.
- As most citizens can speak English, many Filipinos work overseas, and their remittances support the economy. English proficiency has also greatly contributed to the growth of BPO (Business Process Outsourcing) services, including IT services.
- The continuous population increase (population bonus) is a key strength of the Philippines economy.
- After many years of political and economic instability, President Aquino, who took office in 2010, successfully improved public order and addressed corruption issues, helping to stabilize the economy. President Duterte, who assumed office in 2016, committed to improvement in public order, tax system reform, and infrastructure investment expansion. In June 2022, Mr. Marcos assumed the presidency.
- On the other hand, attention needs to be paid to increasing social unrest, including armed conflict with Islamic extremist groups, geopolitical risks in the South China Sea, and external risks, such as rising protectionism.

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

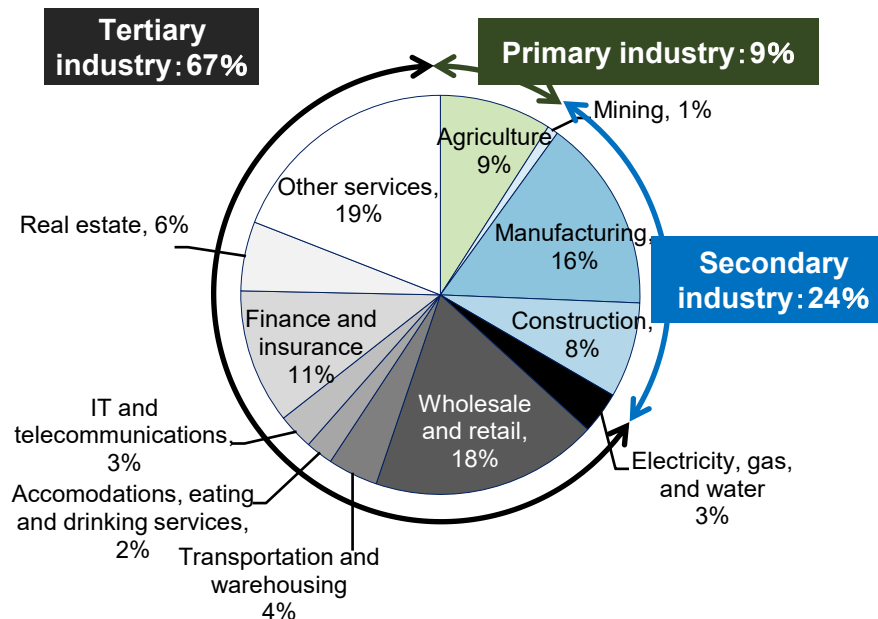
- Industrialization advanced faster in the Philippines than in surrounding countries after World War II. However, subsequently, the shift to export-oriented industries was delayed in the Philippines. So, the country's manufacturing industry has been sluggish these days. On the other hand, the service industry have come to account for a larger share of GDP. In particular, BPO business has grown in recent years.
- Reflecting this industrial structure, tertiary industry has become the main source of employment. In the Philippines, wage growth has been slower than in other ASEAN countries.

#### GDP composition by industry (comparison of 2011 and 2024)

2011



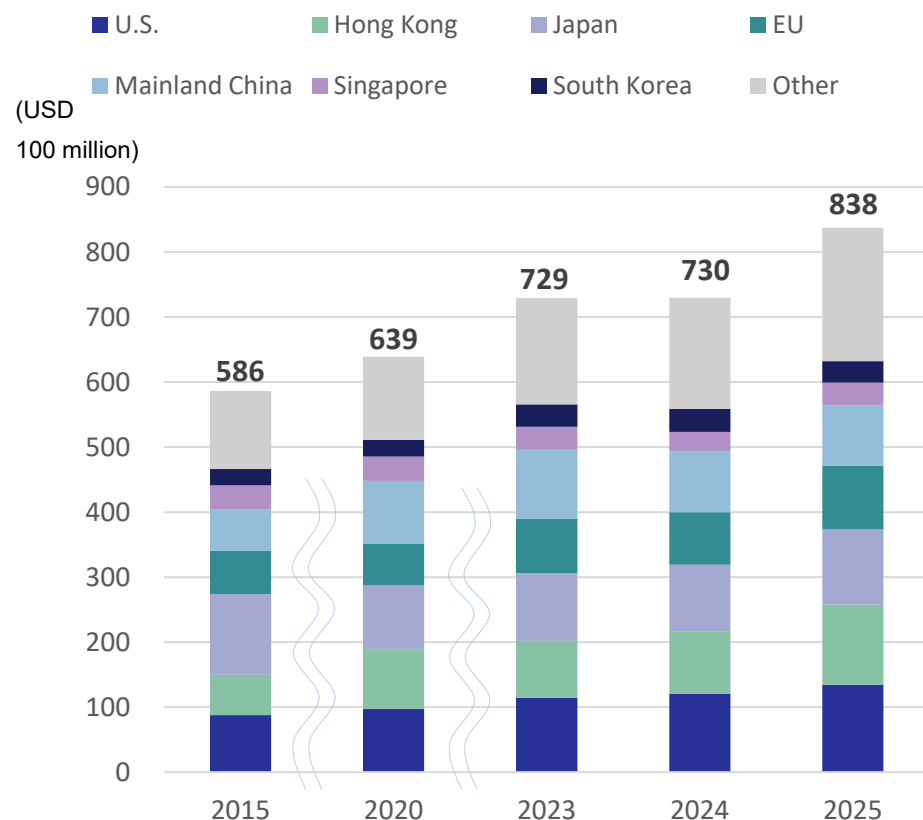
2024



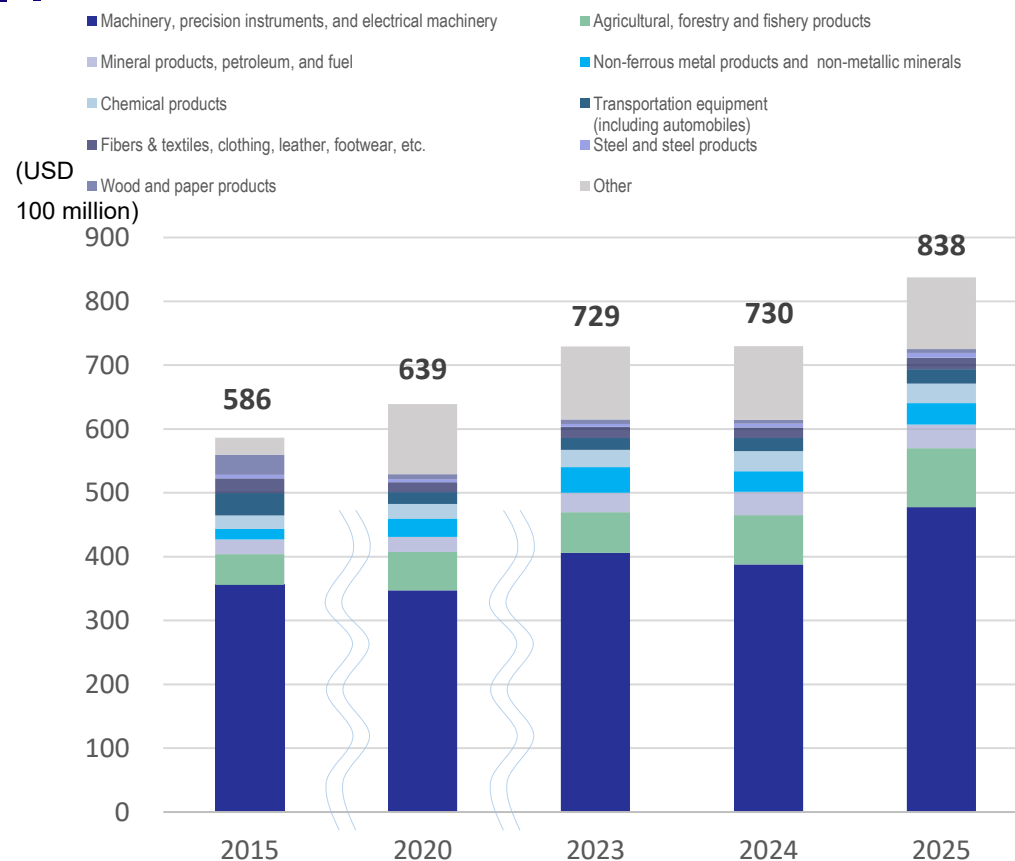
## I-3. Economic Structure (Industry/Trade) (2): Trend of Export Values

- Exports in 2025 reached a record high of USD 83.8 billion. By product category, “Machinery, precision instruments, and electrical machinery” amounted to USD 47.78 billion, accounting for approximately 57% of total exports. This highlights the country’s heavy reliance on exports of these manufactured goods. Meanwhile, approximately 80% of the input materials used in “Machinery, precision instruments, and electrical machinery” are imported, indicating that the Philippines is integrated into the global supply chain.
- The primary export destinations for the Philippines include the U.S., Hong Kong, Japan, and Mainland China. By region, East Asia accounts for 47.1%. The Philippines’ exports are structurally connected to the U.S. market and East Asian production networks.

### Trend of exports by county and region



### Trend of export value by product category



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

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

- Machinery, precision instruments, and electrical machinery (e.g. electronics, semiconductors, etc.) are exported to many regions, including the U.S., Japan, Hong Kong, and the EU, and this demonstrates the Philippines' important role in the supply chain for electronic devices.
- The Philippines' export trade is characterized by an export structure based on processing and assembly that relies heavily on industries related to "machinery, precision instruments, and electrical machinery." The primary export destinations are East Asia and the U.S.

(USD 100 million)

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

|                           | Agricultural, forestry and fishery products | Mineral products, petroleum, and fuel | Chemical products | Wood and paper products | Fibers & textiles, clothing, leather, footwear, etc. | Steel and steel products | Non-ferrous metal products and non-metallic minerals | Machinery, precision instruments, electrical machinery | Transportation equipment (including automobiles) | Other           | Country/region total |
|---------------------------|---------------------------------------------|---------------------------------------|-------------------|-------------------------|------------------------------------------------------|--------------------------|------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------|-----------------|----------------------|
| <b>U.S.</b>               | 16.2<br>(17.6%)                             | 0.3<br>(0.8%)                         | 4.7<br>(15.4%)    | 0.6<br>(9.5%)           | 7.6<br>(41.6%)                                       | 0.8<br>(10.7%)           | 1.4<br>(4.1%)                                        | 83.7<br>(17.5%)                                        | 3.4<br>(15.3%)                                   | 15.8<br>(14.1%) | <b>134</b>           |
| <b>Hong Kong</b>          | 1.0<br>(1.1%)                               | 0.1<br>(0.2%)                         | 0.1<br>(0.2%)     | 0.0<br>(0.1%)           | 0.3<br>(1.7%)                                        | 0.0<br>(0.5%)            | 0.4<br>(1.2%)                                        | 87.9<br>(18.4%)                                        | 0.2<br>(1%)                                      | 33.2<br>(29.6%) | <b>123</b>           |
| <b>Japan</b>              | 13.7<br>(14.9%)                             | 7.2<br>(19.5%)                        | 11.2<br>(36.6%)   | 2.6<br>(41.3%)          | 2.4<br>(13.3%)                                       | 2.3<br>(31.5%)           | 11.2<br>(33.3%)                                      | 52.2<br>(10.9%)                                        | 7.6<br>(33.9%)                                   | 5.3<br>(4.7%)   | <b>116</b>           |
| <b>EU</b>                 | 21.4<br>(23.2%)                             | 0.1<br>(0.3%)                         | 2.3<br>(7.4%)     | 0.5<br>(7.5%)           | 1.5<br>(8.2%)                                        | 0.4<br>(5.3%)            | 0.1<br>(0.4%)                                        | 55.1<br>(11.5%)                                        | 1.8<br>(8.1%)                                    | 14.5<br>(12.9%) | <b>98</b>            |
| <b>Mainland China</b>     | 9.8<br>(10.6%)                              | 18.4<br>(49.6%)                       | 3.6<br>(11.7%)    | 1.5<br>(24.1%)          | 1.5<br>(8.4%)                                        | 0.3<br>(3.7%)            | 3.5<br>(10.6%)                                       | 48.2<br>(10.1%)                                        | 1.2<br>(5.4%)                                    | 5.0<br>(4.4%)   | <b>93</b>            |
| <b>Singapore</b>          | 0.9<br>(1%)                                 | 0.3<br>(0.9%)                         | 0.6<br>(1.8%)     | 0.0<br>(0.2%)           | 0.2<br>(1.1%)                                        | 0.1<br>(1.5%)            | 0.3<br>(0.8%)                                        | 20.2<br>(4.2%)                                         | 0.9<br>(3.9%)                                    | 11.9<br>(10.6%) | <b>35</b>            |
| <b>South Korea</b>        | 5.8<br>(6.3%)                               | 0.8<br>(2.2%)                         | 0.9<br>(2.9%)     | 0.1<br>(1.2%)           | 1.6<br>(8.6%)                                        | 0.3<br>(4.7%)            | 0.6<br>(1.9%)                                        | 20.3<br>(4.2%)                                         | 0.2<br>(0.8%)                                    | 2.4<br>(2.1%)   | <b>33</b>            |
| <b>Other</b>              | 23.4<br>(25.3%)                             | 9.9<br>(26.6%)                        | 7.3<br>(23.9%)    | 1.0<br>(16.1%)          | 3.1<br>(17.1%)                                       | 3.0<br>(42.1%)           | 16.1<br>(47.9%)                                      | 110.3<br>(23.1%)                                       | 7.1<br>(31.7%)                                   | 24.1<br>(21.5%) | <b>205</b>           |
| <b>Export items total</b> | <b>92</b>                                   | <b>37</b>                             | <b>31</b>         | <b>6</b>                | <b>18</b>                                            | <b>7</b>                 | <b>34</b>                                            | <b>478</b>                                             | <b>22</b>                                        | <b>112</b>      | <b>838</b>           |

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" represents the total trade value of countries/regions that are not separately aggregated in the source data, including Taiwan.

Export item classification is based on the two-digit HS code classification.

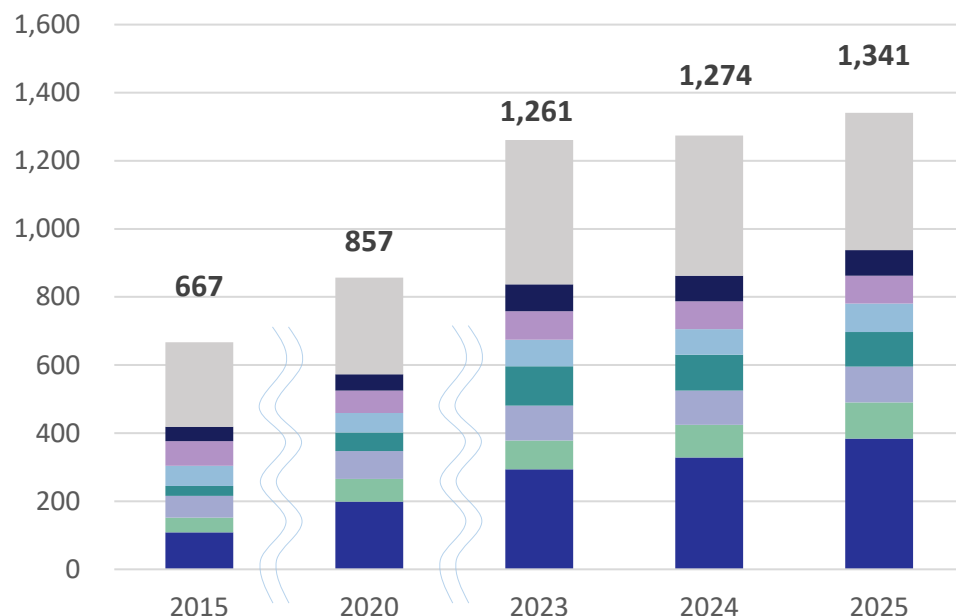
## I-3. Economic Structure (Industry/Trade) (4): Trend of Import Values

- For a decade from 2015 to 2025, the import value of the Philippines more than doubled. This was supported by factors such as increases in imports of intermediate goods for industries related to “machinery, precision instruments, and electrical machinery,” as well as capital goods for infrastructure and capital investment, against a backdrop of economic expansion and growing domestic demand. In particular, imports from China more than tripled over the same period, indicating a growing reliance on China as a source of supply.
- By product category, “machinery, precision instruments and electrical machinery” and “mineral products, petroleum, and fuel” account for 50% of total imports. A key characteristic is that a large portion of imports consists of intermediate goods that support manufacturing, assembly, construction, and infrastructure investment, not just for consumption.

### Trend of imports by country and region

(USD 100 million)

■ Mainland China ■ South Korea ■ Japan ■ Indonesia ■ EU ■ U.S. ■ Thailand ■ Other

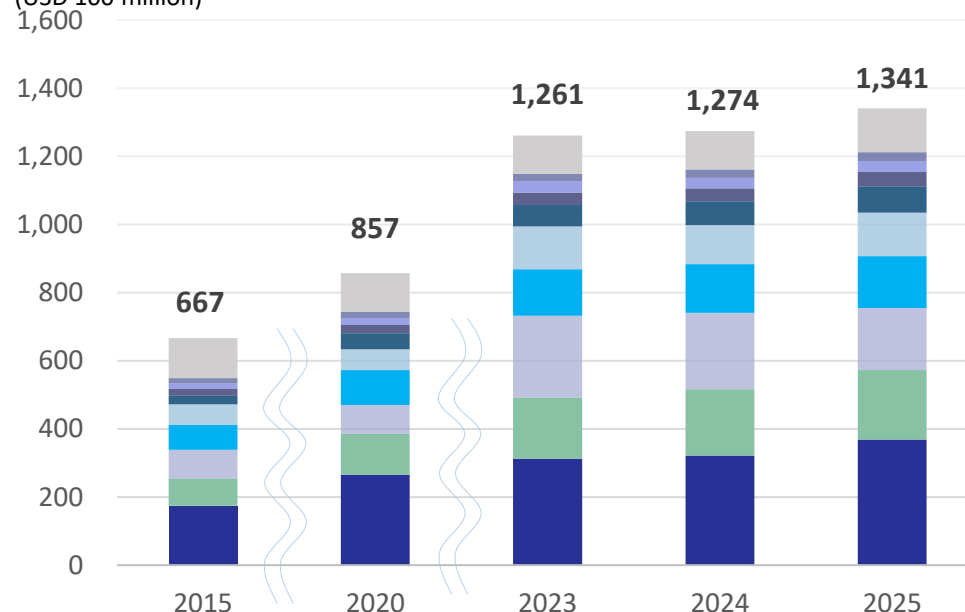


Note: "Other" represents the total trade value of countries/regions that are not separately aggregated in the source data, including Taiwan.  
Export item classification is based on the two-digit HS code classification.

### Trend of import value by product category

■ Machinery, precision instruments, and electrical machinery ■ Agricultural, forestry and fishery products  
■ Mineral products, petroleum, and fuel ■ Chemical products  
■ Transportation equipment (including automobiles) ■ Steel and steel products  
■ Non-ferrous metal products and non-metallic minerals ■ Fibers & textiles, clothing, leather, footwear, etc.

(USD 100 million)



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

- Imports are increasing not only in categories such as “machinery, precision instruments, and electrical machinery” used in electronics manufacturing, etc., but also in products directly related to people’s daily lives, such as “agricultural, forestry, and fishery products” and “mineral products, petroleum, and fuel.” Trade deficits have thus become the norm.
- There are concerns about an unbalanced supply chain, as the country depends heavily on China for a wide variety of products.

(USD 100 million)

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

|                    | Agricultural, forestry and fishery products | Mineral products, petroleum, and fuel | Chemical products | Wood and paper products | Fibers & textiles, clothing, leather, footwear, etc. | Steel and steel products | Non-ferrous metal products and non-metallic minerals | Machinery, precision instruments, electrical machinery | Transportation equipment (including automobiles) | Other           | Country/region total |
|--------------------|---------------------------------------------|---------------------------------------|-------------------|-------------------------|------------------------------------------------------|--------------------------|------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------|-----------------|----------------------|
| Mainland China     | 22.8<br>(11.2%)                             | 21.9<br>(12%)                         | 42.2<br>(27.7%)   | 9.3<br>(35.6%)          | 17.0<br>(53.2%)                                      | 56.2<br>(73.1%)          | 19.1<br>(45.4%)                                      | 127.3<br>(34.5%)                                       | 22.1<br>(17.3%)                                  | 46.2<br>(35.9%) | 384                  |
| South Korea        | 1.6<br>(0.8%)                               | 34.7<br>(19%)                         | 9.2<br>(6%)       | 0.6<br>(2.3%)           | 1.1<br>(3.5%)                                        | 2.3<br>(2.9%)            | 3.3<br>(7.9%)                                        | 21.7<br>(5.9%)                                         | 6.7<br>(5.3%)                                    | 24.6<br>(19.1%) | 106                  |
| Japan              | 1.2<br>(0.6%)                               | 5.2<br>(2.8%)                         | 15.6<br>(10.2%)   | 2.0<br>(7.7%)           | 1.5<br>(4.7%)                                        | 7.4<br>(9.6%)            | 5.2<br>(12.4%)                                       | 44.8<br>(12.2%)                                        | 14.4<br>(11.3%)                                  | 8.3<br>(6.4%)   | 106                  |
| Indonesia          | 22.1<br>(10.9%)                             | 23.8<br>(13.1%)                       | 10.5<br>(6.9%)    | 2.6<br>(10%)            | 1.5<br>(4.6%)                                        | 1.0<br>(1.3%)            | 2.1<br>(5%)                                          | 4.2<br>(1.1%)                                          | 33.5<br>(26.3%)                                  | 0.4<br>(0.3%)   | 102                  |
| EU                 | 17.7<br>(8.7%)                              | 0.1<br>(0.1%)                         | 16.3<br>(10.7%)   | 4.2<br>(15.9%)          | 1.7<br>(5.4%)                                        | 1.2<br>(1.5%)            | 1.4<br>(3.3%)                                        | 23.2<br>(6.3%)                                         | 9.5<br>(7.5%)                                    | 7.9<br>(6.2%)   | 83                   |
| U.S.               | 31.5<br>(15.5%)                             | 1.7<br>(0.9%)                         | 7.1<br>(4.6%)     | 1.2<br>(4.5%)           | 0.5<br>(1.5%)                                        | 0.9<br>(1.1%)            | 0.8<br>(1.9%)                                        | 29.8<br>(8.1%)                                         | 1.4<br>(1.1%)                                    | 6.7<br>(5.2%)   | 82                   |
| Thailand           | 11.3<br>(5.5%)                              | 3.8<br>(2.1%)                         | 12.6<br>(8.3%)    | 0.4<br>(1.6%)           | 0.5<br>(1.5%)                                        | 1.0<br>(1.3%)            | 2.9<br>(6.9%)                                        | 14.6<br>(4%)                                           | 25.5<br>(20%)                                    | 3.1<br>(2.4%)   | 76                   |
| Other              | 95.3<br>(46.8%)                             | 91.1<br>(50%)                         | 39.0<br>(25.6%)   | 5.9<br>(22.5%)          | 8.2<br>(25.5%)                                       | 7.0<br>(9.1%)            | 7.3<br>(17.2%)                                       | 103.0<br>(27.9%)                                       | 14.4<br>(11.3%)                                  | 31.6<br>(24.5%) | 403                  |
| Import items total | 204                                         | 182                                   | 152               | 26                      | 32                                                   | 77                       | 42                                                   | 369                                                    | 128                                              | 129             | 1,341                |

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" represents the total trade value of countries/regions that are not separately aggregated in the source data, including Taiwan.

Import item classification is based on the two-digit HS code classification.

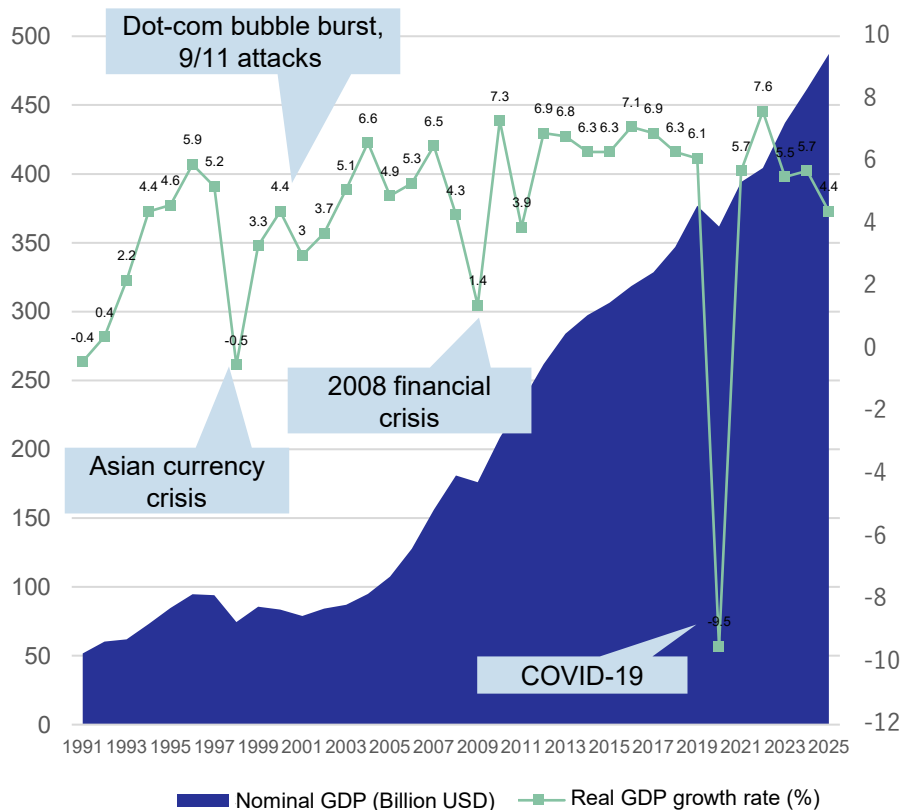
## I-4. Economic and Industry Characteristics and Prospective Industries

| Prospective industry                                          | Background and current situation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Focus and business opportunities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>IT and BPO industry</b>                                    | <ul style="list-style-type: none"> <li>✓ The BPO industry is growing steadily, leveraging the Philippines' status as home to one of the world's largest call center clusters, as well as its English-speaking youth population.</li> <li>✓ Japanese companies have expressed interest in investing in the IT, BPO, and AI sectors in 2025, and this led to the establishment of Japanese-language service centers in the Philippines.</li> <li>✓ The Philippine government is promoting the development of digital infrastructure and attracting data centers by offering tax incentives.</li> </ul> | <ul style="list-style-type: none"> <li>✓ The data center market is expected to see strong growth through 2030, driven by demand for digital transformation (DX). The investment environment has improved, supported by a steady supply of IT talent.</li> <li>✓ As facilities are newly constructed or expanded, related services such as building construction, power supply, HVAC, UPS, disaster-resistant design, BCP, and energy-efficient operations are likely to grow. Opportunities to enter the design, construction, and maintenance fields are expected, leveraging Japanese quality and energy-saving technologies.</li> </ul>                                                                                                                                                                                                                                                      |
| <b>Manufacturing</b>                                          | <ul style="list-style-type: none"> <li>✓ Against the backdrop of industrial promotion policies and trends toward building regional supply networks, such as the RCEP, the presence of high-value-added fields is growing.</li> <li>✓ Japanese companies continue to consider further investments: In 2025, Nidec Corporation announced its intention to increase production at its facilities in the Philippines, and Ibiden Co., Ltd. revealed its plans to expand production of cutting-edge substrates.</li> </ul>                                                                                | <ul style="list-style-type: none"> <li>✓ The Philippines has a large pool of English-speaking workers, with relatively low wage levels. The country's high proportion of young people makes it an excellent choice for securing a long-term workforce. With the advancement of FTAs, preferential tax regimes, and infrastructure development, the country has high potential as an export hub for the ASEAN region, the U.S., and Europe.</li> <li>✓ A careful comparison and analysis is necessary of the power and logistics infrastructure in industrial parks, access to ports, the availability of the workforce and the differences in labor regulations and investment incentives across provinces. The government's ability to execute policies must also be assessed considering political and institutional changes, as well as infrastructure-related corruption issues.</li> </ul> |
| <b>B to C<br/>Retail, food service,<br/>real estate, etc.</b> | <ul style="list-style-type: none"> <li>✓ Domestic demand is growing, driven by a population of over 100 million, with a high percentage of young people. Demand in the retail, food service, and housing sectors remains strong due to urbanization and the growing middle class, which underpins the Philippines' economic growth.</li> <li>✓ Since early 2026, major food service chains such as Ootoya and Torikizoku have announced plans to enter the Philippine market. In March 2026, Mitsui Fudosan began selling luxury condominiums in Makati City.</li> </ul>                             | <ul style="list-style-type: none"> <li>✓ The demand for Japanese cuisine, which has been high for some time, will continue to deserve attention. With economic growth driving income levels higher, media reports of new market entries continue to arise. Although franchising accounts for most of these entries, the 2021 Retail Trade Liberalization Act now allows for wholly-owned operations.</li> <li>✓ In accordance with regulations, foreign entities can only own up to 40% of real estate, with some exceptions. Therefore, finding a qualified partner is important.</li> </ul>                                                                                                                                                                                                                                                                                                   |

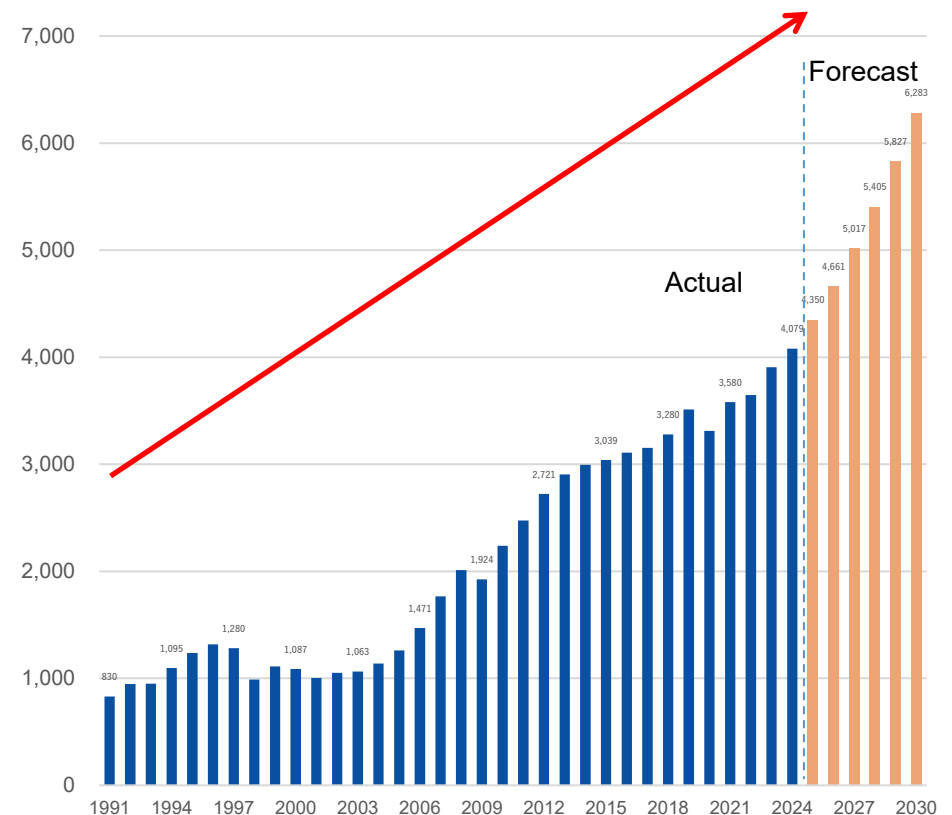
## I-5. Economic Conditions: GDP Growth Rate

- In 2025, GDP grew by 4.4% year-on-year, falling short of the government's full-year economic growth target of 5.5 to 6.5%. The slowdown in growth is considered a temporary phenomenon likely caused by delays in public investment and a decline in foreign direct investment due to governance concerns stemming from anti-corruption crackdowns, along with damage to domestic industries from typhoons and floods. A recovery is expected to take place starting in 2026, driven by resilient consumption and moderating inflation. According to the IMF, growth is projected to reach around the mid-5% range.
- Per-capita GDP exceeded USD 4,000 in 2024. The proportion of people earning USD 15,000 or more is estimated at 4% of the population but is expected to rise to 14% by 2030.

### Changes in nominal GDP and real GDP growth rate



### Changes in per capita GDP and forecast (USD)



## I-6. Political Situations

- **In June 2022, Ferdinand Marcos Jr. (the only son of late President Ferdinand Marcos Sr., also known as “Bongbong Marcos”) assumed the presidency. Close attention needs to be paid to his relationship with Vice President Sara Duterte, the eldest daughter of the former President Duterte.**

### **Stability of the administration: The administration is currently stable but may face uncertainty ahead of the next presidential election (2028).**

- In the mid-term election held in May 2025 (covering 12 of the 24 Senate seats and all 317 seats in the House of Representatives), five of the 12 Senate seats were won by supporters of President Marcos, five by supporters of Vice President Duterte, and two by candidates from the liberal opposition party.
- Since taking office in 2022, tensions between President Marcos and Vice President Duterte have intensified. Corruption has become an issue that undermines the legitimacy of the government, particularly in recent years.
- In 2025, an investigation by the Senate uncovered kickback schemes related to flood control projects. In 2026, allegations of unexplained assets and embezzlement of public funds involving Vice President Sara Duterte became the primary focus of her second impeachment. As the 2028 presidential election approaches, the rift between their political camps are expected to deepen, and concerns remain about administration management.

### **Security/diplomacy: Conflicts against China continue in the South China Sea; the administration seeks to enhance ties with Japan and the U.S. for security.**

- While the Philippines remains in a conflict with China over the South China Sea, it is strengthening ties with countries that share its stance on limiting China's influence, not only with Japan and the U.S., but also within the ASEAN region, as evidenced by its decision in June 2026 to upgrade its relationship with Vietnam to an “Enhanced Strategic Partnership.”
- Military cooperation with the U.S. continues, especially given the situation in the South China Sea. In April 2026, the U.S. and the Philippines launched the joint development of an industrial hub to strengthen AI and semiconductor supply chains. This integrated approach to national and economic security suggests that the Philippines' importance as a frontline position in U.S. strategy toward China is growing.

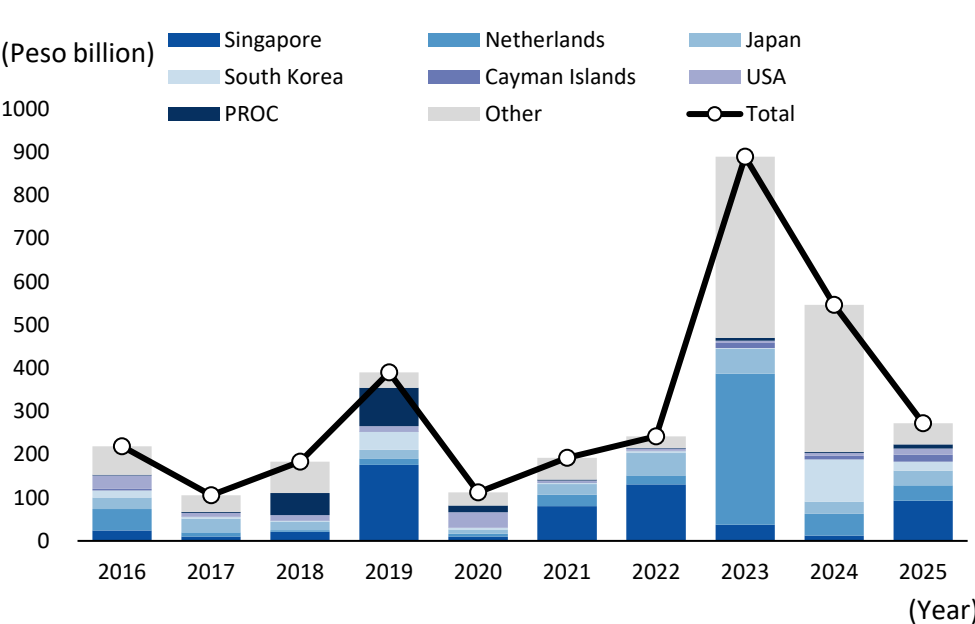
### **Economic policy: The administration focuses on improving the investment environment by relaxing foreign investor regulations and accelerating infrastructure investment; the President himself has called for investment.**

- 1) **Relaxation of foreign investor regulations:** In September 2025, the lease term for privately owned land leased to foreign investors was extended to a maximum of 99 years under Republic Act No. 12252. Additionally, the 13th Negative List was issued in April 2026. The categories of fields open to foreign investors, as well as those subject to restrictions, were clarified.
- 2) **Accelerating infrastructure investment:** The current administration has focused on infrastructure development under the slogan of “Build Better More” by taking over the policy of the former Duterte administration that promoted infrastructure development under the slogan of “Build, Build, Build.” In January 2023, it approved the Philippine Development Plan 2023–2028, which contains blueprints of policies, and directed government agencies to comply with and implement the plan. In addition, the administration established the country's first sovereign wealth fund to accelerate infrastructure investment.
- 3) **Luzon Economic Corridor:** At the 2024 Japan-U.S.-Philippines Trilateral Summit, a vision for expanding investment focusing the logistics and industrial corridor linking Subic, Clark, Manila, and Batangas was announced. In May 2026, the participation of Australia, Canada, Denmark, France, Italy, South Korea, Sweden, and the U.K. was officially announced. Support for ports, railways, digital, energy, and industrial infrastructure is now moving forward.

# I-7. Foreign Direct Investment (FDI): Investment from the World

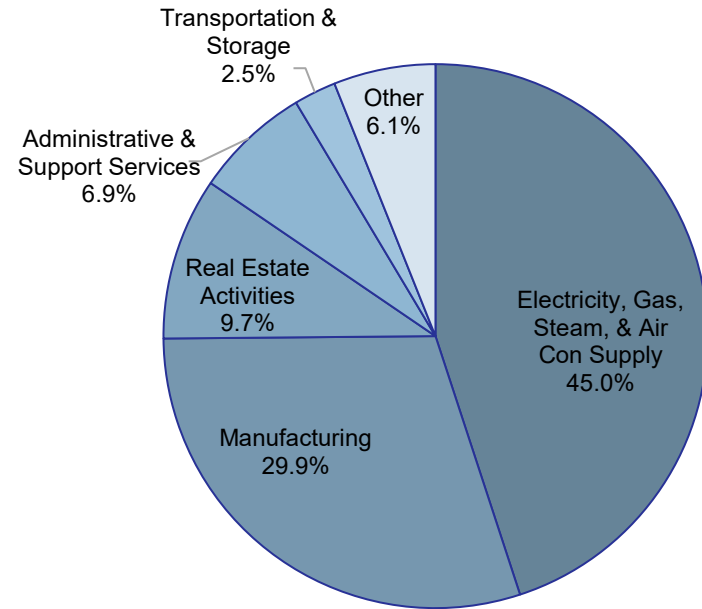
- Foreign Direct Investment (FDI) from around the world into the Philippines declined sharply again in 2020 due to the COVID-19 pandemic. Subsequently, the Philippines is gradually recovering, supported by investment promotion policies following the enactment of the Corporate Recovery and Tax Incentives for Enterprises Act (“CREATE Act”) in 2021.
- Record-high FDI approval amounts were reported in 2023, driven by large-scale projects in the renewable energy, power generation, and electricity infrastructure fields. However, investment has since trended downward in 2025 due to factors including increased repayments of external debt by foreign companies and the impact of U.S. protectionist policies.
- By type of industry, electricity, gas, steam, and air conditioning supply remains the largest recipient, accounting for 45% of the total, followed by manufacturing, representing 30% of the total and serving as a major sector.

FDI flow trends by country/region



Source: Compiled by MRI based on data from the National Statistics Office of the Philippines

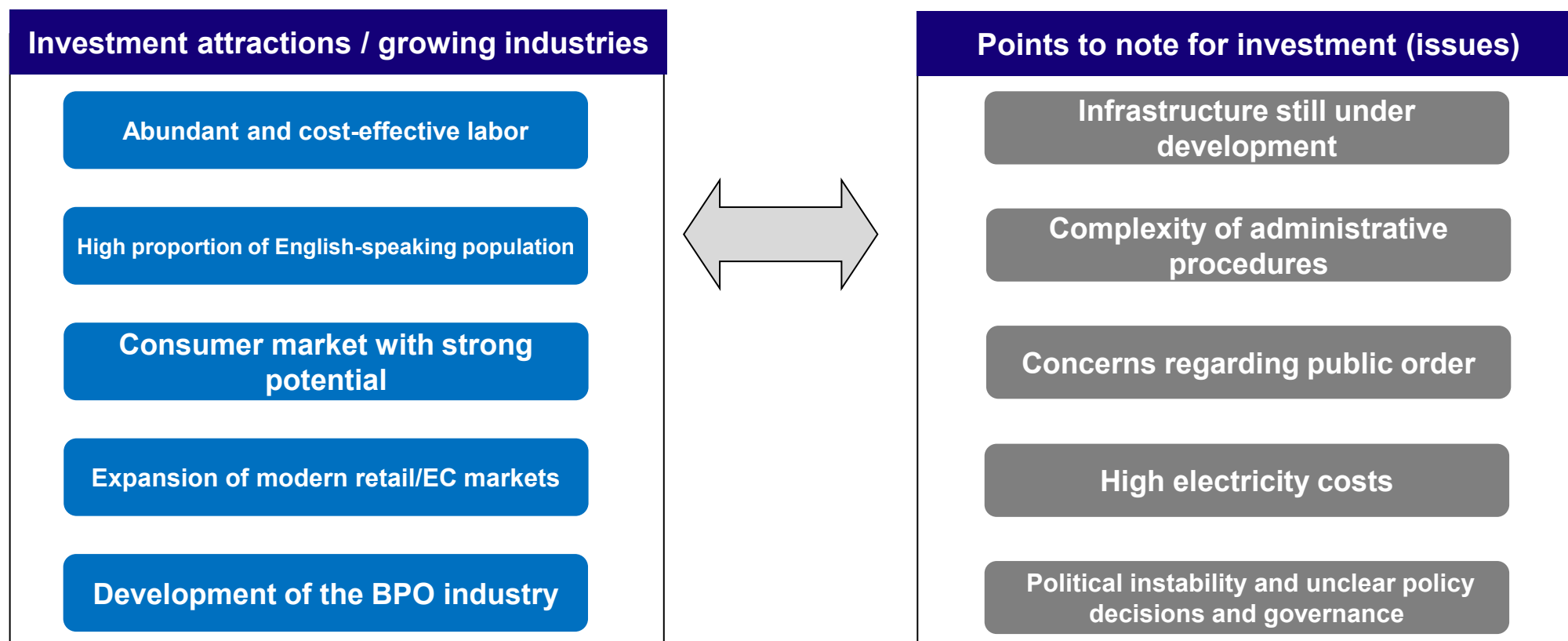
FDI by industry (2024)



Source: Compiled by the Research Dept. of MRI based on data from the National Statistics Office of the Philippines

## I-8. Potential as an Investment Destination

- The Philippines has an abundant workforce with strong English-language skills and relatively low wages. Its population exceeds 100 million, and personal income levels are rising, suggesting significant potential for future growth as a consumer market.
- Meanwhile, infrastructure, such as roads, logistics, and electricity, as well as manufacturing supply chains are still under development. Going forward, the government is expected to take initiative in further promoting infrastructure improvement and accelerating investment attraction through an improved investment environment and preferential treatments.
- Public order has been improving as the government focuses on measures to improve public safety and anti-poverty initiatives, though further improvement is still needed.



## II. Investment-related Information

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

(USD/month)

| Country/region                                   |                                 | Japan                    | China                    |                                                            | Hong Kong                                                                                         | Taiwan                                                                                           | South Korea              | Singapore                                                         | Malaysia                                                                 | Thailand                                                                 |
|--------------------------------------------------|---------------------------------|--------------------------|--------------------------|------------------------------------------------------------|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------|
| City                                             |                                 | Tokyo                    | Shanghai                 | Shenzhen                                                   | Hong Kong                                                                                         | Taipei                                                                                           | Seoul                    | Singapore                                                         | Kuala Lumpur                                                             | Bangkok                                                                  |
| Manufacturing                                    | Workers' wages (general worker) | 2,024                    | 832                      | 415                                                        | 2,138                                                                                             | 1,212                                                                                            | 2,426                    | 2,195                                                             | 490                                                                      | 437                                                                      |
|                                                  | Engineers                       | 2,636                    | 1,434                    | 519                                                        | 3,536                                                                                             | 1,586                                                                                            | 2,745                    | 3,108                                                             | 917                                                                      | 781                                                                      |
|                                                  | Managers                        | 4,221                    | 2,217                    | 1,036                                                      | 4,889                                                                                             | 2,264                                                                                            | 3,678                    | 4,909                                                             | 1,773                                                                    | 1,622                                                                    |
| Non-manufacturing                                | Staffs' wages (general level)   | 2,050                    | 1,291                    | 1,024                                                      | 2,639                                                                                             | 1,490                                                                                            | 2,181                    | 3,094                                                             | 1,023                                                                    | 844                                                                      |
|                                                  | Managers' wages                 | 3,838                    | 2,625                    | 1,987                                                      | 4,556                                                                                             | 2,479                                                                                            | 3,533                    | 5,585                                                             | 2,179                                                                    | 1,709                                                                    |
|                                                  | Shop staffs' wages (apparel)    | 2,784                    | —                        | 1,450                                                      | 1,702                                                                                             | 1,068                                                                                            | 2,933                    | 1,638                                                             | 754                                                                      | 386                                                                      |
|                                                  | Shop staffs' wages (food)       | 2,286                    | —                        | 721                                                        | 2,005                                                                                             | 996                                                                                              | 1,887                    | 1,404                                                             | 530                                                                      | 386                                                                      |
| Legal minimum wage                               |                                 | 7.95/hour                | 375/month                | 329/month                                                  | 5.1/hour                                                                                          | 828/month (5.52/hour)                                                                            | 1,564/month              | —                                                                 | 408/month                                                                | 10.16 to 11.40/day                                                       |
| 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                                          | 2.08 months' base salary                                                 | 2.68 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%<br>Less than HKD 30,000 monthly salary<br>(2) HKD 1,500 HKD 30,000 and more monthly salary | 13.96%                                                                                           | 10.7% to 30.1%           | 17%                                                               | 14.45% to 14.95%                                                         | 5%                                                                       |
| 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)<br>5.56% (non-manager) (2023)                            | 0.45% (2023)                                                             |
| Country/region                                   |                                 | Indonesia                | Philippines              | Vietnam                                                    |                                                                                                   | Laos                                                                                             | Cambodia                 | Myanmar                                                           | India                                                                    |                                                                          |
| City                                             |                                 | Jakarta                  | Manila                   | Hanoi                                                      | Ho Chi Minh                                                                                       | Vientiane                                                                                        | Phnom Penh               | Yangon                                                            | New Delhi                                                                | Mumbai                                                                   |
| Manufacturing                                    | Workers' wages (general worker) | 475                      | 314                      | 278                                                        | 329                                                                                               | 115                                                                                              | 243                      | 148                                                               | 448                                                                      | 337                                                                      |
|                                                  | Engineers                       | 600                      | 478                      | 520                                                        | 619                                                                                               | 203                                                                                              | 453                      | 351                                                               | 673                                                                      | 543                                                                      |
|                                                  | Managers                        | 1,295                    | 1,042                    | 1,121                                                      | 1,215                                                                                             | 672                                                                                              | 1,049                    | 713                                                               | 1,359                                                                    | 1,490                                                                    |
| Non-manufacturing                                | Staffs' wages (general level)   | 545                      | 567                      | 797                                                        | 759                                                                                               | 336                                                                                              | 656                      | 508                                                               | 735                                                                      | 696                                                                      |
|                                                  | Managers' wages                 | 1,289                    | 1,472                    | 1,688                                                      | 1,537                                                                                             | 751                                                                                              | 1,398                    | 1,381                                                             | 1,850                                                                    | 1,777                                                                    |
|                                                  | Shop staffs' wages (apparel)    | 296 to 395               | 324                      | —                                                          | 249 to 322                                                                                        | 128                                                                                              | 250 to 350               | 86 to 119                                                         | 178 to 262                                                               | —                                                                        |
|                                                  | Shop staffs' wages (food)       | 296 to 460               | 324                      | —                                                          | 237 to 249                                                                                        | 91                                                                                               | 250 to 500               | 86 to 110 (Meals & Dormitory Provided)<br>119 to 143 (Commutable) | 178 to 297                                                               | 190.3 to 297.3                                                           |
| 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                                                          | 215/month (unskilled)<br>237/month (semi-skilled)<br>261/month (skilled) | 183/month (unskilled)<br>169/month (semi-skilled)<br>156/month (skilled) |
| 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                                          | 1.08 months' base salary                                                 | 1.35 months' base salary                                                 |
| Social security burden ratio (employer's burden) |                                 | 10.24% to 11.74%         | 9.5%                     | 21.5% (public insurance premium)<br>7.5% (foreign workers) | 21.5% (public insurance premium)<br>17.5% (foreign workers)                                       | 6% (monthly salary LAK 4.5 million or less)<br>LAK 270,000 (monthly salary over LAK 4.5 million) |                          | 7% (age 60 or under)<br>7.5% (over age 60)                        | 13%                                                                      | 13%                                                                      |
| Nominal wage increase rate                       |                                 | 3.38% (2024)             | 5.74% to 6.11% (2024)    | —                                                          | —                                                                                                 | —                                                                                                | —                        | —                                                                 | 8.0% (2023)                                                              | 25.0% (2023)                                                             |

Survey period: September 2023 for Mainland China, Hong Kong, Taiwan, and Korea; August to October 2024 for Japan; October to November 2024 for other countries

Source: Compiled by the Global Strategic Advisory Dept. of MHBK based on JETRO materials

## II-1. Labor-related Information (2): Labor Systems and Regulations for Foreign Workers

- When dispatching employees to the Philippines, Japanese companies generally obtain the Pre-arranged Employee Visa issued pursuant to Article 9 (g) of the Philippine Immigration Act of 1940, Commonwealth Act No. 613.

| Employment/work permits          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Visa                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outline                          | A Special Work Permit (SWP), an Alien Employment Permit (AEP), or an appropriate work visa is required depending on the type of work, length of stay, and employment status. Generally, an SWP is required for short-term work, and an AEP and a work visa (typically a 9(g) visa) are required for long-term employment.                                                                                                                                                                                                                                         | Outline                                                    | <ul style="list-style-type: none"> <li>● Citizens of 151 countries, including Japan, may enter and stay in the Philippines without a visa for up to 30 days.</li> <li>● Foreign nationals who intend to work in the country must obtain a visa.</li> </ul>                                                                                                                                                                                                                                                             |
| SWP                              | <ul style="list-style-type: none"> <li>● Valid for three months and extendable once.</li> <li>● Those who wish to continue working after the SWP expires must apply for an AEP to the Department of Labor and Employment at least 21 business days before the SWP's expiration.</li> </ul>                                                                                                                                                                                                                                                                        | Temporary Visitor Visa (9(a) visa)                         | This visa is issued to foreign nationals who enter the Philippines for business, meetings, training, sightseeing, sports, filmmaking, media coverage, or other activities and allows the holder to stay for up to 59 days (extendable through prescribed procedures).                                                                                                                                                                                                                                                  |
| AEP                              | <ul style="list-style-type: none"> <li>● The application must include a Tax Identification Number issued by the Bureau of Internal Revenue.</li> <li>● Applicants must take two types of tests: LMT to assess the applicants' skills, etc. and ENT to evaluate the necessity of hiring a foreign national.</li> <li>● Application for renewal of the AEP can begin 60 days before expiration.</li> <li>● The AEP is generally valid for one year but may be extended to align with the duration under the employment contract (maximum of five years).</li> </ul> | Pre-arranged Employee Visa (9(g) visa)                     | This visa is issued to foreign nationals who have already concluded an employment contract to work in the Philippines and generally allows a stay of up to two years (extendable). Eligible applicants are managers or technical experts possessing advanced skills that cannot be replaced by Filipino workers. The spouse and unmarried children (under 21 years old) of the visa holder who accompany or join the person within six months from the date of entry in the Philippines may also obtain the 9(g) visa. |
| Persons exempted from AEP        | <ul style="list-style-type: none"> <li>● Directors who do not engage in operations and who hold voting rights of a company only</li> <li>● Diplomats and foreign government officials who are authorized by the Philippine government, etc.</li> </ul>                                                                                                                                                                                                                                                                                                            | General method of obtaining the Pre-arranged Employee Visa | First, apply for a 9(a) visa at the Philippine Embassy in Japan, as the embassy does not accept applications for employee visas. Upon arrival in the Philippines, visit the Bureau of Immigration with the employer to apply for the 9(g) visa and convert the existing 9(a) visa. Note that, conversion to a 9(g) visa is allowed only after an interview and approval by the Bureau of Immigration. The entire process generally takes two to three months.                                                          |
| Emigration Clearance Certificate | Visa holders and foreign nationals who stay in the Philippines for six months or longer must obtain an Emigration Clearance Certificate issued by the Bureau of Immigration Office.                                                                                                                                                                                                                                                                                                                                                                               | Family members                                             | Under certain conditions, spouses and unmarried children (usually under the age of 21) may be eligible for a dependent visa or similar status. Individual cases will be reviewed for details.                                                                                                                                                                                                                                                                                                                          |

## II-1. Labor-related Information (3): Labor Systems and Regulations

- As the Philippines has an abundant workforce, it is relatively easy for companies to secure ordinary workers and staff.
- Companies may hire workers on a trial basis for up to six months, during which they need to decide whether to offer regular employment.
- Human resources at the middle management level are scarce and difficult to recruit. Many companies develop such personnel internally.

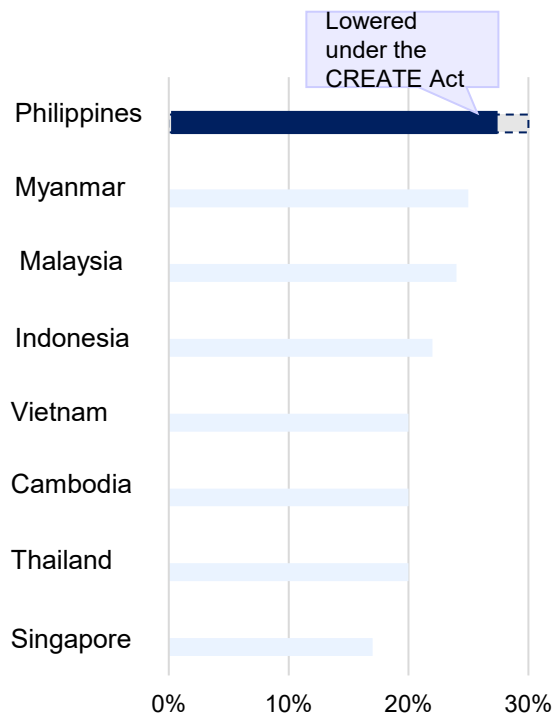
### Key employment conditions

|                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Working hours        | Eight hours per day, not exceeding 48 hours per week                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Holidays             | At least one day (24 consecutive hours) of rest after six consecutive working days                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Overtime work        | <ul style="list-style-type: none"> <li>● Pay an allowance of 125% of regular wages for work exceeding eight hours per day.</li> <li>● Pay an allowance of 110% of regular wages for midnight work from 10:00 p.m. to 6 a.m.</li> <li>● Pay an allowance of 130% of regular wages for work on a regular holiday.</li> <li>● Pay an allowance of 200% of regular wages for work on a legal holiday.</li> <li>● Pay an allowance of 130% of regular wages for work on November 1 (All Saints' Day) or December 31 (or 150% if the day is designated as a holiday).</li> </ul> |
| Payment of salary    | Wages must be paid at least once every two weeks or twice a month with an interval not exceeding 16 days.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Bonus                | Pay one-twelfth of the base salary as a "13th Month Pay" (legal bonus).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Paid leave           | <ul style="list-style-type: none"> <li>● Grant five days of paid leave per year to employees with at least one year of service.</li> <li>● Grant female employees 105 days of (paid) maternity leave.</li> <li>● Grant seven days of paid leave to a married male employee whose wife gives birth.</li> </ul>                                                                                                                                                                                                                                                              |
| Dismissal            | <p>Pay a dismissal allowance when termination is due to the employer's intentions. The dismissal allowance for cases involving the introduction of labor-saving equipment or a workforce reduction shall be an amount equivalent to at least one month's salary per year of service.</p> <p>* It is difficult to unilaterally dismiss an employee except for justifiable reasons, such as violation of contract or business downsizing.</p>                                                                                                                                |
| Mandatory retirement | <ul style="list-style-type: none"> <li>• Employees who reach 60 years old and have at least five years of service are subject to voluntary retirement, and 65 is the mandatory retirement age.</li> <li>• Retirement benefits are, in principle, calculated based on at least one-half month's pay per year of service, in accordance with laws and regulations and the company's employment rules.</li> </ul>                                                                                                                                                             |
| Trial period         | A trial period must not exceed six months.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

## II-2. Tax-related Information (1): CREATE Act

- In April 2021, the Corporate Recovery and Tax Incentives for Enterprises Act (“CREATE Act”) took effect. This law lowered the Philippine corporate tax rate, which had been 30%—the highest among Southeast Asian countries—to 25% for large enterprises and 20% for small and medium-sized enterprises.
- Projects eligible for incentives are defined under the Strategic Investment Priority Plan (SIPP). The SIPP is formulated by the Board of Investments (BOI) in consultation with the Fiscal Incentives Review Board (FIRB), investment promotion agencies, such as the Philippine Economic Zone Authority (PEZA)<sup>(Note)</sup>, and other government agencies and the private sector. The plan is finally approved by the president. Since the SIPP is generally reviewed once every three years, periodic confirmation is required.

Corporate tax rates in the Philippines and its neighboring countries



### Key changes introduced by the CREATE Act

#### Reduced corporate tax (Philippine companies)

Effective July 1, 2020, the corporate tax rate was reduced from 30% as follows.

- 1) 20% for corporations with the net taxable income for the tax year not exceeding PHP 5 million and total assets not exceeding PHP 100 million (excluding land on which business entity's offices, plants, and equipment are located)
- 2) 25% for all other corporations not qualifying under 1

#### Reduced corporate tax (non-resident foreign corporations)

Effective January 1, 2021, corporate tax of 25% is imposed on domestic source income earned by non-resident foreign corporations in the Philippines. Accordingly, the final withholding tax must be paid as follows for remittances from Philippine subsidiaries to parent companies in Japan.

- 1) 25% for business income (reduced from 30%)
- 2) 20% for interest on borrowing (unchanged)
- 3) 25% for dividends (reduced from 30%)
- 4) 25% for royalties (reduced from 30%)

#### Minimum Corporate Income Tax (MCIT)

For the business year beginning between July 1, 2020 and June 30, 2023, the MCIT rate was reduced from 2% to 1%.

#### Improperly Accumulated Earnings Tax (IAET)

For the tax year with an accounting period ending on or after April 11, 2021, the IAET was abolished.

Note: Companies operating in PEZA economic zones authorized by the Philippine Economic Zone Authority (PEZA) that obtain PEZA's approval are eligible for a variety of preferential treatments.

## II-2. Tax-related Information (2): CREATE MORE Act

- The CREATE Act lowered the Philippine corporate tax rate, which had been 30%, the highest among Southeast Asian countries, to 25% for large enterprises and 20% for small and medium-sized enterprises. It also abolished the 10% Improperly Accumulated Earnings Tax (IAET), which had been imposed on a portion of retaining earnings exceeding paid-up capital.
- Meanwhile, the enforcement of detailed regulations affected corporate activities by expanding the taxable scope and downsizing existing preferential treatments. As a result, approximately 130,000 jobs in the manufacturing industry were lost, prompting lawmakers to consider a revised law, Republic Act No. 12066 (“CREATE MORE Act”), which includes the expansion of Valued-added Tax (VAT) exemptions.
- In November 2024, President Marcos signed the CREATE MORE Act bill into law. In February 2025, its Implementing Rules and Regulations (IRR) were issued.

### Key developments related to the CREATE and CREATE MORE Acts

|                |                                                                                                                                                                              |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| April 2021     | Enforcement of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to provide preferential treatments for foreign companies                               |
| May 2022       | President Duterte approved the Strategic Investment Priority Plan (SIPP), which specified sectors eligible for preferential tax treatments pursuant to the CREATE Act.       |
| March 2024     | The House of Representatives passed the revised law, the CREATE MORE Act.                                                                                                    |
| June 2024      | The Legislative-Executive Development Advisory Council (LEDAC) identified 28 priority bills for passage during a session ending in June 2025, including the CREATE MORE Act. |
| September 2024 | The Senate passed the revised law, the CREATE MORE Act. The following day, the House-Senate Committee approved the final draft.                                              |

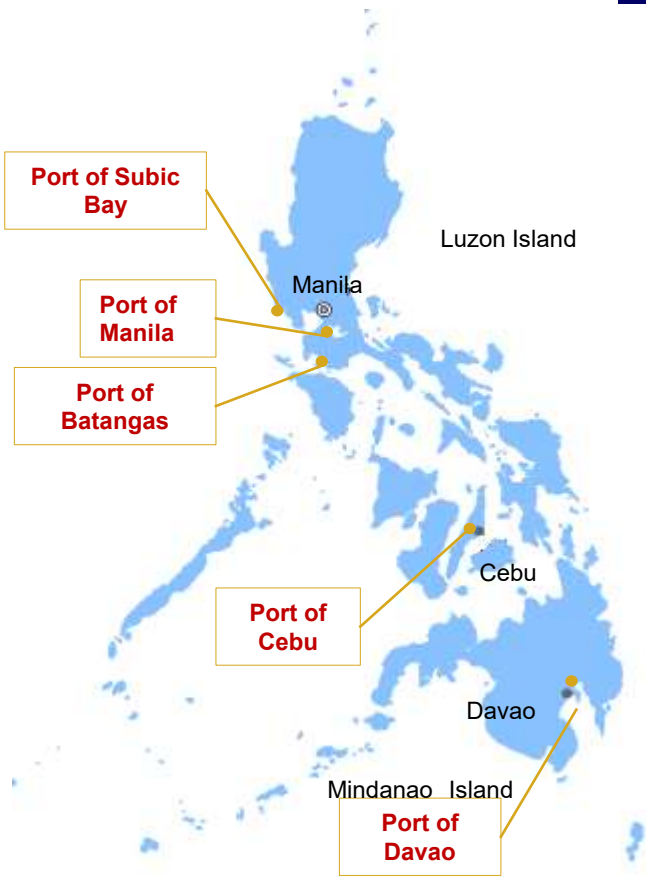
### Revisions under the CREATE MORE Act

|                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The corporate tax rate was reduced for registered corporations that select the Enhanced Deductions Regime, and deductible items were reviewed. The corporate tax for registered business corporations that select the Enhanced Deductions Regime were reduced from 25% to 20%. |
| The scope of VAT-applicable goods and services was clarified.                                                                                                                                                                                                                  |
| The period during which preferential income tax treatment is used and simplified transitional measures were clarified. (The period during which preferential income tax treatment is used was extended by 10 years, from maximum of 17 years to 27 years.)                     |
| The VAT refund system was streamlined.                                                                                                                                                                                                                                         |

## II-3. Logistics-related Information

- Major international ports in the Philippines include the Port of Manila, Port of Cebu, Port of Davao, Port of Subic Bay, and Port of Batangas. Other important ports include the Port of Cagayan de Oro (Philippine inland seaport), Port of Iloilo (Philippine inland seaport), Port of Makar (Celebes seaport), Port of Zamboanga (Celebes seaport), and Port of Lucena (Philippine inland seaport).
- Except for the Port of Cebu and Port of Subic Bay, key ports are managed by the Philippine Ports Authority under the Department of Transportation. The Port of Cebu and Port of Subic Bay are governed by the Cebu Port Authority and the Subic Bay Metropolitan Authority, respectively.

Major ports in the Philippines



|   | Port              | 2023<br>Cargo handling volume<br>(metric tons) |               | 2023<br>Number of ship calls |               | 2023<br>Total number<br>of<br>passengers | Remarks                                                                                                                                                           |
|---|-------------------|------------------------------------------------|---------------|------------------------------|---------------|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                   | Domestic                                       | International | Domestic                     | International |                                          |                                                                                                                                                                   |
| 1 | Port of Manila    | 41,886,046                                     | 74,230,443    | 17,102                       | 4,187         | 906,516                                  | Consists of the Manila International Container Terminal (MICT), the North Harbor, and the South Harbor; the MICT and the South Harbor handle international cargo. |
| 2 | Port of Cebu      | 61,587,000                                     | 14,286,000    | 134,326                      | 1,036         | 19,645,000                               | A Philippine inland seaport mainly handling domestic cargo, such as refined petroleum products and sand, and international cargo such as cement                   |
| 3 | Port of Davao     | 5,618,291                                      | 15,378,654    | 101,598                      | 1,512         | 7,714,796                                | A Philippine inland seaport mainly handling major export/import products, including fruits, vegetables, and paper products                                        |
| 4 | Port of Subic Bay | Not disclosed                                  |               | 1,025                        |               | Not disclosed                            | A port on the South China Sea and former U.S. base mainly handling cargo, such as woods, tires, and automobiles                                                   |
| 5 | Port of Batangas  | 11,390,875                                     | 15,407,748    | 38,392                       | 1,841         | 6,346,768                                | A port on the South China Sea, frequently used as an alternative to the Port of Manila                                                                            |

### III. Establishing a Local Subsidiary

## III-1. Forms of Entry

| Forms                  | Local subsidiary<br>(corporation)                                                                                                                                                                                                                                                                                                                                                                                                                                   | Branch                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Representative office                                                                                                                                                                                                                                                                                                                                                          |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Legal status           | Corporate personhood independent from status of company in home country                                                                                                                                                                                                                                                                                                                                                                                             | Same as company in home country                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Same as company in home country                                                                                                                                                                                                                                                                                                                                                |
| Rights and obligations | Attributed only to the local subsidiary                                                                                                                                                                                                                                                                                                                                                                                                                             | Same as company in home country                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Same as company in home country                                                                                                                                                                                                                                                                                                                                                |
| Functions              | Conducts business operations in accordance with the Philippine Corporation Code                                                                                                                                                                                                                                                                                                                                                                                     | It is possible to conduct sales activities as part of the company in the home country.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Customer contact, product advertising and promotion, quality control, etc.                                                                                                                                                                                                                                                                                                     |
| Minimum capital        | Over 40% foreign capital                                                                                                                                                                                                                                                                                                                                                                                                                                            | Domestic market-oriented company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | (Minimum remittance)                                                                                                                                                                                                                                                                                                                                                           |
|                        | USD 200,000 (*)                                                                                                                                                                                                                                                                                                                                                                                                                                                     | USD 200,000 (*)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | USD 30,000                                                                                                                                                                                                                                                                                                                                                                     |
| Main merits/demerits   | <p>Merits:</p> <ul style="list-style-type: none"> <li>✓ The shareholders' responsibility is limited to payment for stock.</li> <li>✓ Even companies in regulated industries on the Negative List can establish JVs with Philippine companies.</li> </ul> <p>Demerits:</p> <ul style="list-style-type: none"> <li>✓ Companies in certain industries, such as bank and retail sectors, are required to maintain a large minimum amount of paid-up capital.</li> </ul> | <p>Merits:</p> <ul style="list-style-type: none"> <li>✓ Can engage in the same activities as a local subsidiary</li> <li>✓ May be established by only one Philippine resident</li> </ul> <p>Demerits:</p> <ul style="list-style-type: none"> <li>✓ The risk of operations in the Philippines cannot be limited within the country.</li> <li>✓ At the request of the authorities, the minutes of the board of directors of the company in the home country must be submitted; the procedure is complicated, as there must be an English translation that is notarized and authenticated.</li> <li>✓ Companies in regulated industries on the Negative List are absolutely not permitted to establish any branches.</li> </ul> | <p>Merits:</p> <ul style="list-style-type: none"> <li>✓ Effective for conducting field studies when considering business expansion to the country</li> <li>✓ The initial cost is low, and it is possible to reduce the cost of opening.</li> </ul> <p>Demerits:</p> <ul style="list-style-type: none"> <li>✓ Cannot be a party to a contract and cannot earn income</li> </ul> |

\* USD100,000 if the company has advanced technology or directly employs at least 15 people; companies whose export sales are 60% or more of total sales are regarded as export-oriented enterprises and are exempt from regulations on minimum capital. However, it is necessary to confirm in advance because eventually the authorities will issue a decision.

## III-2. Procedure to Establish a Local Subsidiary (1): Up to Incorporation

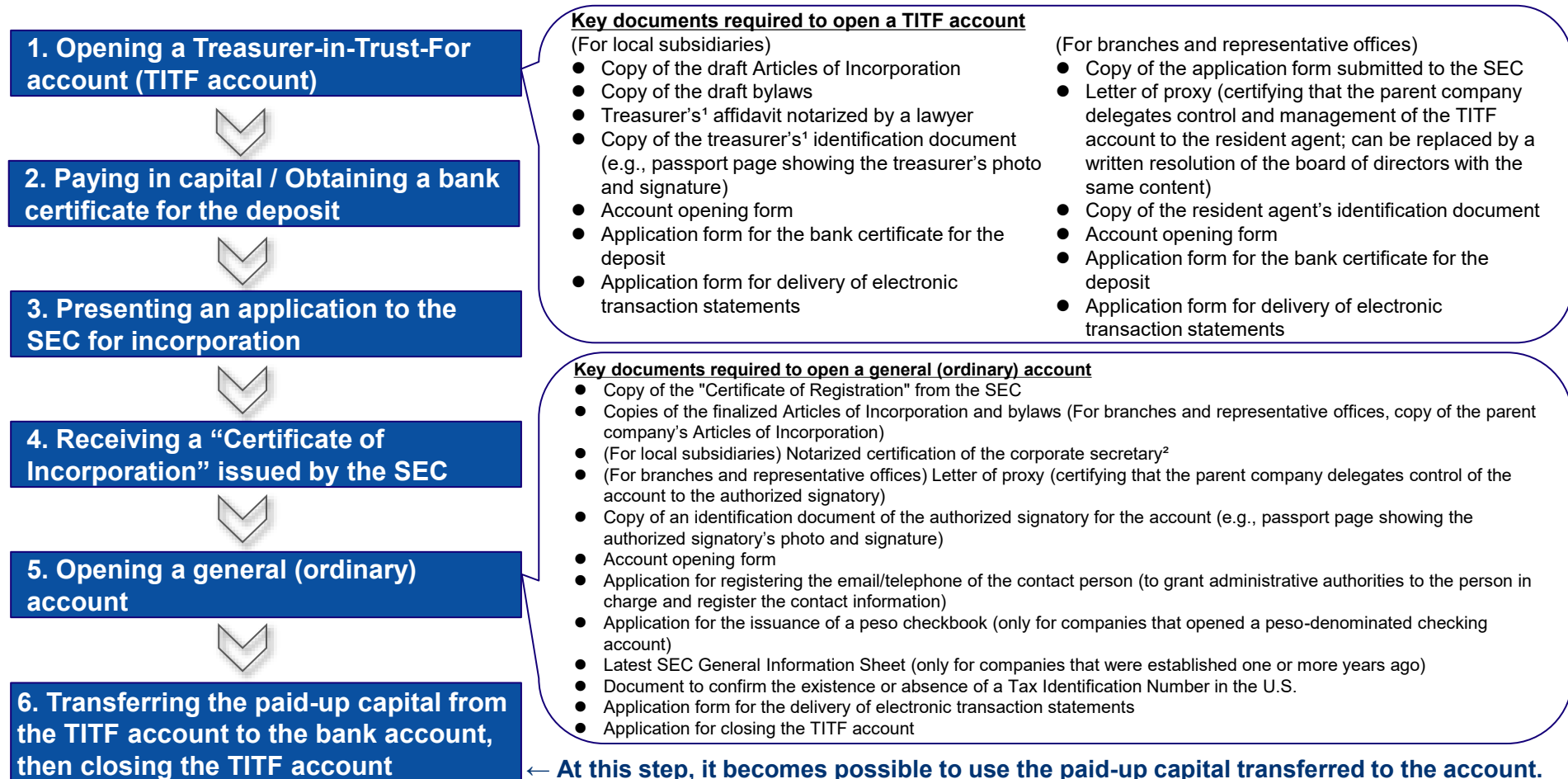


## III-2. Procedure to Establish a Local Subsidiary (2): After Establishing

|                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Procedures with the SEC                              | <ul style="list-style-type: none"><li>● Purchase a list of shareholders and complete the registration process. (These processes must be completed within 30 days from the issuance of Certificate of Registration by the SEC.)</li></ul>                                                                                                                                                                                                         |
| Procedures with the Bureau of Internal Revenue (BIR) | <ul style="list-style-type: none"><li>● Pay the Documentary Stamp Tax on the issuance of shares of stock.</li><li>● Register the taxpayer identification number.</li><li>● Apply for the Authority to Print for official receipts and invoices.</li><li>● Register books of accounts, etc.</li></ul> <div>Timeline: Approximately two weeks</div>                                                                                                |
| Procedures with local governments                    | <ul style="list-style-type: none"><li>● Pay the Community Tax.</li><li>● Obtain the barangay (*) clearance.</li><li>● Obtain the business site certification.</li><li>● Obtain the business permit.</li></ul> <div>Timeline: Approximately four weeks</div> <div>(*) A barangay is the smallest administrative division of a local government.</div>                                                                                             |
| Social security-related procedures                   | <ul style="list-style-type: none"><li>● Register with the Social Security System (SSS).</li><li>● Register with the Pag-IBIG Fund (a mutual fund that promotes home ownership).</li><li>● Register with the PhilHealth (the health insurance system).</li></ul>                                                                                                                                                                                  |
| Procedures with the central bank (BSP)               | <ul style="list-style-type: none"><li>● Foreign companies are not obliged to register with the BSP. However, registration with the BSP is necessary if the company intends to procure capital in foreign currency for fund repatriation to the home country or for remitting dividends, etc., through an authorized correspondent bank. Registration must be completed within one year from the date of remittance to the Philippines.</li></ul> |

### III-3. Account Opening

- For branches and representative offices, foreign companies must begin the process from Step 1 to open a Treasurer-in-Trust-For account (TITF account).
- For local subsidiaries, foreign companies may skip Steps 1 and 2 and begin from “Step 3. Presenting an application to the SEC for incorporation.” In this case, the companies should proceed to “Step 5. Opening a general (ordinary) account,” followed by “Paying in capital / Obtaining a bank certificate for the deposit.”



Note 1: Treasurer: The officer responsible for management at the accounting division

Note 2: Corporate secretary: The position for controlling the company’s administrative procedures

## III-4. Local Expenses

■ General local costs in the Philippines (Manila) are as follows.

| Local Expenses                 |                                                                           |                                                         |                                                                                                                                                           |
|--------------------------------|---------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Item                           | Details                                                                   | Amount (Unit: USD)                                      | Remarks                                                                                                                                                   |
| Land prices, office rent, etc. | Purchase price of land in an industrial estate (per square meter)         | PEZA companies: 177<br>Non-PEZA companies: 185          | Calabarzon region; net of tax and miscellaneous expenses; foreign nationals and companies are not allowed to own land.                                    |
|                                | Rent of land in an industrial estate (per month, per square meter)        | 4.38 to 4.91                                            | Calabarzon region<br>Net of tax and miscellaneous expenses                                                                                                |
|                                | Office rent (per month, per square meter)                                 | 30                                                      | City of Makati<br>Net of tax and miscellaneous expenses                                                                                                   |
|                                | Rent of store space/showroom in city center (per month, per square meter) | 63                                                      | Twenty-Five Seven McKinley (BGC)<br>Net of tax and miscellaneous expenses                                                                                 |
|                                | Rent of representative's housing (per month)                              | 614 to 1,403                                            | Greenbelt Parkplace (City of Makati), condominium, studio type, 1 or 2 bedroom(s)<br>Including VAT (12%) and common-area charge                           |
| Utilities                      | Electricity fee for business use                                          | 0.22 per 1 kWh                                          | Based on usage of 500 kWh, including VAT and miscellaneous expenses                                                                                       |
|                                | Electricity fee for general use                                           | 0.11 per 1 kWh                                          | Based on usage of 50 kWh, including VAT and miscellaneous expenses                                                                                        |
|                                | Water fee for business use                                                | Monthly basic fee: 25<br>2.5 to 3.5 per cubic meter     | The basic fee covers the use up to 10 cubic meters. The fee per cubic meter differs depending on the use amount; including VAT and miscellaneous expense. |
|                                | Water fee for general use                                                 | Monthly basic fee: 3.96<br>0.47 to 1.67 per cubic meter | Same as above                                                                                                                                             |
|                                | Gas fee for business and general use (per unit)                           | 1.36 to 2.05 per kilogram                               | Liquefied petroleum gas (LPG)<br>The fee per kilogram is based on conversion from the fee for an 11-kilogram LPG gas container.                           |

## III-5. Company Law (1): Main Provisions

- On February 23, 2019, the Revised Corporation Code took effect.
- A subsidiary established in the Philippines has its own corporate status that is different from that of a parent company in their home country and needs to do business as a Philippine domestic corporation in accordance with the Corporation Code of the Philippines.

### Main provisions in the Corporation Code of the Philippines

#### Stockholders meetings

- **Regular resolutions** (Approval of financial statements, decisions on compensation for directors, etc.)
  - ✓ A regular resolution is adopted with the approval of the stockholders representing at least a majority of the outstanding capital stock.
- **Resolutions on important matters:** Resolutions are adopted with the approval of the stockholders representing at least two-thirds of the outstanding capital stock.
  - ✓ Resolutions on important matters specified by law
    - Dismissal of directors, declaration of dividends, etc.
- **Special resolutions**
  - ✓ Resolutions on special matters as listed below require the approval of the stockholders representing at least two-thirds of the outstanding capital stock, as well as a majority vote of the board of directors.
    - Amendments to the Articles of Incorporation, extension of the corporate term, increase or diminution of capital stock, issuance of corporate bonds, voluntary dissolution of a corporation, etc.
- **Quorum and place**
  - ✓ Unless otherwise provided for in the Corporation Code or stipulated in bylaws, the quorum shall consist of the stockholders representing a majority of outstanding capital stock. Stockholder meetings must be held in the city or municipality where the corporation's headquarters is located.

#### Directors / board of directors

- ✓ The number of directors should be 15 or less. There are no residency requirements for directors.
- ✓ Each director and incorporator must hold at least one share of capital stock of the corporation (unchanged from the previous code).
- ✓ Unless otherwise provided in bylaws, the required quorum for a meeting of the board of directors constitutes of a majority of directors. Resolutions shall be adopted with the approval of a majority vote of the directors attending a meeting of the board of directors. (However, the election of directors requires a majority vote of all directors.)
- ✓ The revised code requires that at least 20% of the members of the board of directors be outside directors.

#### Officers

- ✓ The president, treasurer, and corporate secretary must be listed as corporate officers, at minimum.
  - President: The president must be a director and must not concurrently serve as a treasurer or corporate secretary.
  - Treasurer: The treasurer must be a resident of the Philippines but does not need to be a citizen of the Philippines.
  - Corporate secretary: The corporate secretary must be the resident of the Philippines and a citizen of the Philippines.

## III-5. Company Law (2): Key Revisions to Corporation Code

- The Corporation Code was revised in February 2019, marking the first revision since its enactment in 1980. The requirements for incorporation were simplified by eliminating the minimum number of directors and the residency requirement.
- Throughout the revisions, there is a clear intention to enhance corporate governance. Companies are required to specify their initiatives for governance enhancement primarily through official circulars issued by the Philippine Securities and Exchange Commission (SEC).

| Requirement category | Former Corporation Code                                                                                                | Revised Corporation Code                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------|------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Incorporator         | <u>Five to 15</u> natural person incorporators were required. Each of them needed to hold at least one share of stock. | <u>Fifteen or fewer</u> incorporators are required. Each of them needs to hold at least one share of stock.<br>(The minimum number requirement was eliminated. Corporations can now become incorporators.)                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Director             | Five to 15 directors were required, and the majority of them had to reside in the Philippines.                         | Fifteen or fewer directors are required. (The minimum number and residency requirements were eliminated.)<br>* Separately, companies must elect a treasurer who resides in the Philippines and a corporate secretary who is a Philippine citizen and resident. (They are not necessarily directors but cannot concurrently serve as president.)                                                                                                                                                                                                                                                                                                                    |
| Lifespan             | Companies had a limited lifespan of 50 years (extendable).                                                             | Unless otherwise stated in their Articles of Incorporation, etc., companies now have perpetual existence. (The lifespan limitation was eliminated.)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Minimum capital      | The minimum paid-up capital was PHP 5,000.                                                                             | The minimum capital requirement was eliminated. (Separate regulations apply to foreign companies.)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Others               |                                                                                                                        | New or clarified provisions were introduced to strengthen corporate governance, including: <ul style="list-style-type: none"> <li>• Enhancing requirements for document preparation, information disclosure, and reporting to authorities (e.g., reporting financial statements and director election to the SEC)</li> <li>• Preventing corruption and bribery (Companies are required to include anti-corruption/bribery provisions and governance enhancement initiatives in their bylaws. Any involvement in corruption or bribery is subject to penalties.)</li> <li>• Enhancing corporate governance and promoting minority stockholder protection</li> </ul> |

## IV. Regulations, Incentives, Reference Information

## IV-1. Regulations for Foreign Investors (1): Overview of the Negative List

- The Philippine Foreign Investment Negative List prescribes the sectors where there are prohibitions and restrictions on the entry of foreign capital and the employment of foreign nationals. The updated version (13th Negative List) was issued in April 2026 and took effect on May 1, 2026.

### ◆ List A: Foreign ownership is limited by mandate of the Philippine Constitution and specific laws.

#### No foreign equity

|   |                                                                                                                                                                         |    |                                                                                                                                                                                                     |
|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Mass media except recording and internet business                                                                                                                       | 6  | Utilization of marine resources in archipelagic waters, territorial seas, and exclusive economic zones, as well as small-scale utilization of natural resources in rivers, lakes, bays, and lagoons |
| 2 | Practice of professions<br>1) Professions where foreign nationals are not allowed to practice and 2) corporate practice of professions with foreign-equity restrictions | 7  | Ownership, operation, and management of cockpits                                                                                                                                                    |
| 3 | Cooperatives (except investments of former natural born citizens of the Philippines)                                                                                    | 8  | Manufacture, repair, stockpiling, and/or distribution of nuclear weapons                                                                                                                            |
| 4 | Private detectives, watchmen, or private security guard agencies                                                                                                        | 9  | Manufacture, repair, stockpiling, and/or distribution of biological, chemical and electromagnetic weapons and anti-personnel mines                                                                  |
| 5 | Small-scale mining                                                                                                                                                      | 10 | Manufacture of firecrackers and other pyrotechnic devices                                                                                                                                           |

#### Up to 25% foreign equity

|    |                                                               |    |                                                              |
|----|---------------------------------------------------------------|----|--------------------------------------------------------------|
| 11 | Private recruitment, whether for local or overseas employment | 12 | Contracts for the construction of defense-related structures |
|----|---------------------------------------------------------------|----|--------------------------------------------------------------|

#### Up to 30% foreign equity

|    |             |  |  |
|----|-------------|--|--|
| 13 | Advertising |  |  |
|----|-------------|--|--|

#### Up to 40% foreign equity

|    |                                                                                                                                                                                                                                                     |    |                                                                                                                                                                                                                                                         |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 14 | Retail businesses with paid-in capital of less than PHP 25 million                                                                                                                                                                                  | 19 | Cultivation, production, processing, and trading (excluding retail) of rice, corn, and their byproducts; foreign ownership of 100% may be permitted after a certain time period.)                                                                       |
| 15 | Exploration, development, and utilization of natural resources (However, 100% foreign ownership may be permitted for renewable energy projects such as solar, wind, hydroelectric, and ocean/tidal power, based on DOJ Opinion No. 21 [2022], etc.) | 20 | Supply of goods under government procurement                                                                                                                                                                                                            |
| 16 | Ownership of private land (excluding natural persons born in the Philippines who have lost their Philippine citizenship)                                                                                                                            | 21 | Infrastructure projects under government procurement; however, if the project requires technologies or construction methods that cannot be adequately provided by Philippine companies, foreign investment or foreign ownership is permitted up to 75%. |
| 17 | Management and operation of public utilities                                                                                                                                                                                                        | 22 | Consulting services under government procurement                                                                                                                                                                                                        |
| 18 | Educational institutions (except for those founded by religious or missionary organizations, those for diplomats or foreign nationals with temporary visas, those for short-term advanced skills training, etc.)                                    | 23 | Operation of commercial fishing boats                                                                                                                                                                                                                   |

## IV-1. Regulations for Foreign Investors (1) : Overview of the Negative List (continued)

◆ **List A: Foreign ownership is limited by mandate of the Philippine Constitution and specific laws. (Continued from the previous page)**

### Up to 100% foreign equity

|    |                                                                                                                                                                                                                                                                                      |  |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| 24 | Ownership of condominium units                                                                                                                                                                                                                                                       |  |
| 25 | Operation and management of telecommunications businesses; 100% foreign ownership is permitted if the home country of the foreign investor grants equivalent reciprocal treatment to Philippine nationals. If there is no reciprocal treatment, foreign ownership is limited to 50%. |  |

◆ **List B: Foreign ownership is limited for reasons of security, defense, risk to health and morals, and protection of small- and medium-scale enterprises.**

### Up to 40% foreign equity

|   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Manufacture, repair, storage, and/or distribution of products and ingredients requiring Philippine National Police (PNP) clearance; the subject materials include firearms, parts of firearms, ammunition, gunpowder, dynamite, blasting supplies, ingredients used in making explosives, sniper scopes, etc. However, the manufacture or repair of these items may be authorized by the chief of the PNP to non-Philippine nationals based on individual review. | 5 | All forms of gambling except those covered by investment agreements with Philippine Amusement and Gaming Corporation (PAGCOR)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 2 | The development, production, manufacturing, assembly, maintenance, or operation of the <i>materiel</i> (defense equipment and military supplies) by domestic companies                                                                                                                                                                                                                                                                                            | 6 | Small and medium-sized enterprises (SMEs) in the domestic market with paid-up capital of less than the equivalent of USD 200,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 3 | Distribution and manufacture of dangerous drugs                                                                                                                                                                                                                                                                                                                                                                                                                   | 7 | For SMEs in the domestic market that fall into the following categories, foreign investors may own up to 40% if the paid-up capital is less than USD 100,000 or 100% if the paid-up capital is USD 100,000 or more: (i) A company engaged in advanced technologies as identified by the Department of Science and Technology (DOST); (ii) A company certified as a startup company or startup enabler by the Department of Trade and Industry (DTI), the Department of Information and Communications Technology (DICT), DOST, etc.; or (iii) A company that directly employs 15 or more Philippine citizens, comprising the majority of its workforce. |
| 4 | Sauna and steam bathhouses, massage clinics, and other such activities regulated by law because of risks posed to public health and morals                                                                                                                                                                                                                                                                                                                        |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

# IV-1. Regulations for Foreign Investors (2):

## Revisions to Three Acts for Foreign Investor Regulations

### Revisions to the Retail Trade Liberalization Act (January 2022)

- **The minimum paid-up capital requirement for foreign companies was lowered to PHP 25 million (approx. JPY 62.50 million; 1 peso = approx. 2.5 yen) from USD 2.50 million.**
- The minimum investment per store for foreign companies was reduced to PHP 10 million from USD 0.83 million (for companies that operate physical stores).
- The following requirements under the former Retail Trade Liberalization Act were eliminated:
  - ✓ At least five years of experience in retail operations
  - ✓ Operation of five or more retail stores or franchises globally
  - ✓ Parent company having net assets exceeding a specified amount

### Revisions to the Foreign Investment Act (March 2022)

- A foreign investor is allowed to own up to 40% of a domestic market enterprise with paid-up capital of less than USD 200,000. However, **the foreign investor is allowed to own 100% of a domestic market enterprise with paid-up capital of USD 100,000 or more if the enterprise falls under any of the following categories.**
  - 1) **A company engaged in advanced technologies** as identified by the Department of Science and Technology (DOST)
  - 2) **A company certified as a startup company or startup enabler** by the Department of Trade and Industry (DTI), the Department of Information and Communications Technology (DICT), or the DOST under Republic Act No. 11337 (“Innovative Startup Act”)
  - 3) **A company that directly employs 15 or more Philippine citizens, which comprise the majority of its workforce**
- The minimum direct employment requirement for foreign investor participation was reduced to 15 or more Philippine employees from 50 or more. In this way, in addition to the above requirements, foreign investor regulations were relaxed.

### Revisions to the Public Service Act (April 2022)

- Only companies with at least 60% Filipino ownership were allowed to participate in management and administration operations of the “public utilities” (Public Service Act of 1936).
- Because the “public utilities” were not clearly defined, foreign investment in many sectors was restricted.
  - **The “public utilities,” which were ill-defined, are now defined as five sectors: electricity distribution/transmission, petroleum/petroleum products pipeline transmission systems, water/wastewater pipeline systems, seaports, and public utility vehicles. As a result, foreign companies may now own 100% of enterprises in the telecommunications, railways, highways, airports, and transportation industries.**

# IV-1. Regulations for Foreign Investors (3): Relaxation of Foreign Investor Regulations in Renewable Energy Sector

## Relaxation of foreign investor regulations in the renewable energy sector

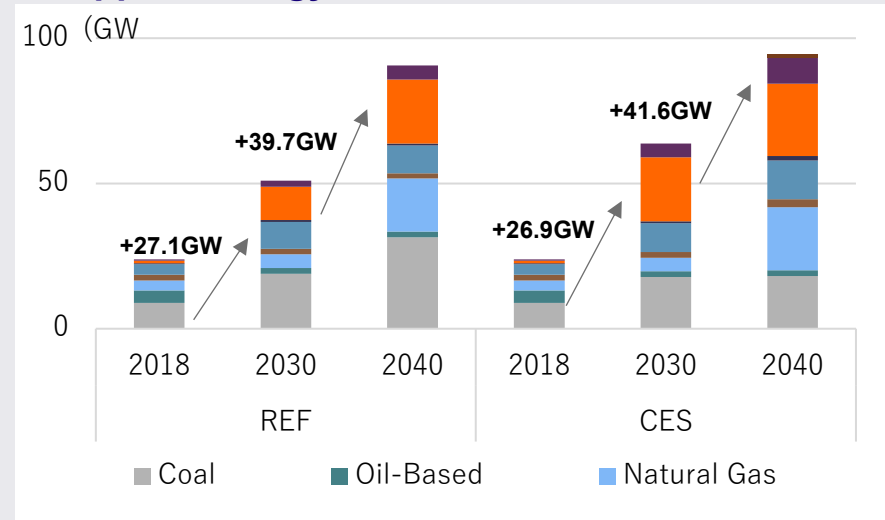
- Previously, foreign ownership in renewable energy companies was limited to 40%. In recent years, the foreign investor regulations have been gradually relaxed.
  - Elimination of foreign investor regulations for biomass power station ownership and operation (October 2019)
  - Elimination of foreign investor regulations for geothermal power projects (for projects with an initial investment of USD 50 million or more) (October 2020)
  - Elimination of foreign investor regulations for solar, wind, hydro, and marine/tidal power projects (revised Renewable Energy Act) (November 2022)

## (Reference) Philippine renewable energy policy

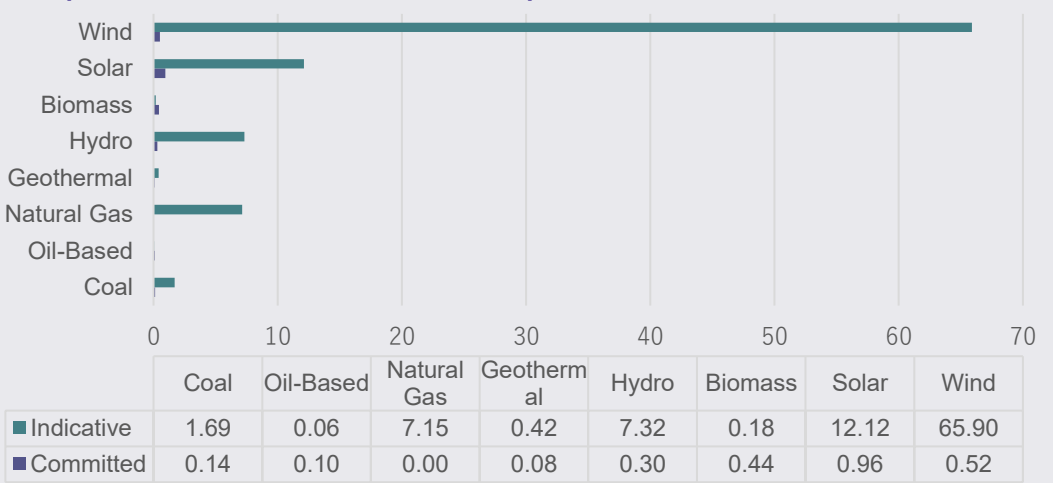
### National Renewable Energy Program (NREP) 2020-2040

- Target to increase renewable energy installed capacity to 30,000 MW from 7,399 MW in 2019
- Target to raise the share of renewable energy in the power generation mix to 35% by 2030 and 50% by 2040
  - In the Philippines, energy development has been driven by private investment. As such, expectations are high for foreign investment.

### Philippine Energy Plan 2018-2040



### Private sector's power plant construction plans (as of end of October 2024)



Note: REF: Reference Scenario; CES: Clean Energy Scenario

## IV-1. Regulations for Foreign Investors (3):

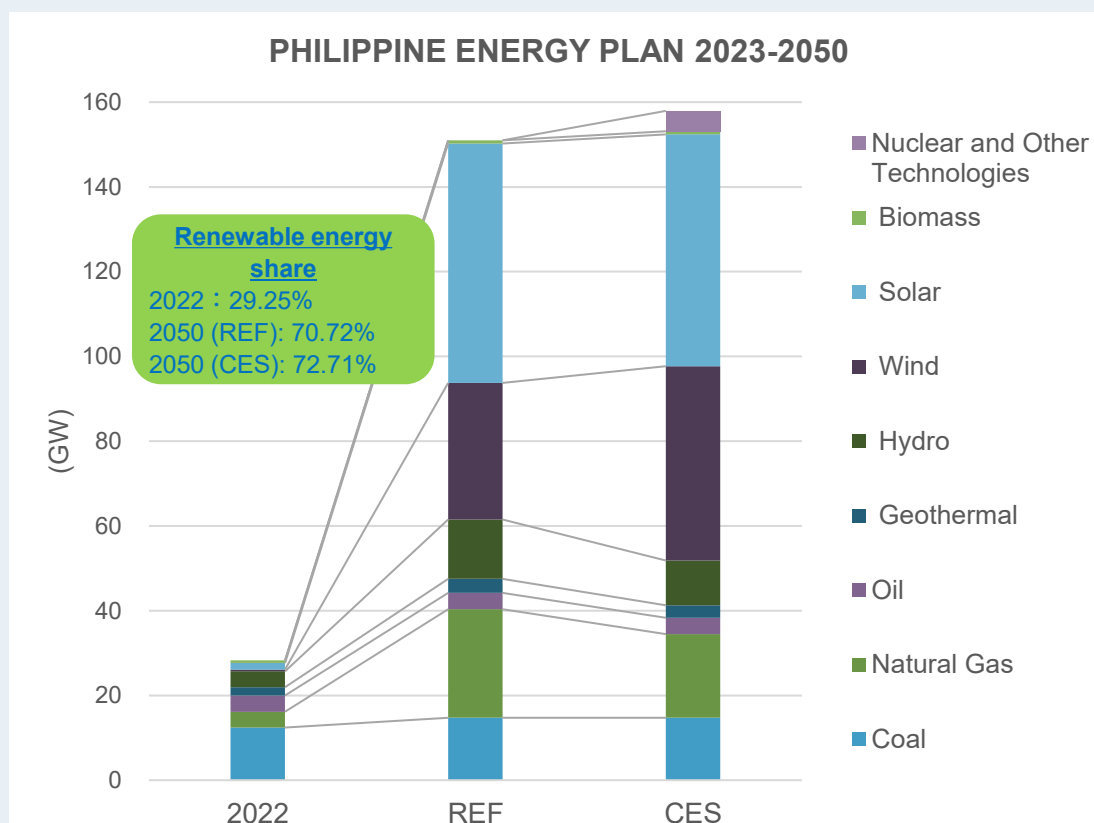
### Relaxation of foreign investor regulations in the renewable energy sector

#### Relaxation of foreign investor regulations in the renewable energy sector

- Previously, foreign ownership in renewable energy companies was limited to 40%. In recent years, the foreign investor regulations have been gradually relaxed.
  - Elimination of foreign investor regulations for biomass power station ownership and operation (October 2019)
  - Elimination of foreign investor regulations for geothermal power projects (for projects with an initial investment of USD 50 million or more) (October 2020)
  - Elimination of foreign investor regulations for solar, wind, hydro, and marine/tidal power projects (revised Renewable Energy Act) (November 2022)

#### (Reference) Energy policy of the Philippines

- The Electric Power Industry Management Bureau, Energy Policy and Planning Bureau, and Renewable Energy Management Bureau of the Department of Energy (DOE) established the “Power Development Plan 2023–2050,” “Philippine Energy Plan 2023–2050,” and “National Renewable Energy Program,” respectively.
- The numerical targets for renewable energy are to reach 35% by 2030 and 50% by 2040.
- In the Philippine Energy Plan 2023–2050, the Reference Scenario (REF: Business-as-Usual Scenario) projects a renewable energy share of 70.72% by 2050, and the Clean Energy Scenario (CES) projects a renewable energy share of 72.71% by 2050.
- The Philippine government has lifted foreign ownership restrictions on renewable energy projects and is encouraging foreign investment in this sector to achieve its Clean Energy Scenario.



## IV-2. Strategic Investment Priority Plan (SIPP): Types of Businesses for Investment Promotion (1)

- In April 2021, the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Act) took effect to unify the management of tax incentives that were previously established separately by various investment promotion agencies or other organizations.
- In November 2024, the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE Act), which amends the CREATE Act, was enacted, leading to amendments and clarification of the CREATE Act's Implementing Rules and Regulations (IRR).
- In May 2022, the Strategic Investment Priority Plan (SIPP) was approved, in which specified sectors eligible for preferential tax treatments were determined.
- Regardless of sector, companies that derive 70% or more of their net sales from exports may also qualify for preferential incentives.

### Tier 1 (Preferred activities for investment under 2020 IPP)

#### 1. Qualified activities relating to the fight against the COVID-19 pandemic

- ✓ Essential goods: Production or manufacture of raw materials, semi-finished goods, and machinery and equipment for use in the manufacture of medicines, medical equipment and devices, and other goods
- ✓ Essential services: Crematoriums, waste treatment and disposal, testing, hospital services, and others

#### 2. Investments in activities, subject to the determination by the Board of Investments or the government, supportive of programs to generate employment opportunities outside of congested urban areas

#### 3. Qualified manufacturing activities including agro-processing

- ✓ Manufacture of industrial goods and processing of agricultural and fishery products, including halal and kosher food, into semi-finished, finished products, or consumer goods for final consumption
- ✓ Manufacture of modular housing components, with machinery and parts therefor
- ✓ For Metro Manila, only modernization projects may qualify for registration.

#### 4. Agriculture, fisheries, and forestry

#### 5. Strategic services

- ✓ Integrated circuits (IC) design
- ✓ Creative industries / knowledge-based services

- ✓ Maintenance, repair, and overhaul of aircraft
- ✓ Charging/refueling stations for alternative energy vehicles
- ✓ Industrial waste treatment
- ✓ Telecommunications (Only new players may qualify for registration.)
- ✓ State-of-the-art engineering, procurement, and construction for industrial plants and infrastructure

#### 6. Healthcare and disaster risk reduction management services

#### 7. Mass housing

- ✓ Development of mass housing units based on a price ceiling of PHP 2 million per unit
- ✓ For Metro Manila, only low-cost dwelling for lease/rent may qualify for registration.

#### 8. Infrastructure and logistics (including local governments' PPP projects)

#### 9. Innovation drivers

#### 10. Inclusive business (IB) models

#### 11. Environment- or climate change-related projects

#### 12. Energy

## IV-2. SIPP: Types of Businesses for Investment Promotion (2)

### Tier 2

#### 1. Green ecosystems

- ✓ Manufacture of electric vehicles (EVs) and EV parts and systems
- ✓ Renewable energy, plus renewable energy-related electronic devices and parts
- ✓ Others

#### 2. Healthcare/medical activities

- ✓ Vaccines, pharmaceuticals, etc.

#### 3. Defense-related activities

#### 4. Activities that will address industrial value chain gaps

- ✓ Steel, textiles, chemicals, crude oil refining, semiconductors, etc.

#### 5. Food security-related activities

- ✓ Products/services that contribute to food security and organic agriculture
- ✓ Production of hybrid seeds
- ✓ Agricultural machinery, etc.

### Tier 3

#### 1. Research & development (R&D) adopting digital technologies

- ✓ Robotics
- ✓ Artificial intelligence (AI)
- ✓ Data analytics
- ✓ Cloud computing services
- ✓ Digital transformative technologies
- ✓ Data centers
- ✓ Nanotechnology
- ✓ Biotechnology, etc.

#### 2. Manufacturing of value-added/innovative products

- ✓ Commercialization of intellectual property (IP) and R&D products/services
- ✓ Aerospace activities
- ✓ IoT, semiconductors, etc.

#### 3. Innovation support

- ✓ R&D facilities
- ✓ Science parks
- ✓ Startup enabling/fostering
- ✓ Space-related infrastructure, etc.

## IV-3. Foreign Exchange Controls

- The Philippine exchange control system is governed by the Central Bank of the Philippines (Bangko Sentral ng Pilipinas [BSP]).
- There are BSP's restrictions on exchanges from Philippine pesos to foreign currencies for any purposes other than international trading.
- Capital transactions and parent-subsidary loans, in particular, must be registered after the fact with the BSP.

### Principles of foreign exchange controls

1. PHP is a regulated currency, and taking the currency out of the country is prohibited, in principle. (Prior BSP approval is required to carry in or out amounts exceeding PHP 50,000.00.)
2. The exchange of PHP into foreign currency is regulated, and such exchange is permitted only to the extent authorized by the BSP.

### Foreign exchange controls [In the case of corporations]

- Trade transactions (per day) – Import settlement
  - ◆ Payment of an amount equivalent to over USD 1 million: PHP can be exchanged into foreign currency by submitting a foreign exchange purchase application and evidentiary documents (such as invoices, etc.) to the BSP via Authorized Agent Banks (AAB).
  - ◆ Payment of an amount equivalent to USD 1 million or less: PHP can be exchanged into foreign currency by submitting a foreign exchange purchase application (and related documents) to the BSP via Authorized Agent Banks (AAB).
- Non-trade transactions (per day) – Educational expenses, medical expenses, travel expenses, provision to overseas residents, etc.
  - ◆ Payment of an amount equivalent to over USD 1 million: PHP can be exchanged into foreign currency by submitting a foreign exchange purchase application and evidentiary documents (such as invoices, etc.) to the BSP via Authorized Agent Banks (AAB).
  - ◆ Payment of an amount equivalent to USD 1 million or less: PHP can be exchanged into foreign currency by submitting a foreign exchange purchase application (and related documents) to the BSP via Authorized Agent Banks (AAB).
- Capital transactions, parent-subsidary loans
  - ◆ After capital remittance or remittance for parent-subsidary loans, companies need to register the transaction with the BSP. Upon registration, the BSP issues the central bank's registration document (Bangko Sentral Registration Document [BSRD]). With the BSRD, companies are allowed to exchange PHP into foreign currency for purposes such as dividend remittance or repayment of parent-subsidary loans.
  - ◆ The above registration must be completed within one year from the capital remittance for capital transactions, 30 days for short-term parent-subsidary loans, and six months for long-term parent-subsidary loans.

## IV-4. Fundraising

|                             | Financing                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | During the period                                                                                                                                                                                                                                                                                                                                                                                                        | Repayment                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Pros / Cons                                                                                                                                                                                                                                                                                                                               |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1<br>Loans from banks       | <ul style="list-style-type: none"> <li>➤ Allows financing in PHP</li> <li>➤ Requires application screening by financial institutions (Screening timeline: approx. one to two months.)</li> <li>* In some cases, the parent company needs to act as a guarantor.</li> <li>➤ Single borrower's limit (SBL) applies, imposing an upper limit on borrowing from a single financial institution</li> <li>* Offshore financing is not subject to this regulation.</li> </ul>                        | <ul style="list-style-type: none"> <li>➤ For short-term credit lines, companies can flexibly conduct financing and repayment.</li> <li>➤ Periodical reports on business performance (e.g., financial statements) must be submitted to financial institutions.</li> <li>➤ In a case of the parent company acting as a guarantor, there are operations for transcribing the parent company's written guarantee.</li> </ul> | <ul style="list-style-type: none"> <li>➤ Same procedures as ordinary bank loans</li> <li>➤ Requires advance consultation with financial institutions when refinancing</li> </ul>                                                                                                                                                                                                                                                                                                       | <p>Pros</p> <ul style="list-style-type: none"> <li>✓ Financing in PHP is possible.</li> <li>✓ Once a credit line is established, companies can flexibly conduct financing.</li> </ul> <p>Cons</p> <ul style="list-style-type: none"> <li>✓ In some cases, application screening by financial institutions can take time.</li> </ul>       |
| 2<br>Capital increases      | <ul style="list-style-type: none"> <li>➤ Requires registration of the capital increase with the central bank (BSP) within one year of the transaction and obtaining of the BSRD (the central bank's registration document)</li> <li>➤ No restriction on fund usage</li> <li>➤ Allows immediate capital injection</li> </ul>                                                                                                                                                                   | <ul style="list-style-type: none"> <li>➤ Dividend payment</li> <li>* The withholding tax rate for dividends to Japan is 30%. However, with the tax treaty relief application, it can be reduced to 10%.</li> </ul>                                                                                                                                                                                                       | <ul style="list-style-type: none"> <li>➤ Liquidation: After screening by the Bureau of Internal Revenue (BIR), approval from the Securities and Exchange Commission (SEC) is required.</li> <li>➤ Capital decrease: Requires SEC approval; minimum remaining capital must be USD 200,000. (BIR approval is not required.)</li> <li>➤ It takes six to 12 months for liquidation and three to six months for capital decrease after the submission of all required documents.</li> </ul> | <p>Pros</p> <ul style="list-style-type: none"> <li>✓ High flexibility in capital injection</li> <li>✓ No administrative burden during the period if no dividends are paid</li> </ul> <p>Cons</p> <ul style="list-style-type: none"> <li>✓ Lengthy exit process; difficult to set a clear timeline</li> </ul>                              |
| 3<br>Parent-subsidary loans | <ul style="list-style-type: none"> <li>➤ Parent-subsidary loans that involve foreign exchange from PHP for repayment must be registered with the BSP after the transaction (short-term loans: within 30 days; long-term loans: within six months) and require the obtaining of the BSRD.</li> <li>➤ Parent-subsidary contract currencies and interest rates for borrowing are determined within the group. (However, attention needs to be paid to the transfer pricing taxation.)</li> </ul> | <ul style="list-style-type: none"> <li>➤ Requires reporting of mid- to long-term offshore financing plans to the BSP by end of September each year</li> <li>➤ Any changes in the repayment schedule must be registered with the BSP every time it occurs.</li> </ul>                                                                                                                                                     | <ul style="list-style-type: none"> <li>➤ For repayment involving foreign exchange from PHP, companies must present the BSRD to the bank and execute the foreign exchange before repayment remittance.</li> </ul>                                                                                                                                                                                                                                                                       | <p>Pros</p> <ul style="list-style-type: none"> <li>✓ High flexibility in financing and repayment</li> <li>✓ Companies' broad discretion in setting parent-subsidary contract currencies and interest rates</li> </ul> <p>Cons</p> <ul style="list-style-type: none"> <li>✓ Administrative burden for registration of financing</li> </ul> |

## IV-5. Real Estate Regulations

■ **Ownership of land by 100% foreign-owned companies or foreign nationals is not allowed.**

### Land ownership requirements

#### 1987 CONSTITUTION OF THE REPUBLIC OF THE PHILIPPINES

##### Article 12, Section 2

All lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces of potential energy, fisheries, forests or timber, wildlife, flora and fauna, and other natural resources are owned by the State. With the exception of agricultural lands, all other natural resources shall not be alienated. The exploration, development, and utilization of natural resources shall be under the full control and supervision of the State. The State may directly undertake such activities, or it may enter into co-production, joint venture, or production-sharing agreements with Filipino citizens, or corporations or associations at least 60 per centum of whose capital is owned by such citizens. Such agreements may be for a period not exceeding twenty-five years, renewable for not more than twenty-five years, and under such terms and conditions as may provided by law. (remainder omitted)

⇒ **Land ownership is possible if the owner is a joint venture company that is owned 60% or more by Philippine citizens or Philippine corporations (referred to below as “up to 40% foreign-owned”).**

Note: 100% foreign capital is possible in the case of a long-term lease.

- Land leases used only for investment purposes: 50 years maximum, renewable one time only for 25 years  
Extended to a total of 99 years under the “2025 Act Amending the Investors’ Lease Act” (Republic Act No. 12252), which amended the Act Allowing the Long-term Lease of Private Lands by Foreign Investors (“Investors’ Lease Act,” Republic Act No. 7652).
- Land leases not used only for investment purposes: 25 years maximum, renewable one time only for 25 years

- Philippine foreign investment regulations prohibit land ownership by foreign nationals. Even for corporations, only those with up to 40% foreign ownership are allowed to own land.
- As a result, to establish bases in industrial estates, many companies use land through lease contracts. In other cases, companies set up a separate landholding company in which at least 60% of the shares are held by Philippine nationals, alongside a manufacturing company. The landholding company acquires the land and leases it to the manufacturing company. Attention is required to the Act to Punish Acts of Evasion of the Laws on the Nationalization of Certain Rights, Franchises, or Privileges (commonly known as the “Anti-Dummy Law,” Republic Act No. 108). (This act prohibits the use of Filipino nominees (“dummies”) to circumvent foreign investment regulations, including restrictions on foreign ownership percentages in specified industries and restrictions on land ownership).

V. Other

# V-1. Mizuho Bank, Manila Branch

|                  |                                                                                                                |
|------------------|----------------------------------------------------------------------------------------------------------------|
| Location         | 25th Floor, Zuellig Building, Makati Avenue corner Paseo de Roxas, Makati City 1225, Metro Manila, Philippines |
| Main phone       | +63-2-8860-3500                                                                                                |
| Days of business | Monday to Friday                                                                                               |



## V-2. Business Cooperation (1): Department of Trade and Industry (DTI)

### DTI

- The DTI is one of the government authorities governing industrial promotion and the encouragement of trade and foreign direct investment in the Philippines.
- The department oversees the Philippine Economic Zone Authority (PEZA) and the Board of Investment (BOI) and supports investment in the Philippines from abroad.

### Purposes of the MOU (Memorandum of Understanding)

- To enhance Mizuho's support framework for its clients planning to enter the Philippine market or explore partnerships with local companies by leveraging DTI's extensive repository of investment information and local business intelligence.
- To meet a wide range of client needs by providing higher-quality services and to contribute to the economic development of the Philippines (Mizuho Bank was the first Japanese bank to enter into an MOU with the DTI.)



Republic of the Philippines

**Department of Trade and Industry**

Enabling Business, Empowering Consumers

### Subjects of the MOU

1. **Mutual cooperation in attracting Japanese companies to the Philippines and facilitating their entry**
2. **Collaboration on introducing interested corporations and arranging on-site meetings and investment promotion activities**



(Photo taken by Mizuho Bank)

## V-2. Business Cooperation (2): Philippine Economic Zone Authority (PEZA)

- In July 2025, the bank renewed its MOU on operational cooperation with PEZA.
- The first MOU on cooperation with PEZA was signed in 2012, and this new MOU extends and updates the terms of that original agreement.

### PEZA (Philippine Economic Zone Authority)

- PEZA is an agency under the Department of Trade and Industry (DTI), as described on the previous page.
- The agency, one of the government authorities, is responsible for receiving and providing consultation on applications for investment by foreign enterprises, as well as accepting applications for permits and licenses and offering related advice.
- It serves as the points of contact for those seeking to invest in the Philippines.

### Purposes of the MOU

- To provide beneficial information and enhance Mizuho's support framework for its clients considering entry into the Philippines market or collaboration with local companies
- To expand support not only to Japanese companies but also to companies from other Asian countries considering entry into the Philippine market
- To enhance collaboration in the field of ESG-related investments



### Subjects of the MOU

1. **Mutual cooperation in attracting Japanese and Asian companies to the Philippines and facilitating their entry**
2. **Co-hosting seminars, etc., to facilitate business matchmaking and investment between Japanese/Asian companies and Philippine companies**
3. **Support for Japanese and Asian companies in completing necessary procedures when entering the Philippine market**
4. **Collaboration on ESG-related initiatives, such as carbon credit projects and transition credits**



(Photo taken by Mizuho Bank)

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