Investment Climate Statement
Philippines

August 2025

Mizuho Bank, Ltd
Global Strategic Advisory Department

Mizuho Research & Technologies, Ltd.
Research Division

I. Country Profile

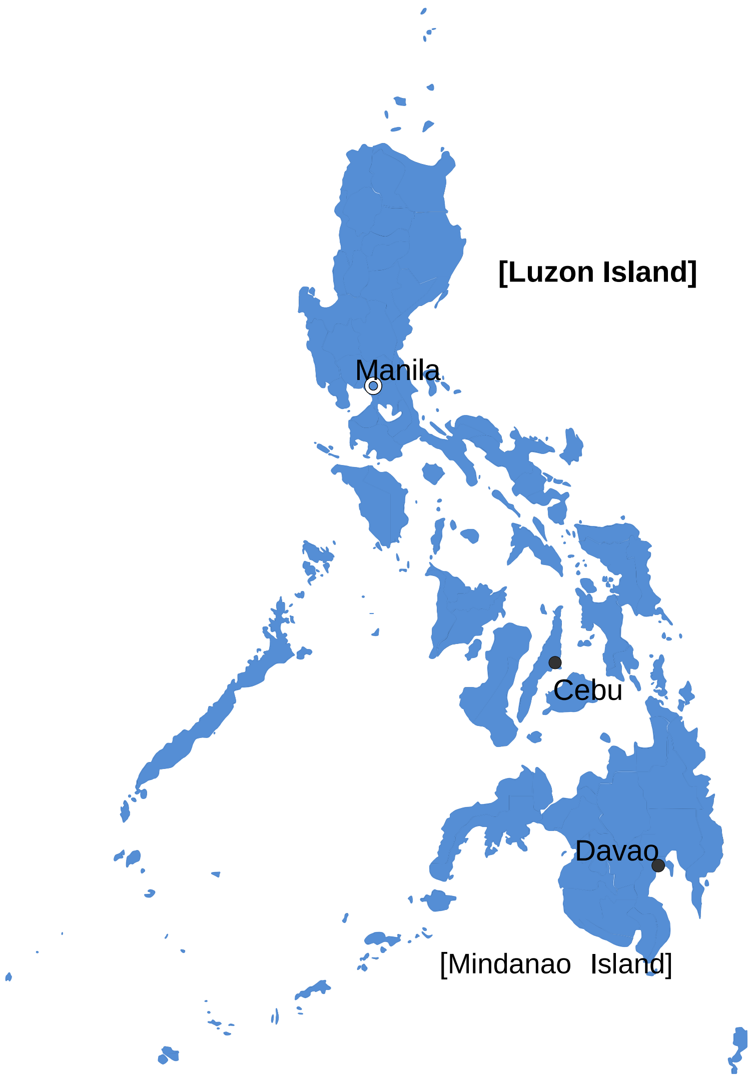
I-1. Key Economic Indicators for Asia

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

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

I-2. Basic Data and Overview



Basic Data

Population	113.2 million (FY2024, IMF estimate)
Square area	299,000 km^2 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 461.6 billion; Per capita GDP: $4,079 (2024 IMF estimate)
Real GDP growth rate	5.5% (2025 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 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.

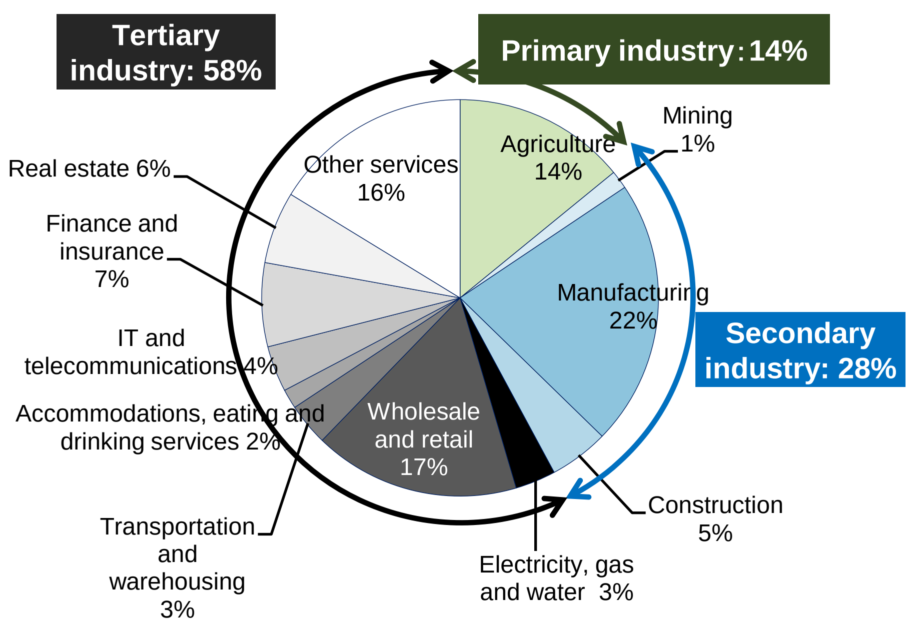
Source: Compiled by the Global Strategic Advisory Dept. of MHBK based on public information

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

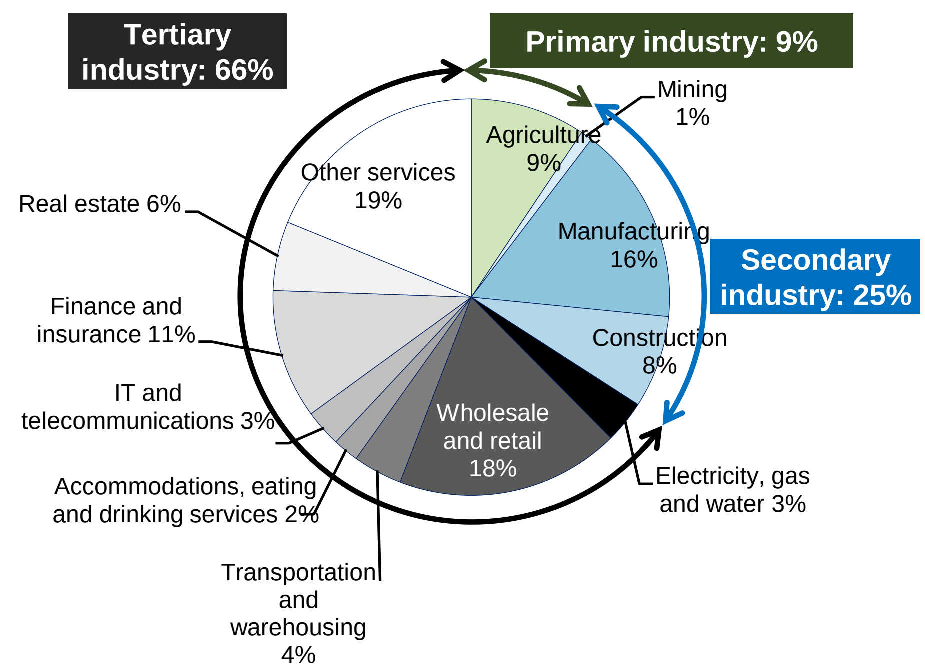
- **Industrialization advanced faster in the Philippines than in surrounding countries after World War II. However, subsequently, the shift to export-oriented industries was delayed in the Philippines. So, the country's manufacturing industry has been sluggish these days. On the other hand, the service 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 2023)

2011



2023

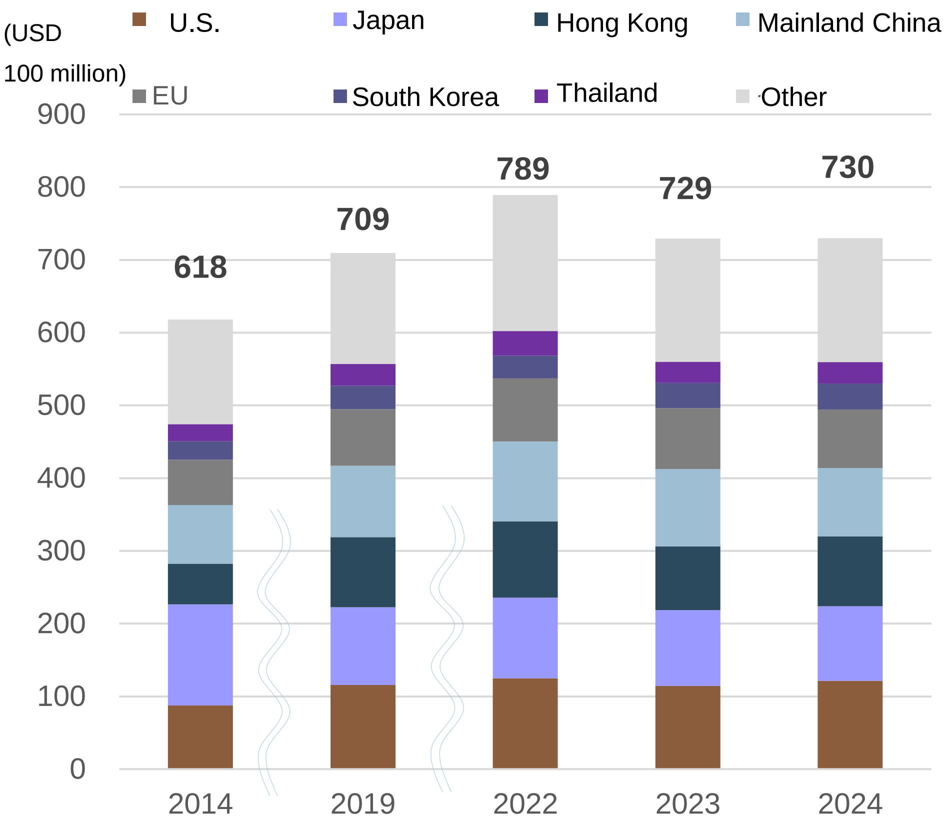


Source: Compiled by Mizuho Research & Technologies, Ltd. (MHRT) based on Philippine Statistics Authority data

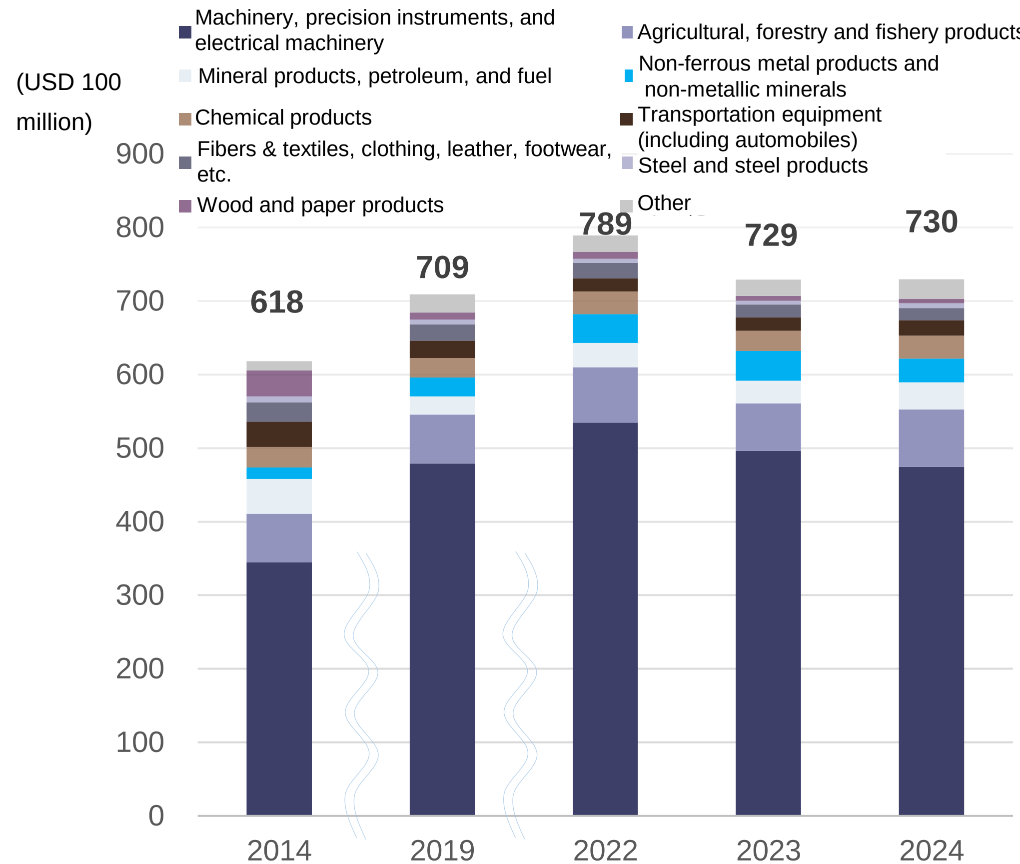
I-3. Economic Structure (Industry/Trade) (2): Trend of Export Values

- The main export destinations for the Philippines include the U.S., Japan, Hong Kong, and Mainland China. Export value declined in 2023 due to impact of the global economic slowdown but showed slight growth in 2024.
- In terms of export categories, "Machinery, precision instruments, and electrical machinery (e.g. semiconductors, etc.)" accounts for over 60% of the total export value. However, the export value of this category slightly decreased due to impact of weaker global demand and inventory adjustments.

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.

Source: Compiled by MHRT and the Global Strategic Advisory Dept. of MHBK based on materials from UN Comtrade

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.**

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

(USD 100 million)

	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
U.S.	14.1 (18.1%)	0.1 (0.4%)	4.5 (14.1%)	0.6 (10.9%)	8.3 (50.4%)	0.8 (13%)	1.3 (4.2%)	84.2 (17.7%)	2.8 (13.3%)	4.5 (16.6%)	**121**
Japan	10.4 (13.3%)	5.1 (13.8%)	10.0 (31.6%)	2.5 (42.1%)	1.8 (10.7%)	2.4 (37%)	9.8 (30.4%)	51.0 (10.7%)	7.6 (36.7%)	1.9 (7.2%)	**103**
Hong Kong	0.9 (1.2%)	0.0 (0.1%)	0.1 (0.3%)	0.0 (0.2%)	0.2 (1.4%)	0.0 (0.4%)	0.2 (0.7%)	85.2 (18%)	0.1 (0.6%)	9.1 (33.8%)	**96**
Mainland China	8.4 (10.8%)	23.4 (63.8%)	4.5 (14.1%)	1.2 (19.4%)	1.2 (7.4%)	0.1 (2.1%)	7.2 (22.3%)	47.0 (9.9%)	0.9 (4.3%)	0.3 (1.1%)	**94**
EU	15.4 (19.7%)	0.0 (0%)	2.5 (8%)	0.4 (7.3%)	1.3 (7.8%)	0.3 (5.4%)	0.1 (0.3%)	57.2 (12%)	1.2 (5.8%)	1.9 (7.1%)	**80**
South Korea	5.3 (6.9%)	1.8 (5%)	0.9 (2.9%)	0.1 (2%)	0.8 (4.8%)	0.3 (5.2%)	1.8 (5.5%)	23.8 (5%)	0.2 (0.8%)	0.5 (1.9%)	**36**
Thailand	1.5 (2%)	0.7 (1.9%)	0.6 (1.9%)	0.1 (1.4%)	0.2 (1.1%)	0.3 (4.4%)	4.6 (14.1%)	18.8 (4%)	2.7 (13.1%)	0.1 (0.2%)	**30**
Other	21.8 (28%)	5.5 (15%)	8.5 (27%)	1.0 (16.8%)	2.7 (16.4%)	2.1 (32.4%)	7.3 (22.6%)	107.4 (22.6%)	5.3 (25.4%)	8.6 (32.1%)	**170**
Export items total	**78**	**37**	**32**	**6**	**16**	**6**	**32**	**475**	**21**	**27**	**730**

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

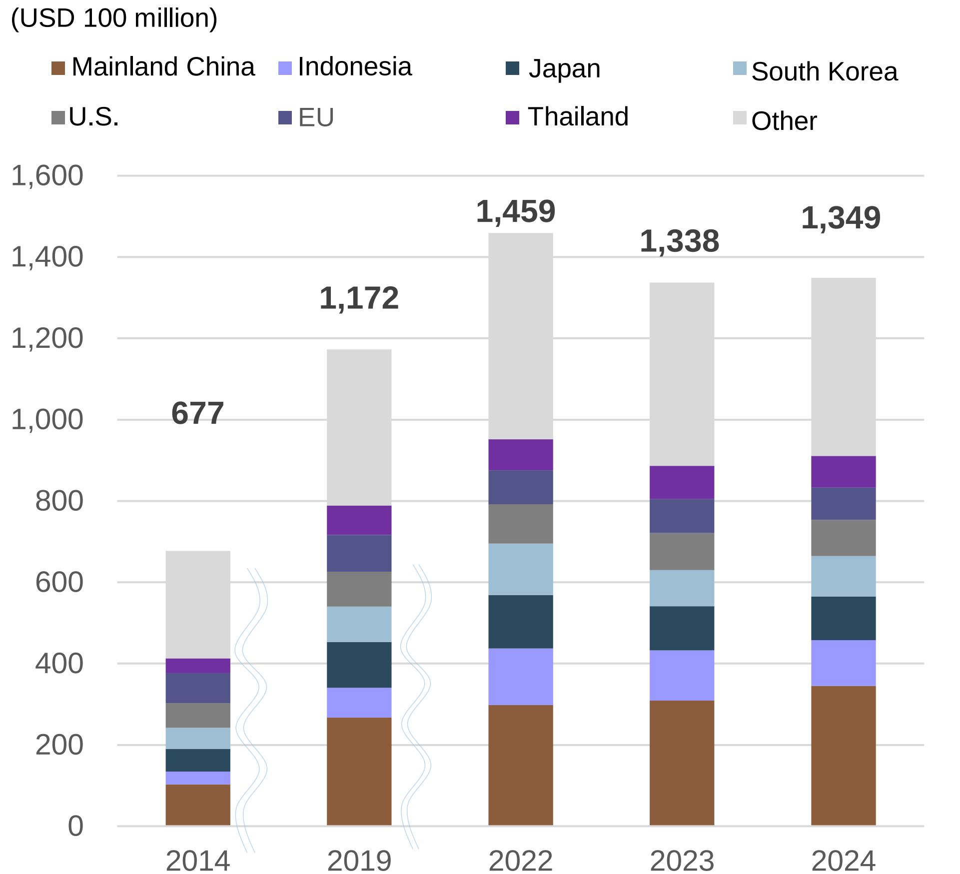
Note 2: "Other" represents the total trade value of countries/regions that are not separately aggregated in the source data, including Taiwan.
Export item classification is based on the two-digit HS code classification.

Source: Compiled by MHRT and the Global Strategic Advisory Dept. of MHBK based on materials from UN Comtrade

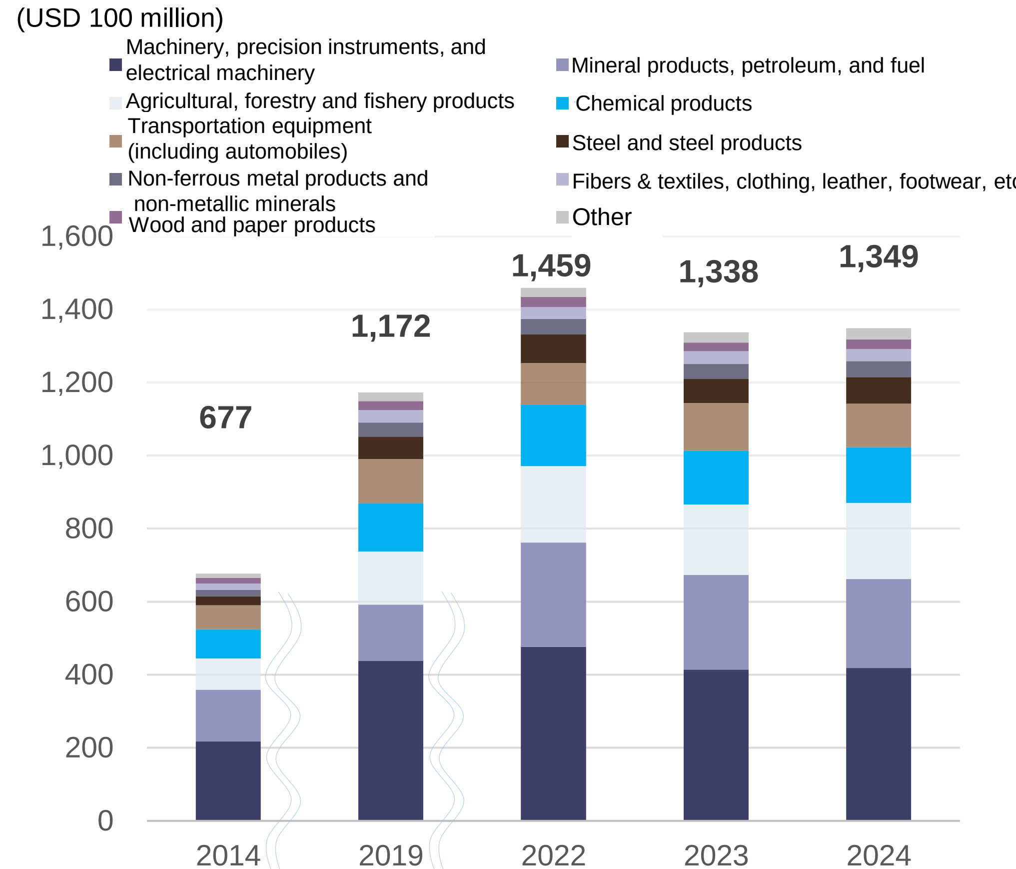
I-3. Economic Structure (Industry/Trade) (4): Trend of Import Values

- For a decade from 2014 to 2024, import value more than doubled. In particular, imports from China increased more than threefold.
- "Machinery, precision instruments, and electrical machinery (e.g. integrated circuits, machinery, etc.)" as well as "Mineral products, petroleum, and fuel" account for 50% of total imports.

Trend of imports by country and region



Trend of import 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.

Source: Compiled by MHRT and the Global Strategic Advisory Dept. of MHBK based on materials from UN Comtrade

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

- The Philippines relies on imports for many products. In addition, there are concerns about an unbalanced supply chain, as the company depends heavily on China for a wide variety of products, including machinery, precision instruments, and electrical machinery.

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

(USD 100 million)

	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	20.0 (9.6%)	33.2 (13.6%)	39.5 (25.8%)	8.9 (34.3%)	17.5 (51.3%)	47.5 (64.7%)	17.9 (41.7%)	124.6 (29.8%)	19.1 (16.1%)	16.6 (54.6%)	345
Indonesia	18.1 (8.7%)	36.9 (15.1%)	10.2 (6.7%)	2.8 (10.8%)	1.4 (4.1%)	4.1 (5.6%)	1.4 (3.2%)	4.6 (1.1%)	32.0 (27%)	1.3 (4.4%)	113
Japan	0.9 (0.4%)	5.3 (2.2%)	14.9 (9.8%)	2.0 (7.6%)	1.7 (5.1%)	8.7 (11.8%)	6.6 (15.4%)	52.6 (12.6%)	12.9 (10.9%)	1.0 (3.4%)	107
South Korea	1.6 (0.8%)	38.2 (15.7%)	9.4 (6.1%)	0.7 (2.8%)	1.5 (4.5%)	1.9 (2.6%)	2.9 (6.8%)	38.7 (9.2%)	4.2 (3.6%)	1.1 (3.5%)	100
U.S.	36.5 (17.5%)	1.2 (0.5%)	8.0 (5.2%)	1.5 (5.9%)	0.4 (1.3%)	0.8 (1.2%)	0.8 (1.9%)	34.2 (8.2%)	3.7 (3.1%)	1.2 (3.9%)	88
EU	17.7 (8.5%)	0.5 (0.2%)	16.7 (11%)	3.1 (12.1%)	2.0 (6%)	1.2 (1.6%)	1.4 (3.2%)	26.8 (6.4%)	8.5 (7.2%)	1.4 (4.6%)	79
Thailand	12.4 (6%)	3.1 (1.3%)	12.3 (8%)	0.5 (1.8%)	0.5 (1.4%)	1.3 (1.7%)	3.9 (9%)	15.2 (3.6%)	28.1 (23.7%)	0.9 (2.8%)	78
Other	101.1 (48.5%)	125.4 (51.4%)	41.7 (27.3%)	6.4 (24.6%)	8.9 (26.2%)	7.9 (10.8%)	8.1 (18.8%)	121.5 (29%)	10.1 (8.5%)	7.0 (23%)	438
Import items total	**208**	**244**	**153**	**26**	**34**	**73**	**43**	**418**	**119**	**31**	**1,349**

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.

Source: Compiled by MHRT and the Global Strategic Advisory Dept. of MHBK based on materials from UN Comtrade

I-4. Economic and Industry Characteristics

- **Manufacturing：Development is insufficient, and the percentage of the working population in this industry is relatively low. Reduction of manufacturing costs through infrastructure improvement is expected.**
- **BPO industry：This industry has grown into a major industry that accounts for about 10% of GDP. In the future, boosting of the value added will be an issue.**
- **Retail：This industry is supported by robust domestic demand, and growth is expected in the future.**

Characteristics and trends of major industries

	Manufacturing	BPO Industry	Retail
Characteristics	✓ Due to obstacles, such as underdeveloped manufacturing supply chains and fragile logistics networks, the percentage of working population in the manufacturing industry is lower than those in neighboring countries. ✓ The types of businesses taking place in the country include electronics-related businesses (semiconductors, etc.), auto parts, food processing, and petro-chemical products.	✓ Because there are many English speakers and labor cost is cheap, BPO (Business Process Outsourcing) industry has developed. ✓ It has grown into a major industry that now accounts for about 10% of GDP.	✓ Retail has been experiencing strong growth due to the continuing population bonus and the increase in middle-income earners. ✓ For many years, strict foreign investment regulations have restricted market entry, allowing major conglomerates to maintain a strong presence. ✓ On the other hand, since the minimum capital requirement was lowered in January 2022, foreign companies have been increasingly entering the market.
Recent trends	✓ While labor cost is cheap, infrastructure development is limited. In total, average manufacturing cost keeps expensive. ✓ The Marcos administration continues to regard infrastructure development as a key policy priority and has promoted initiatives to attract manufacturers.	✓ BPO in the Philippines focuses on labor-intensive operations (e.g., call centers). ✓ In the future, it will be a challenge to add value to the BPO industry, such as by strengthening non-voice fields (accounting, law, healthcare, etc.).	✓ The Philippines is a country made up of many islands, so the development of modern retail markets is delayed outside urban areas. ✓ The cold-chain market is expected to expand, driven by regulation relaxation and growing domestic demand. Philippine conglomerates are accelerating investment in this area.

Source: Compiled by the Global Strategic Advisory Dept. of MHBK based on public information

I-5. Economic Conditions (1): Short-term Outlook

- From 2021 to 2022, the economy rebounded due to the lifting of COVID-19 lockdowns and progress in vaccination efforts.
- In 2023, the economic growth slowed to 5.5% due to the global economic slowdown, inflation, and other factors. Growth began to recover gradually in 2024.
- In 2025, economic growth is forecast to reach 5.4%, which is lower than the previous year but still among the highest in ASEAN countries.

Asian economic outlook summary (short term)

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

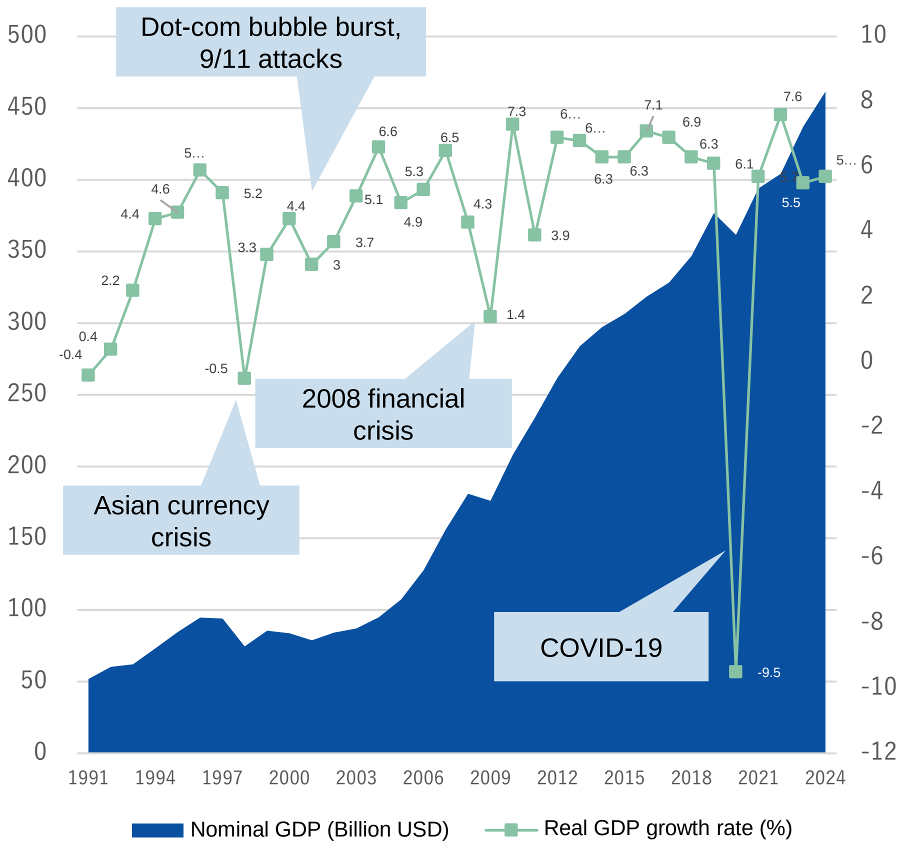
Note: Real GDP growth rate (year-on-year); shaded cells indicate forecast values. Forecast and average values are calculated by MHRT based on IMF GDP shares (purchasing-power-parity basis).

Source: Compiled by MHRT based on national statistics, materials from IMF, etc.

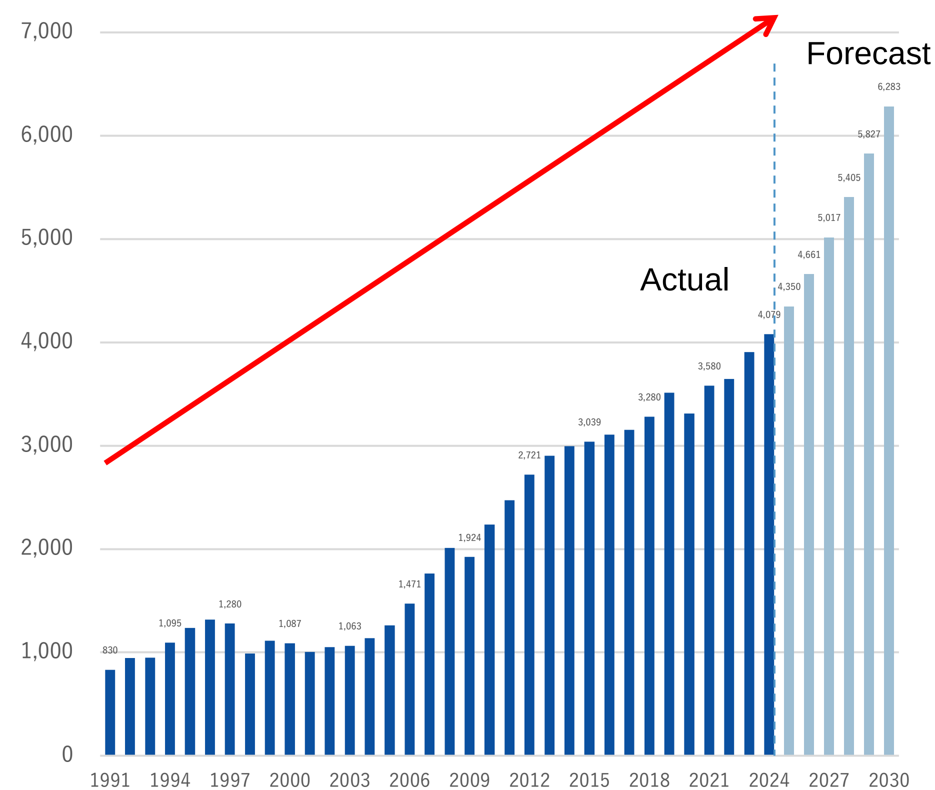
I-5. Economic Conditions (1): GDP Growth Rate

- In 2024, GDP grew by 5.7% year-on-year, falling short of the government's full-year economic growth target of 6.0 to 6.5%. However, the rate remained among the highest in major ASEAN countries.
- 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)



Source: Compiled by the Manila Branch of MHBK based on various publicly available information including IMF data

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. 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.

(Relations with China) Conflicts continue in the South China Sea. While the former Duterte administration reportedly sought closer ties with China, President Marcos has shifted the policy by declaring "We cannot concede any of the territorial claims that are being made against our established territory."

(Relations with the U.S.) Although the former Duterte administration reportedly took a hardline stance toward the U.S., the Marcos administration has strengthened ties with the U.S. In April 2024, the first Japan-U.S.-Philippines summit was held. **On the economic front, the three countries agreed to build more-resilient supply chains for semiconductors and critical minerals. On the security front, they confirmed the direction of the cooperation in the security and defense fields through defense official talks and joint training among maritime security organizations taking into account regional conditions, including the South China Sea, East China Sea, Taiwan Strait, and North Korea.**

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 June 2022, the 12th negative list was issued. It reflects a relaxation of foreign investor regulations in various industries, including the retail and public-service sectors. Foreign investor regulations were subsequently further relaxed in areas, such as renewable energy.

2) Attracting foreign direct investment (FDI): President Marcos has undertaken official visits to countries, including China, the U.S., and Japan, to call for investment in the Philippines through meetings with governments and companies. **According to trade statistics in 2023, Philippine exports to Japan totaled USD 10,455.79 million, while imports from Japan amounted to USD 10,288.08 million, making Japan the Philippines' third-largest trading partner in both exports and imports.**

3) 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.

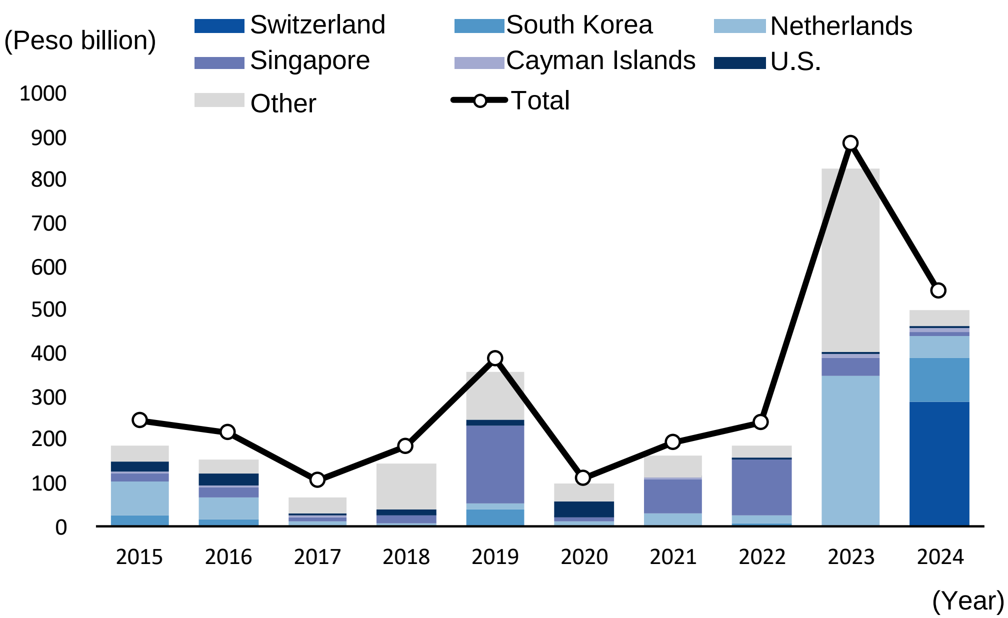
Also, **at the Japan-U.S.-Philippines summit in 2024, the Philippine government announced the creation of the Luzon Economic Corridor under the Partnership for Global Infrastructure and Investment (PGII). The government aims to accelerate investment in key infrastructure projects, such as railways and seaports, in various regions, including the capital, Manila.**

Source: Compiled by the Global Strategic Advisory Dept. of MHBK based on public information

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

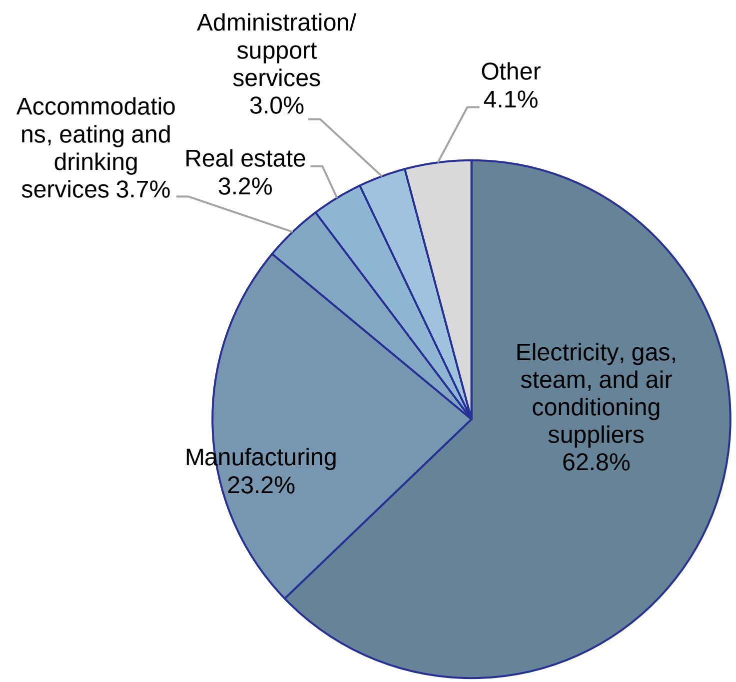
- Foreign Direct Investment (FDI) from around the world into the Philippines declined sharply again in 2020 due to the COVID-19 pandemic. Subsequently, the value of approved FDI reached a record high in 2023 but fell significantly in 2024. The increase in repayments of foreign companies' external debts and U.S. protectionist policies that curtailed investment were identified as some of the reasons.
- In 2024, Switzerland was the largest source of FDI based on approval value, followed by South Korea.
- By industry, investment in the electricity, gas, steam, and air conditioning suppliers was largest.

FDI flow trends by country/region



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

FDI by industry (2024)



Source: Compiled by MHRT 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.

Investment attractions / growing industries	Points to note for investment (issues)
Abundant workforce / lower labor costs	Infrastructure still under development
High proportion of English-speaking population	Relatively high corporate tax rate compared with other ASEAN countries
Consumer market with strong potential	Concerns regarding public order
Expansion of modern retail/EC markets	High electricity costs
Geographic proximity to Japan	(In some sectors) Supporting industries still under development

Sources: Compiled by the Global Strategic Advisory Dept. of MHBK

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
Manufacturing	Engineers	2,636	1,434	519	3,536	1,586	2,745	3,108	917	781
Manufacturing	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
Non-manufacturing	Managers' wages	3,838	2,625	1,987	4,556	2,479	3,533	5,585	2,179	1,709
Non-manufacturing	Shop staffs' wages (apparel)	2,784	—	1,450	1,702	1,068	2,933	1,638	754	386
Non-manufacturing	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% Less than HKD 30,000 monthly salary (2) HKD 1,500 HKD 30,000 and more monthly salary	13.96%	10.7% to 30.1%	17%	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) 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
Manufacturing	Engineers	600	478	520	619	203	453	351	673	543
Manufacturing	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
Non-manufacturing	Managers' wages	1,289	1,472	1,688	1,537	751	1,398	1,381	1,850	1,777
Non-manufacturing	Shop staffs' wages (apparel)	296 to 395	324	—	249 to 322	128	250 to 350	86 to 119	178 to 262	—
Non-manufacturing	Shop staffs' wages (food)	296 to 460	324	—	237 to 249	91	250 to 500	86 to 110 (Meals & Dormitory Provided) 119 to 143 (Commutable)	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) 237/month (semi-skilled) 261/month (skilled)	183/month (unskilled) 169/month (semi-skilled) 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) 17.5% (foreign workers)	21.5% (public insurance premium) 17.5% (foreign workers)	6% (monthly salary LAK 4.5 million or less) LAK 270,000 (monthly salary over LAK 4.5 million)		7% (age 60 or under) 7.5% (over age 60)	13%	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

- **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	
Outline	Foreign nationals who wish to work in the Philippines for less than six months must obtain a Special Work Permit (SWP) issued by the Bureau of Immigration Office, and those who intend to work for six months or longer must obtain an Alien Employment Permit (AEP) issued by the Department of Labor and Employment.
SWP	● Valid for three months and extendable once. ● 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.
AEP	● The application must include a Tax Identification Number issued by the Bureau of Internal Revenue. ● 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. ● Application for renewal of the AEP can begin 60 days before expiration. ● 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).
Persons exempted from AEP	● Directors who do not engage in operations and who hold voting rights of a company only ● Diplomats and foreign government officials who are authorized by the Philippine government, etc.
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.

Visa	
Outline	● Citizens of 151 counties, including Japan, may enter and stay in the Philippines without a visa for up to 30 days. ● Foreign nationals who intend to work in the country must obtain a visa.
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).
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.
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. 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.

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

II-1. Labor-related Information (2): 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	● Pay an allowance of 125% of regular wages for work exceeding eight hours per day. ● Pay an allowance of 110% of regular wages for midnight work from 10:00 p.m. to 6 a.m. ● Pay an allowance of 130% of regular wages for work on a regular holiday. ● Pay an allowance of 200% of regular wages for work on a legal holiday. ● 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).
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 a legal bonus as the 13th Month Pay equivalent to one month's salary annually.
Paid leave	● Grant five days of paid leave per year to employees with at least one year of service. ● Grant maternity leave for at least two weeks before the due date and at least four weeks after childbirth (paid leave). ● Grant seven days of paid leave to a married male employee whose wife gives birth.
Dismissal	It is difficult to unilaterally dismiss an employee except for justifiable reasons, such as violation of contract or business downsizing. Pay a dismissal allowance when termination is due to the employer's intentions.
Mandatory retirement	Pay retirement benefits equivalent to at least one-half month's salary per year of service to employees who reach 60 years old and have at least five years of service.
Trial period	A trial period must not exceed six months.

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

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)(Note), 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.

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

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

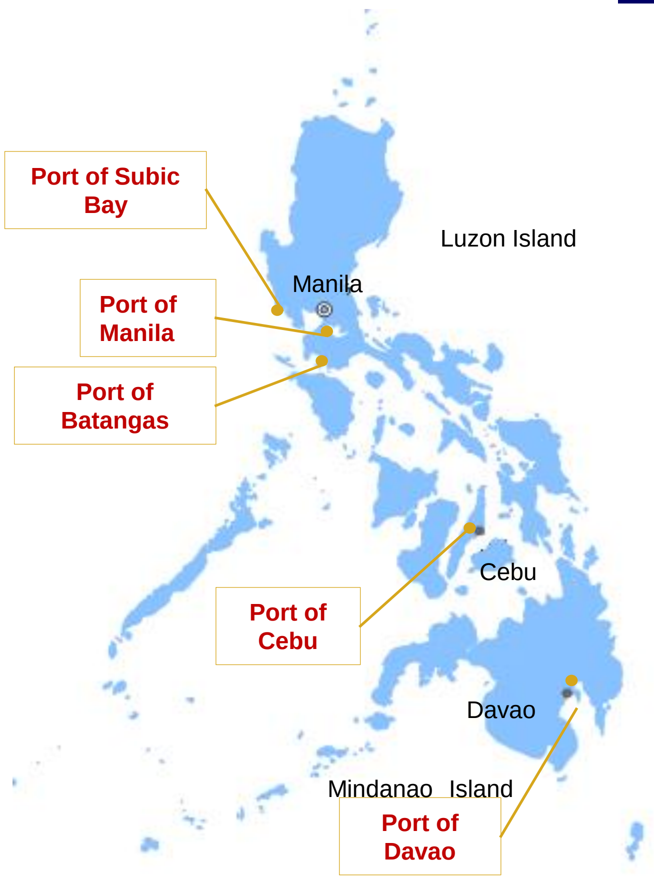
The corporate tax rate was reduced for registered corporations that select the Enhanced Deductions Regime, and deductible items were reviewed. The corporate tax for registered business corporations that select the Enhanced Deductions Regime were reduced from 25% to 20%.
The scope of VAT-applicable goods 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.

Source: Compiled by the Global Strategic Advisory Dept. of MHBK based on JETRO website and publicly available information

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 Cargo handling volume (metric tons)		2023 Number of ship calls		2023 Total number of passengers	Remarks
		Domestic	International	Domestic	International		
1	Port of Manila	22,066,331	37,859,472	8,765	3,525	718,185	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	53,842,241	13,675,757	135,918	961	18,754,738	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	4,817,753	12,964,013	42,261	1,526	3,217,985	A Philippine inland seaport mainly handling major export/import products, including fruits, vegetables, and paper products
4	Port of Subic Bay	6,400,000+		Undisclosed		Undisclosed	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	10,667,861	13,762,007	36,185	1,805	5,928,998	A port on the South China Sea, frequently used as an alternative to the Port of Manila

Source: Compiled by the Global Strategic Advisory Dept. of MHBK based on the Philippine Ports Authority, the Cebu Port Authority, JETRO materials, and various materials

III. Establishing a Local Subsidiary

III-1. Forms of Entry

Forms	Local subsidiary (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	Merits: ✓ The shareholders' responsibility is limited to payment for stock. ✓ Even companies in regulated industries on the negative list can establish JVs with Philippine companies. Demerits: ✓ Companies in certain industries, such as bank and retail sectors, are required to maintain a large minimum amount of paid-up capital.	Merits: ✓ Can engage in the same activities as a local subsidiary ✓ May be established by only one Philippine resident Demerits: ✓ The risk of operations in the Philippines cannot be limited within the country. ✓ 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. ✓ Companies in regulated industries on the negative list are absolutely not permitted to establish any branches.	Merits: ✓ Effective for conducting field studies when considering business expansion to the country ✓ The initial cost is low, and it is possible to reduce the cost of opening. Demerits: ✓ Cannot be a party to a contract and cannot earn income

* 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.

Sources: Compiled by the Global Strategic Advisory Dept. of MHBK based on JETRO materials, local expert materials, etc.

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

1. Securities and Exchange Commission (SEC): Verification and reservation of a company name	• Apply for approval to use the desired company name; once approved, obtain the company name verification slip issued by the SEC.
2. Preparation of the articles of incorporation and bylaws	• Templates are provided by the government.
3. Bank: Opening an account and remitting capital	• After capital remittance, obtain a certificate for the deposits of paid-up capital from the bank. ⇒ **Estimated timeline: A bank account can be opened about two weeks after submitting the required documents.**
4. SEC: Application for incorporation and payment of application fees	• Obtain the Certificate of Registration approximately one month after submitting all required documents.
5. Philippine Economic Zone Authority (PEZA): Registration for investment incentives	• Apply for registration only if seeking investment incentives. • Obtain the PEZA Certificate of Registration within four to eight weeks.

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

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

Procedures with the SEC	● 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.)
Procedures with the Bureau of Internal Revenue (BIR)	**Timeline: Approximately two weeks** ● Pay the Documentary Stamp Tax on the issuance of shares of stock. ● Register the taxpayer identification number. ● Apply for the Authority to Print for official receipts and invoices. ● Register books of accounts, etc.
Procedures with local governments	**Timeline: Approximately four weeks** ● Pay the Community Tax. ● Obtain the barangay (*) clearance. ● Obtain the business site certification. ● Obtain the business permit. (*) A barangay is the smallest administrative division of a local government.
Social security-related procedures	● Register with the Social Security System (SSS). ● Register with the Pag-IBIG Fund (a mutual fund that promotes home ownership). ● Register with the PhilHealth (the health insurance system).
Procedures with the central bank (BSP)	● 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.

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

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."

1. Opening a Treasurer-in-Trust-For account (TITF account)

2. Paying in capital / Obtaining a bank certificate for the deposit

3. Presenting an application to the SEC for incorporation

4. Receiving a "Certificate of Incorporation" issued by the SEC

5. Opening a general (ordinary) account

6. Transferring the paid-up capital from the TITF account to the bank account, then closing the TITF account

← At this step, it becomes possible to use the paid-up capital transferred to the account.

Key documents required to open a TITF account

(For local subsidiaries)
- Copy of the draft Articles of Incorporation
- Copy of the draft bylaws
- Treasurer's[1] affidavit notarized by a lawyer
- Copy of the treasurer's[1] identification document (e.g., passport page showing the treasurer's photo and signature)
- Account opening form
- Application form for the bank certificate for the deposit
- Application form for delivery of electronic transaction statements

(For branches and representative offices)
- Copy of the application form submitted to the SEC
- Letter of proxy (certifying that the parent company delegates control and management of the TITF account to the resident agent; can be replaced by a written resolution of the board of directors with the same content)
- Copy of the resident agent's identification document
- Account opening form
- Application form for the bank certificate for the deposit
- Application form for delivery of electronic transaction statements

Key documents required to open a general (ordinary) account
- Copy of the "Certificate of Registration" from the SEC
- Copies of the finalized Articles of Incorporation and bylaws (For branches and representative offices, copy of the parent company's Articles of Incorporation)
- (For local subsidiaries) Notarized certification of the corporate secretary[2]
- (For branches and representative offices) Letter of proxy (certifying that the parent company delegates control of the account to the authorized signatory)
- Copy of an identification document of the authorized signatory for the account (e.g., passport page showing the authorized signatory's photo and signature)
- Account opening form
- Application for registering the email/telephone of the contact person (to grant administrative authorities to the person in charge and register the contact information)
- Application for the issuance of a peso checkbook (only for companies that opened a peso-denominated checking account)
- Latest SEC General Information Sheet (only for companies that were established one or more years ago)
- Document to confirm the existence or absence of a Tax Identification Number in the U.S.
- Application form for the delivery of electronic transaction statements
- Application for closing the TITF account

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 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 Net of tax and miscellaneous expenses
	Office rent (per month, per square meter)	30	City of Makati 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) 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) 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 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 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) The fee per kilogram is based on conversion from the fee for an 11-kilogram LPG gas container.

Source: Compiled by the Global Strategic Advisory Dept. of MHBK based on JETRO materials (survey conducted from Oct. 1 to Nov. 30, 2024)

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.

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

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	Five to 15 natural person incorporators were required. Each of them needed to hold at least one share of stock.	Fifteen or fewer incorporators are required. Each of them needs to hold at least one share of stock. (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.) * 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: • Enhancing requirements for document preparation, information disclosure, and reporting to authorities (e.g., reporting financial statements and director election to the SEC) • 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.) • Enhancing corporate governance and promoting minority stockholder protection

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

IV. Regulations, Incentives, Reference Information

IV-1. Regulations for Foreign Investors (1): 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 57.50 million; 1 peso = approx. 2.3 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.**

Source: Compiled by the Global Strategic Advisory Dept. of MHBK based on EXECUTIVE ORDER NO.175, etc.

IV-1. Regulations for Foreign Investors (2): Relaxation of Foreign Investor Regulations in Renewable Energy Sector

Relaxation of foreign investor regulations in the renewable energy sector

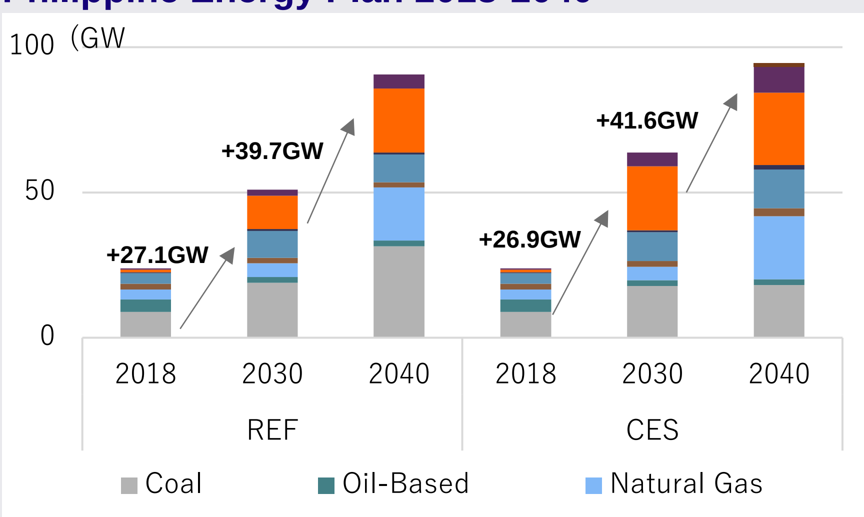
- Previously, foreign ownership in renewable energy companies was limited to 40%. In recent years, the foreign investor regulations have been gradually relaxed.
  - ➢ Elimination of foreign investor regulations for biomass power station ownership and operation (October 2019)
  - ➢ Elimination of foreign investor regulations for thermal 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

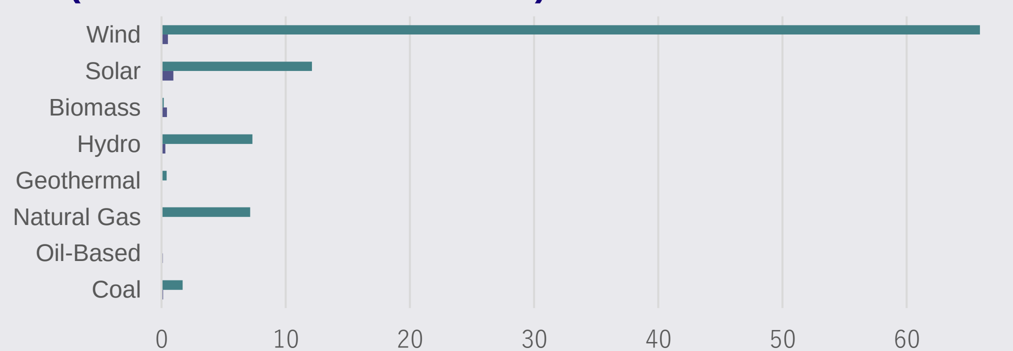
National Renewable Energy Program (NREP) 2020-2040

- 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)



	Coal	Oil-Based	Natural Gas	Geothermal	Hydro	Biomass	Solar	Wind
Indicative	1.69	0.06	7.15	0.42	7.32	0.18	12.12	65.90
Committed	0.14	0.10	0.00	0.08	0.30	0.44	0.96	0.52

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

IV-1. Regulations for Foreign Investors (3)

- The negative list is usually revised every two years. It prescribes the sectors where there are prohibitions and restrictions on the entry of foreign capital and the employment of foreign nationals. The updated version (12th negative list) was issued in June 2022 and took effect in July of that year.

◆ **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	7	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 1) Professions where foreign nationals are not allowed to practice and 2) corporate practice of professions with foreign-equity restrictions	8	Ownership, operation, and management of cockpits
3	Retail trade enterprises with paid-up capital of less than PHP 25 million	9	Manufacture, repair, stockpiling, and/or distribution of nuclear weapons
4	Cooperatives (except investments of former natural born citizens of the Philippines)	10	Manufacture, repair, stockpiling, and/or distribution of biological, chemical and electromagnetic weapons and anti-personnel mines
5	Private detectives, watchmen, or private security guard agencies	11	Manufacture of firecrackers and other pyrotechnic devices
6	Small-scale mining		
Up to 25% foreign equity			
12	Private recruitment, whether for local or overseas employment	13	Contracts for the construction of defense-related structures
Up to 30% foreign equity			
14	Advertising		
Up to 40% foreign equity			
15	Procurement of infrastructure projects pursuant to Republic Act No. 9184	20	Rice and corn industries
16	Exploration, development, and utilization of natural resources	21	Contracts for the supply of materials, goods, and commodities to government-owned or government-controlled corporations
17	Ownership of private lands (except former natural born citizens of the Philippines)	22	Operation of deep-sea commercial fishing vessels
18	Management and operation of public utilities (electricity distribution/transmission, petroleum/petroleum products pipeline transmission systems, water/wastewater pipeline systems, seaports, and public utility vehicles)	23	Ownership of condominium units
19	Educational institutions other than: 1) Those established by religious groups and mission boards; 2) those for foreign diplomatic personnel and their dependents, and other foreign temporary residents; and 3) those for short-term high-level skills development that do not form part of the formal education system	24	Radio communications network

Source: Compiled by the Global Strategic Advisory Dept. of MHBK based on EXECUTIVE ORDER NO.175, etc.

IV-1. Regulations for Foreign Investors (4)

◆ **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: a. Firearms (handguns to shotguns), parts and ammunition of firearms, instruments or implements necessary to use firearms or used in the manufacture of firearms b. Gunpowder c. Dynamite d. Blasting supplies e. Ingredients used in making explosives f. Telescopic sights, sniper scopes, and other similar devices (However, the manufacture or repair of these items may be authorized by the chief of the PNP to non-Philippine nationals, with the allowable foreign-equity limit determined by the PNP, provided that a substantial percentage of output is exported.)		
2	Manufacture and distribution of dangerous drugs	4	All forms of gambling except those covered by investment agreements with PAGCOR, a casino operator
3	Sauna and steam bathhouses, massage clinics, and other such activities regulated by law because of risks posed to public health and morals	5	Domestic market enterprises with paid-up capital of less than the equivalent of USD 200,000
6	**For companies 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), or the DOST under Republic Act No. 11337 (“Innovative Startup Act”) (iii) A company that directly employs 15 or more Philippine citizens, which comprise the majority of its workforce		

Sources: Compiled by the Global Strategic Advisory Dept. of MHBK based on EXECUTIVE ORDER NO.175, etc.

IV-2. SIPP: Types of Businesses for Investment Promotion (1)

- **In April 2021, the CREATE Act took effect to unify the management of tax incentives that were previously established separately by various investment promotion agencies or other organizations. Under the act, preferential tax treatment is granted to sectors and projects identified in the Strategic Investment Priority Plan (SIPP).**
- **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

Source: Compiled by the Global Strategic Advisory Dept. of MHBK based on MEMORANDUM ORDER NO.50, JETRO materials, etc.

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.

Source: Compiled by the Global Strategic Advisory Dept. of MHBK based on MEMORANDUM ORDER NO.50, JETRO materials, 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-subsidiary 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.
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.
  - 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 a registration form to the BSP.
- 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 required documents to the BSP.
  - Payment of an amount equivalent to USD 1 million or less: PHP can be exchanged into foreign currency simply by submitting a foreign exchange purchase application to the BSP.
- Capital transactions, parent-subsidiary loans
  - After capital remittance or remittance for parent-subsidiary 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-subsidiary loans.
  - The above registration must be completed within one year from the capital remittance for capital transactions, 30 days for short-term parent-subsidiary loans, and six months for long-term parent-subsidiary loans.

Source: Compiled by the Global Strategic Advisory Dept. of MHBK based on BSP website, etc.

IV-4. Fundraising

	Financing	During the period	Repayment	Pros / Cons
1 Loans from banks	➢ Allows financing in PHP ➢ Requires application screening by financial institutions (Screening timeline: approx. one to two months.) * In some cases, the parent company needs to act as a guarantor. ➢ The regulation limits loans from one financial institution. * Offshore financing is not subject to this regulation.	➢ For short-term credit lines, companies can flexibly conduct financing and repayment. ➢ Periodical reports on business performance (e.g., financial statements) must be submitted to financial institutions. ➢ In a case of the parent company acting as a guarantor, there are operations for transcribing the parent company's written guarantee.	➢ Same procedures as ordinary bank loans ➢ Requires advance consultation with financial institutions when refinancing	Pros ✓ Financing in PHP is possible. ✓ Once a credit line is established, companies can flexibly conduct financing. Cons ✓ In some cases, application screening by financial institutions can take time.
2 Capital increases	➢ 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) ➢ No restriction on fund usage ➢ Allows immediate capital injection	➢ Dividend payment * The withholding tax rate for dividends to Japan is 30%. However, with the tax treaty relief application, it can be reduced to 10%.	➢ Liquidation: After screening by the Bureau of Internal Revenue (BIR), approval from the Securities and Exchange Commission (SEC) is required. ➢ Capital decrease: Requires SEC approval; minimum remaining capital must be USD 200,000. (BIR approval is not required.) ➢ It takes six to 12 months for liquidation and three to six months for capital decrease after the submission of all required documents.	Pros ✓ High flexibility in capital injection ✓ No administrative burden during the period if no dividends are paid Cons ✓ Lengthy exit process; difficult to set a clear timeline
3 Parent-subsidiary loans	➢ Parent-subsidiary 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. ➢ Parent-subsidiary contract currencies and interest rates for borrowing are determined within the group. (However, attention needs to be paid to the transfer pricing taxation.)	➢ Requires reporting of mid- to long-term offshore financing plans to the BSP by end of September each year ➢ Any changes in the repayment schedule must be registered with the BSP every time it occurs.	➢ For repayment involving foreign exchange from PHP, companies must present the BSRD to the bank and execute the foreign exchange before repayment remittance.	Pros ✓ High flexibility in financing and repayment ✓ Companies' broad discretion in setting parent-subsidiary contract currencies and interest rates Cons ✓ Administrative burden for registration of financing

Source: Compiled by the Global Strategic Advisory Dept. of MHBK based on BSP website, etc.

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
- 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.

Source: Compiled by the Global Strategic Advisory Department of Mizuho Bank, Ltd., based on publicly available information, 1987 Constitution of the Republic of the Philippines, the Condominium Act, JETRO website, JBIC, etc.

V. Other

V-1. Presence of Conglomerates (1)

- **In the Philippine economy, conglomerates have established a strong market presence. The total net sales of the six conglomerates shown below account for 13.5% of the nominal GDP in 2024. Many top executives from these conglomerates are listed on Forbes' billionaire list.**
- **As conglomerates strive to diversify their businesses, they hold significant market shares in key and growth industries, such as real estate, infrastructure, energy, finance, public services, and food, exerting strong influence.**

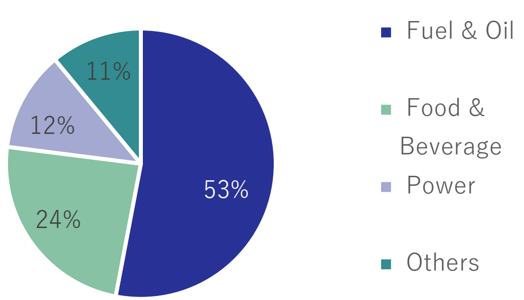
Key Philippine conglomerate groups

Company name	December 2024 Net sales (USD million)	December 2024 Total assets (USD million)	Industries where the group has established a strong presence
San Miguel Corp.	27,638	46,964	Food and beverage, power, oil, infrastructure, real estate
SM Investments Corp.	11,487	28,984	Finance, real estate, retail
Aboitiz Equity Ventures Inc.	5,313	14,822	Power, finance, food, real estate, infrastructure
JG Summit Holdings Inc.	6,643	18,289	Food, airlines, power distribution, petrochemicals
Ayala Corp.	5,715	30,106	Finance, telecommunications, water, real estate, power, infrastructure
GT Capital Holdings Inc.	5,641	8,113	Finance, automotives
Total	62,437		
% of Philippine GDP	13.5%		(% of nominal GDP in 2024 at USD 461,600 million)

Source: Compiled by the Global Strategic Advisory Dept. of MHBK based on respective Annual Reports, etc.

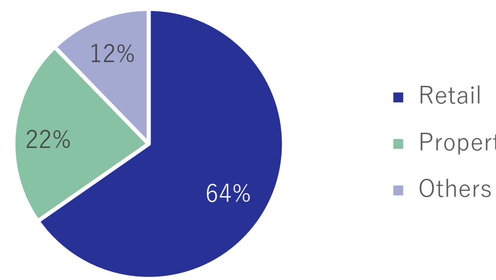
V-1. Presence of Conglomerates (2)

San Miguel Corp.



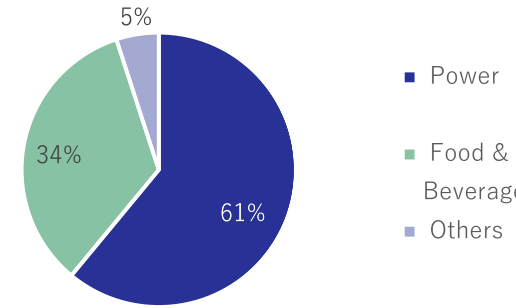
Key Japanese partner	Kirin

SM Investments Corp.



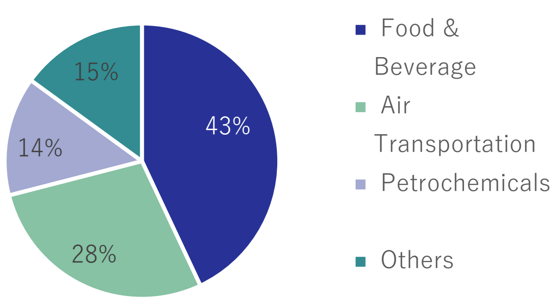
Key Japanese partner	FAST RETAILING

Aboitiz Equity Ventures Inc.



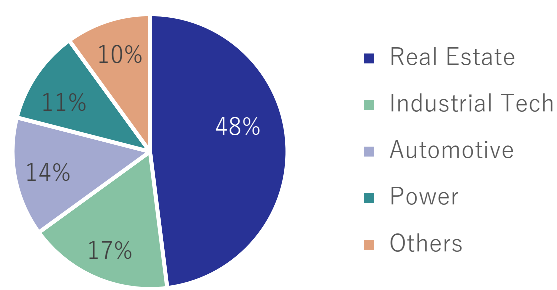
Key Japanese partner	JERA

JG Summit Holdings Inc.



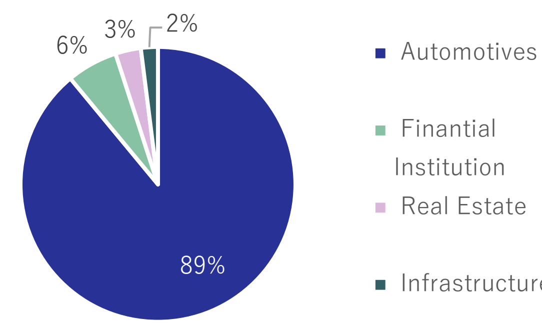
Key Japanese partner	NISSIN FOOD Group

Ayala Corp.



Key Japanese partner	Mitsubishi Corporation

GT Capital Holdings Inc.



Key Japanese partners	Toyota, Nomura Real Estate Development

Source: Compiled by the Manila Branch of MHBK based on respective Annual Reports, and publicly available information, etc.