

Malaysia

Investment Climate

June 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



I. Country Profile

II. Investment-related Information

III. Setting up an Entity

IV. Regulations, Incentives, Reference Information

I. Country Profile

I-1. Key Economic Indicators for Asia

Country/Region	Malaysia	Japan	South Korea	Mainland China	Hong Kong	Taiwan
Population (millions)	33.9	123.3	51.7	<i>1,405.1</i>	<i>7.5</i>	23.3
Nominal GDP (US\$100 million)	4,722	44,352	18,724	196,262	4,273	9,201
Real GDP growth rate (y-o-y, %)	5.2	1.2	1.0	5.0	3.5	8.7
GDP per capita	13,949	35,973	36,227	13,968	56,893	39,489
Estimated GDP growth rate (2026, %)	<i>4.7</i>	<i>0.7</i>	<i>1.9</i>	<i>4.4</i>	<i>2.4</i>	<i>5.2</i>
Credit rating (S&P) as of Mar. 2026	A-	A+	AA	A+	AA+	AA+
Country/Region	Singapore	Indonesia	Thailand	Vietnam	Philippines	India
Population (millions)	6.1	<i>284.4</i>	<i>71.6</i>	102.3	114.1	1,463.9
Nominal GDP (US\$100 million)	6,039	14,456	5,770	4,940	4,872	39,163
Real GDP growth rate (y-o-y, %)	5.0	5.1	2.4	8.0	4.4	7.6
GDP per capita	99,365	5,082	8,057	4,829	4,270	2,675
Estimated GDP growth rate (2026, %)	<i>3.5</i>	<i>5.0</i>	<i>1.5</i>	<i>7.1</i>	<i>4.1</i>	6.5
Credit rating (S&P) as of Mar. 2026	AAA	BBB	BBB+	BB+	BBB+	BBB

1. Data are for 2025. Estimated GDP growth rate for 2026 and other data in italic are estimate by IMF.

2. S&P rating is as of 31 March 2026. Rating definition;

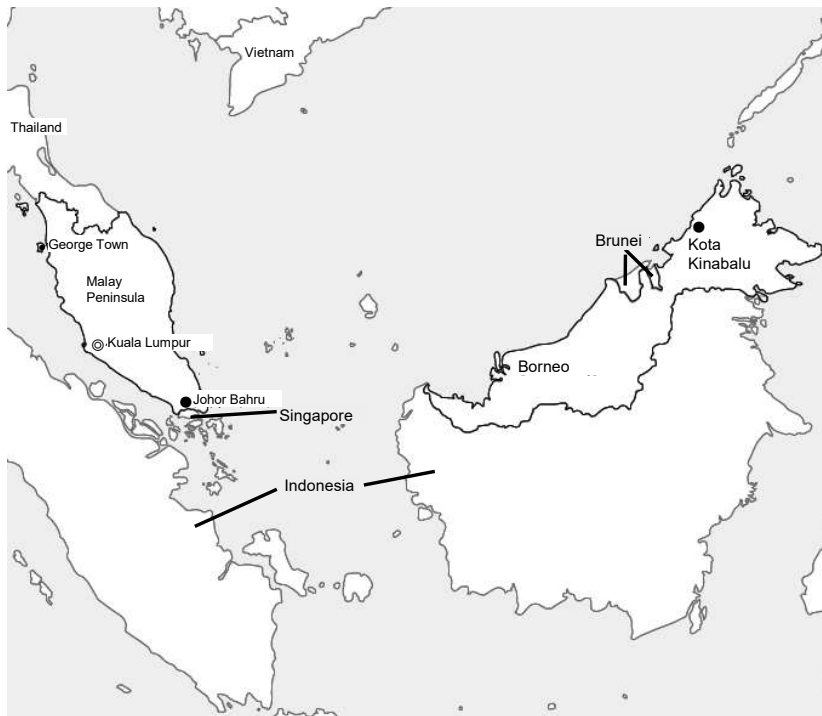
A An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitments on the obligation is still strong.

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

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

Source: Prepared by Mizuho Research Institute (MRI) based on the IMF's World Economic Outlook Database March 2026 Edition and Bloomberg

I-2. Basic Data and Overview



Basic Data

Population	33.8 million (2025, IMF)
Square area	Approx. 330,000 km ² (0.9 times Japan's size)
Capital	Kuala Lumpur (Population: 2.07 million, 2025, Department of Statistics Malaysia)
Language	Malay, English, Chinese, Tamil
Ethnicities	Malay approx. 63.6% (including indigenous 11%), Chinese 20.0%, Indian 5.9%, Other 0.7% (2025, Department of Statistics Malaysia)
Religions	Muslim 64%, Buddhist 19%, Christian 9%, Hindu 6%, Confucianist, Taoist, etc. 2% (2020, Department of Statistics Malaysia)
Currency	Malaysian ringgit (MYR)
Politics	Constitutional monarchy (parliamentary democracy)
Head of state	Ibrahim Iskandar, 17 th Supreme Head of the Federation (took oath of office in January 2024, five-year term)
Major industries	Manufacturing (electrical and electronic products), agriculture and forestry (palm oil), mining (crude oil)
Nominal GDP	US\$472.2 billion; Per capita: US\$13,949 (2025, IMF)
Real GDP growth rate	5.2% (2025, IMF)

Overview

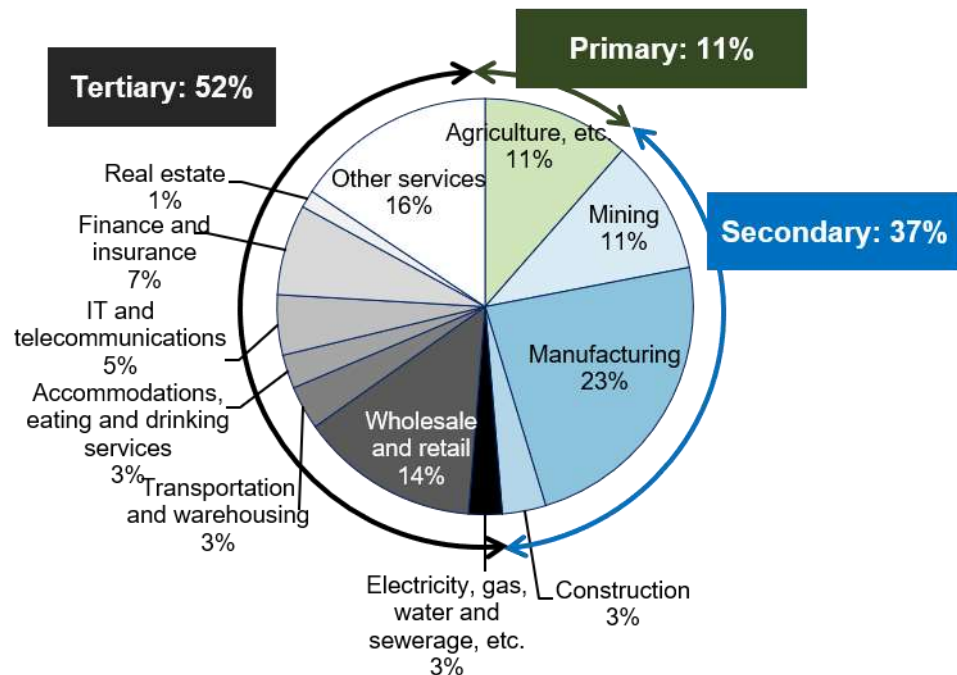
- Malaysia is a federal state consisting of the southern half of the Malay Peninsula and the northwestern coastal areas of Borneo Island (Sabah, Sarawak). It is divided into three federal territories (Kuala Lumpur, Labuan, and Putrajaya) and 13 states. About 80% of the total population is concentrated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

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

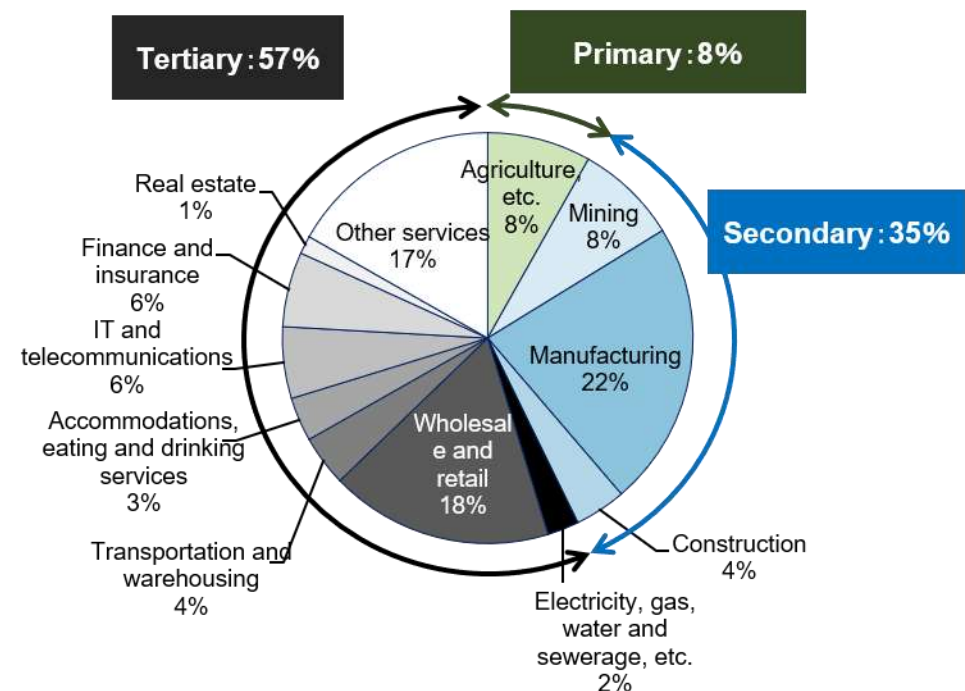
- Malaysia is one of the most industrialized of the major ASEAN countries. Secondary industry currently accounts for nearly 40% of GDP.
- Although share of the agricultural sector, including palm oil production on plantations, has declined over the years, it continues to compose a certain share of GDP.

GDP Composition by Industry (Comparison of 2011 and 2024)

2011



2024



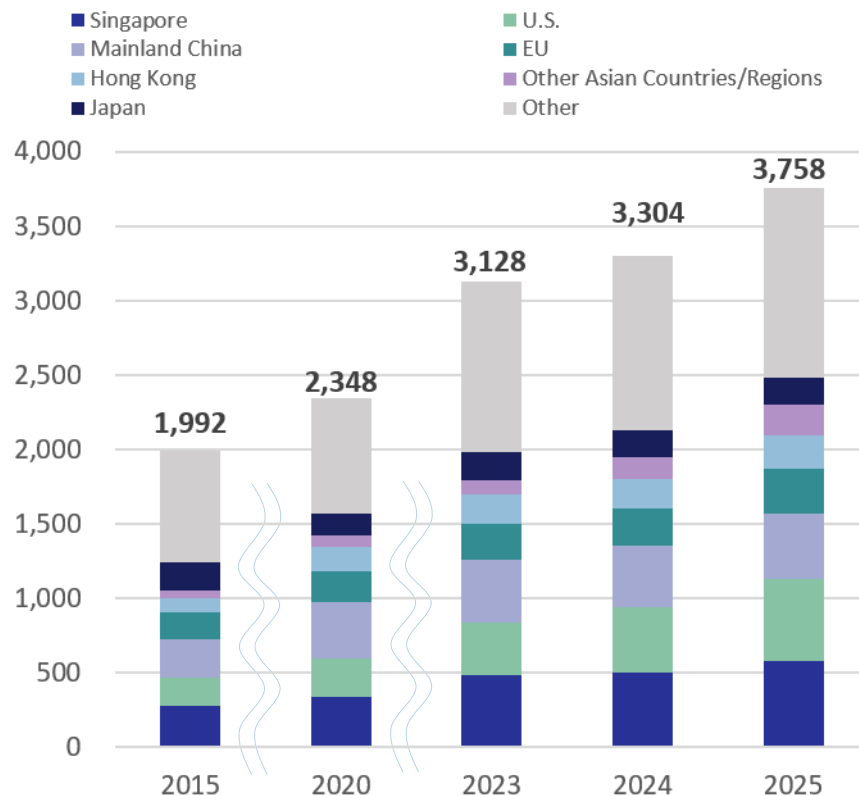
Note: Due to rounding, the total may not add up to 100%.

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

- Main export destinations are Singapore, Mainland China, the United States, and Japan. Exports to Mainland China increased slightly, while exports to the United States were boosted by the restructuring of supply chains in the semiconductor and advanced electronics industries.
- By product category, exports of machinery and optical machinery reached a record high amid the global trend toward increased demand for AI, automation, and semiconductors.

Trend in Export Value by Country/Region

(100 million USD)

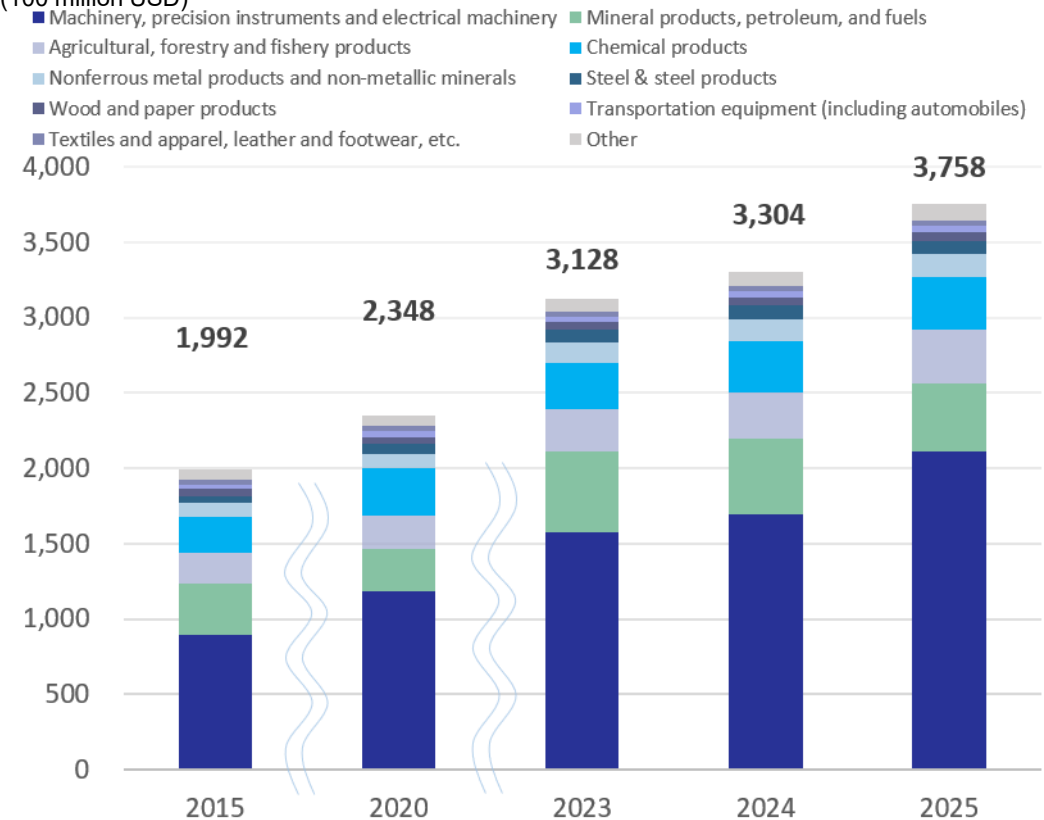


Note: "Other Asian Countries/Regions" represents the combined trade value of countries/regions not individually aggregated in the source data.

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

Trends in Export Value by Item Classification

(100 million USD)



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

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

- The United States surpassed Mainland China in total export value for the second consecutive year, following 2024. Changes in the global supply chain due to U.S.-China relations among others are behind the shift from China to the U.S. in export destinations.

Breakdown of Export Values (by Country/Region and Export Item Category, 2026)

(100 million USD)

	Agricultural, Forestry and Fishery Products	Mineral Products, Petroleum, and Fuels	Chemical Products	Wood and Paper Products	Fibers & Textiles, Clothing, Leather, Footwear, etc.	Steel and Steel Products	Non-ferrous Metal Products and Non-metallic Minerals	Machinery, Precision Instruments, Electrical Machinery	Transportation Equipment (including Automobiles)	Other	Area Total
Singapore	39.7 (11.2%)	67.5 (14.9%)	26.3 (7.6%)	5.0 (9.1%)	4.6 (11.6%)	17.3 (20.6%)	15.1 (9.4%)	383.6 (18.2%)	8.5 (19.7%)	15.5 (14.1%)	583
United States	18.7 (5.2%)	1.7 (0.4%)	34.2 (9.9%)	7.6 (13.9%)	4.3 (10.9%)	10.1 (12%)	15.1 (9.4%)	426.4 (20.2%)	5.1 (11.9%)	22.0 (20%)	545
Mainland China	31.1 (8.8%)	65.6 (14.5%)	66.4 (19.2%)	13.0 (23.8%)	3.3 (8.3%)	1.2 (1.5%)	26.6 (16.6%)	230.3 (10.9%)	2.8 (6.5%)	2.1 (1.9%)	442
EU	26.6 (7.5%)	3.3 (0.7%)	41.8 (12.1%)	2.5 (4.6%)	2.6 (6.6%)	7.6 (9%)	9.4 (5.9%)	199.2 (9.4%)	3.2 (7.4%)	6.1 (5.6%)	302
Hong Kong	2.7 (0.8%)	1.0 (0.2%)	2.6 (0.7%)	0.2 (0.3%)	1.0 (2.4%)	1.6 (1.8%)	2.6 (1.6%)	203.8 (9.6%)	1.0 (2.3%)	9.0 (8.2%)	225
Other Asian Countries/Regions	4.8 (1.4%)	6.4 (1.4%)	5.1 (1.5%)	0.7 (1.4%)	0.3 (0.7%)	2.0 (2.3%)	4.8 (3%)	179.3 (8.5%)	2.1 (4.8%)	0.7 (0.6%)	206
Japan	15.9 (4.5%)	56.6 (12.5%)	16.3 (4.7%)	5.7 (10.5%)	3.0 (7.5%)	2.3 (2.8%)	10.0 (6.2%)	57.7 (2.7%)	0.9 (2%)	10.0 (9.1%)	178
Other	216.3 (60.8%)	249.9 (55.3%)	153.2 (44.3%)	19.8 (36.5%)	20.6 (52%)	42.0 (50%)	76.8 (47.9%)	432.9 (20.5%)	19.7 (45.5%)	44.5 (40.5%)	1,276
Total by Item Category	356	452	346	54	40	84	161	2,113	43	110	3,758

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

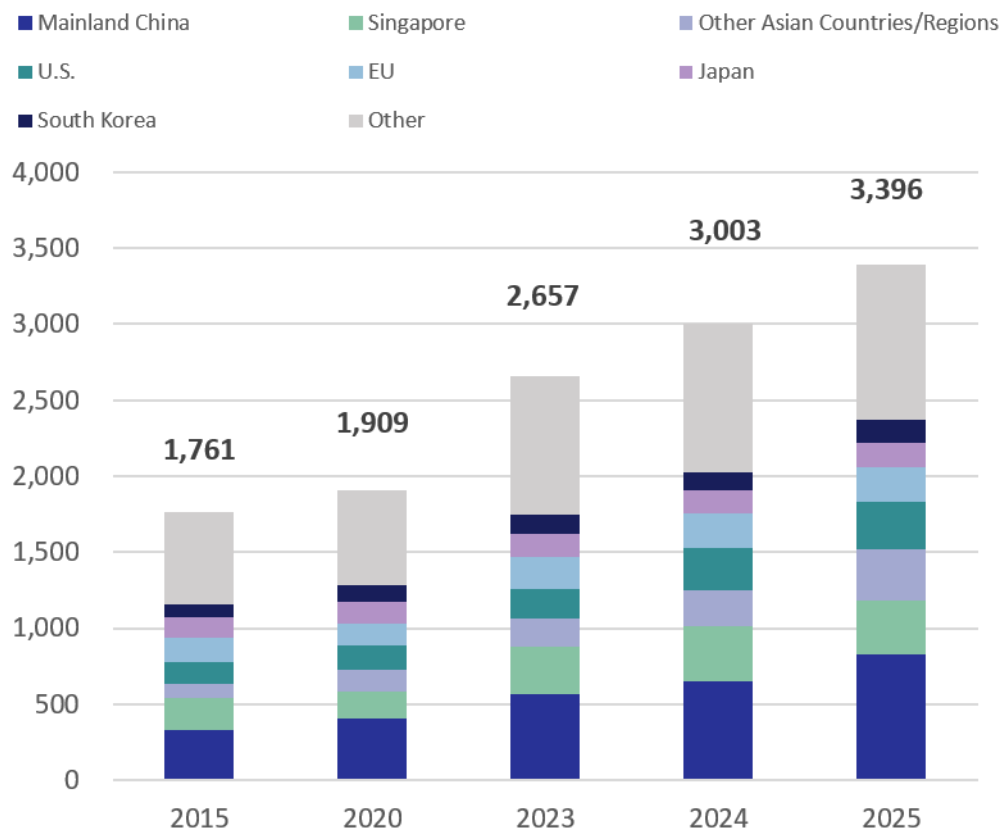
Note 2: "Other Asian Countries/Regions" represents the aggregate trade value of countries/regions not individually aggregated in the source data and includes Taiwan.

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

- The largest import source is Mainland China, followed by Singapore, Taiwan, the United States, and Japan. Imports from Mainland China increased approximately 1.3-fold from the previous year and consisted largely of electrical and electronic equipment, machinery, and chemical products. Sourcing within the ASEAN region was boosted by the restructuring of supply chains in the semiconductor industry and increased investment.
- Major import items are machinery, precision instruments, and electrical equipment. Import values increased due to capital expenditures and investments related to data centers and semiconductors. Domestic demand also remained robust.

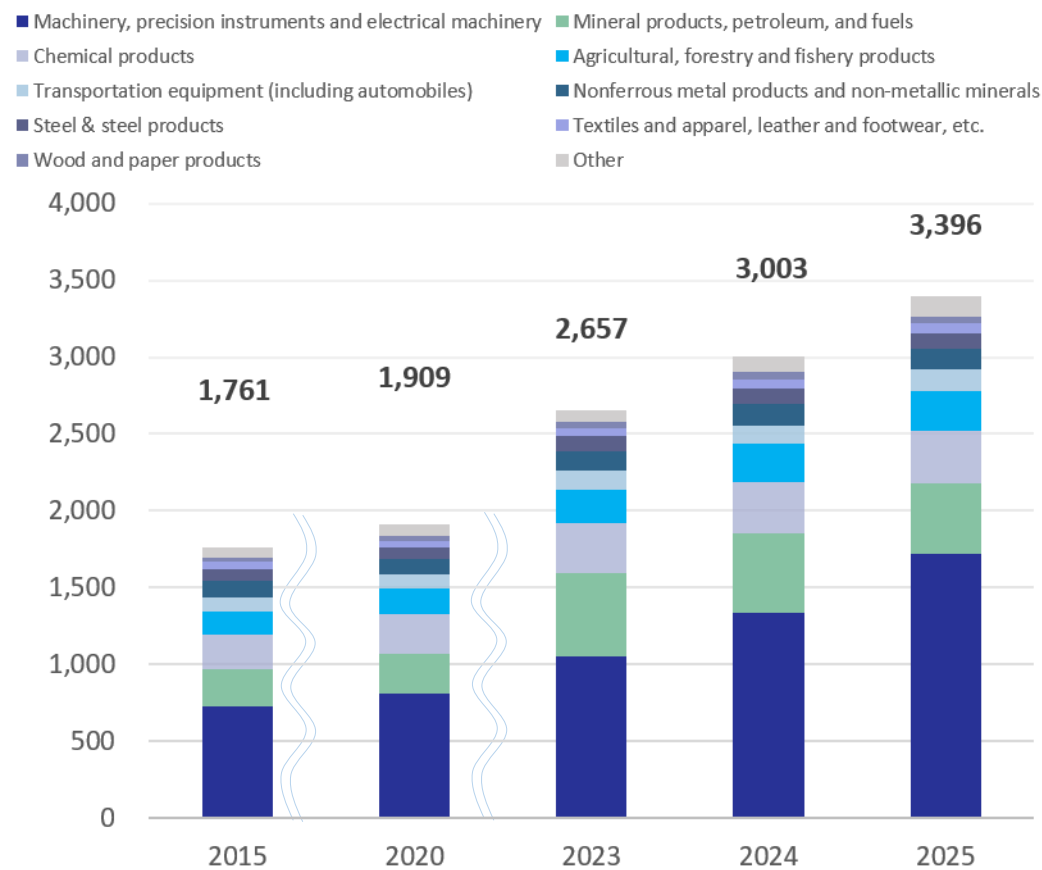
Trend of Imports by Country and Region

(100 million USD)



Trend of Import Value by Product Category

(100 million USD)



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

- Mainland China was the top import source in 2025, with total import value approximately 2.3 times larger than second-place Singapore, and that represents a huge gap from the countries/regions in second place and below, indicating high import dependency on China.

Breakdown of Import Values (by Country/region and Import Item Category)

(100 million USD)

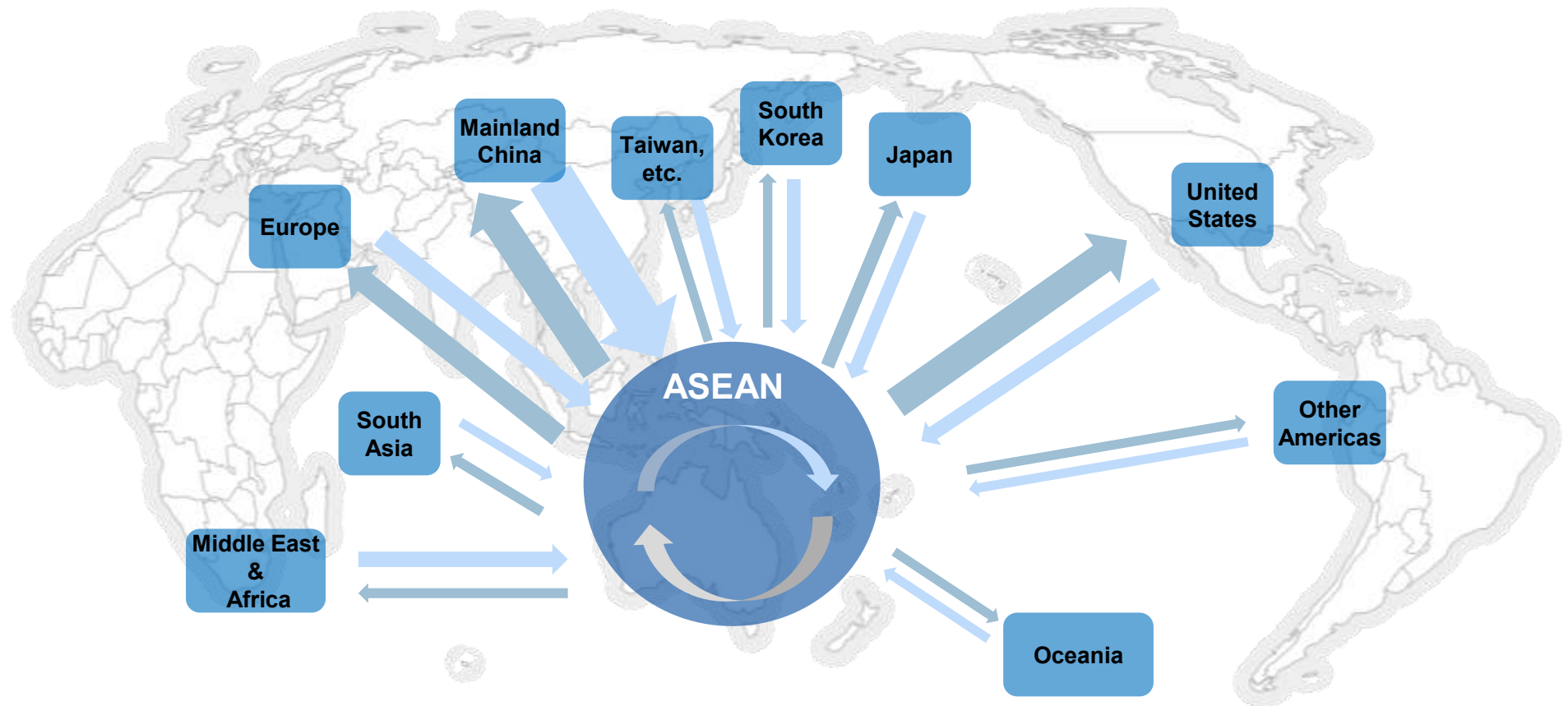
	Agricultural, Forestry and Fishery Products	Mineral Products, Petroleum, and Fuels	Chemical Products	Wood and Paper Products	Fibers & Textiles, Clothing, Leather, Footwear, etc.	Steel and Steel Products	Non-ferrous Metal Products and Non-metallic Minerals	Machinery, Precision Instruments, Electrical Machinery	Transportation Equipment (including Automobiles)	Other	Area Total
Mainland China	31.6 (11.8%)	25.8 (5.6%)	84.3 (24.7%)	13.7 (31.5%)	26.3 (40.9%)	45.8 (46.1%)	39.9 (29.8%)	482.2 (28.1%)	42.4 (30.1%)	34.4 (26.3%)	826
Singapore	8.6 (3.2%)	90.3 (19.7%)	31.1 (9.1%)	1.2 (2.8%)	5.5 (8.5%)	9.1 (9.1%)	7.1 (5.3%)	183.1 (10.7%)	2.2 (1.5%)	18.8 (14.4%)	357
Other Asian Countries/Regions	1.3 (0.5%)	10.5 (2.3%)	9.6 (2.8%)	0.6 (1.3%)	0.4 (0.6%)	5.4 (5.5%)	3.0 (2.2%)	306.9 (17.9%)	0.3 (0.2%)	1.1 (0.8%)	339
United States	10.0 (3.7%)	12.2 (2.7%)	26.1 (7.6%)	5.4 (12.4%)	1.7 (2.6%)	2.2 (2.2%)	12.3 (9.2%)	209.1 (12.2%)	27.1 (19.3%)	2.1 (1.6%)	308
EU	15.9 (6%)	3.9 (0.9%)	33.3 (9.8%)	3.3 (7.6%)	3.6 (5.6%)	3.2 (3.2%)	5.8 (4.3%)	130.9 (7.6%)	24.4 (17.4%)	7.0 (5.4%)	231
Japan	2.7 (1%)	3.7 (0.8%)	19.8 (5.8%)	1.4 (3.2%)	1.5 (2.3%)	7.9 (8%)	10.1 (7.5%)	83.2 (4.8%)	14.3 (10.1%)	11.3 (8.7%)	156
South Korea	1.9 (0.7%)	25.5 (5.5%)	16.1 (4.7%)	0.9 (2%)	0.5 (0.8%)	5.4 (5.4%)	5.7 (4.3%)	93.5 (5.4%)	0.9 (0.7%)	0.7 (0.5%)	151
Other	194.8 (73%)	287.1 (62.5%)	121.3 (35.5%)	17.0 (39.1%)	24.8 (38.6%)	20.4 (20.5%)	50.0 (37.3%)	227.3 (13.2%)	29.0 (20.7%)	55.5 (42.4%)	1,027
Total by Item Category	267	459	342	43	64	99	134	1,716	140	131	3,396

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

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

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

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



Note: Created based on ASEAN's 2023 trade volume; the arrow thickness indicates the scale of import/export volume. Regional classification follows UN specifications.
"Taiwan, etc." represents "Other Asia" in UN Comtrade.

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

Breakdown of Imports from ASEAN Countries/Regions (2024)

(Billion JPY)

	Thailand	Indonesia	Malaysia	Philippines	Singapore	Vietnam	Brunei	Myanmar	Cambodia	Laos	ASEAN Region
Japan	3,293	2,929	2,551	1,449	2,507	3,478	216	152	199	15	16,789
South Korea	839	1,523	1,666	504	3,006	3,621	52	64	45	4	11,323
Mainland China	4,979	8,867	5,796	1,332	9,989	8,651	290	489	247	384	41,024
Hong Kong	1,533	371	2,743	1,357	7,814	1,756	0	21	28	12	15,634
Taiwan	672	945	2,069	378	3,434	794	34	7	13	2	8,348
South Asia	2,026	3,901	2,390	181	3,094	1,355	39	203	24	8	13,221
United States	7,788	3,758	6,139	1,713	6,223	16,889	25	67	1,404	40	44,047
Middle East & Africa	2,696	2,467	2,559	159	2,869	1,650	0	74	37	3	12,516
Europe	4,756	3,213	4,105	1,312	5,554	8,752	2	393	765	63	28,916
Other Americas	1,884	1,134	1,184	277	2,111	2,372	37	18	216	2	9,236
Oceania	2,027	870	1,835	100	3,619	1,012	320	9	73	61	9,925
ASEAN region	9,970	7,662	13,524	1,552	21,119	5,212	576	611	717	810	61,753

Breakdown of Exports to ASEAN Countries/Regions (2024)

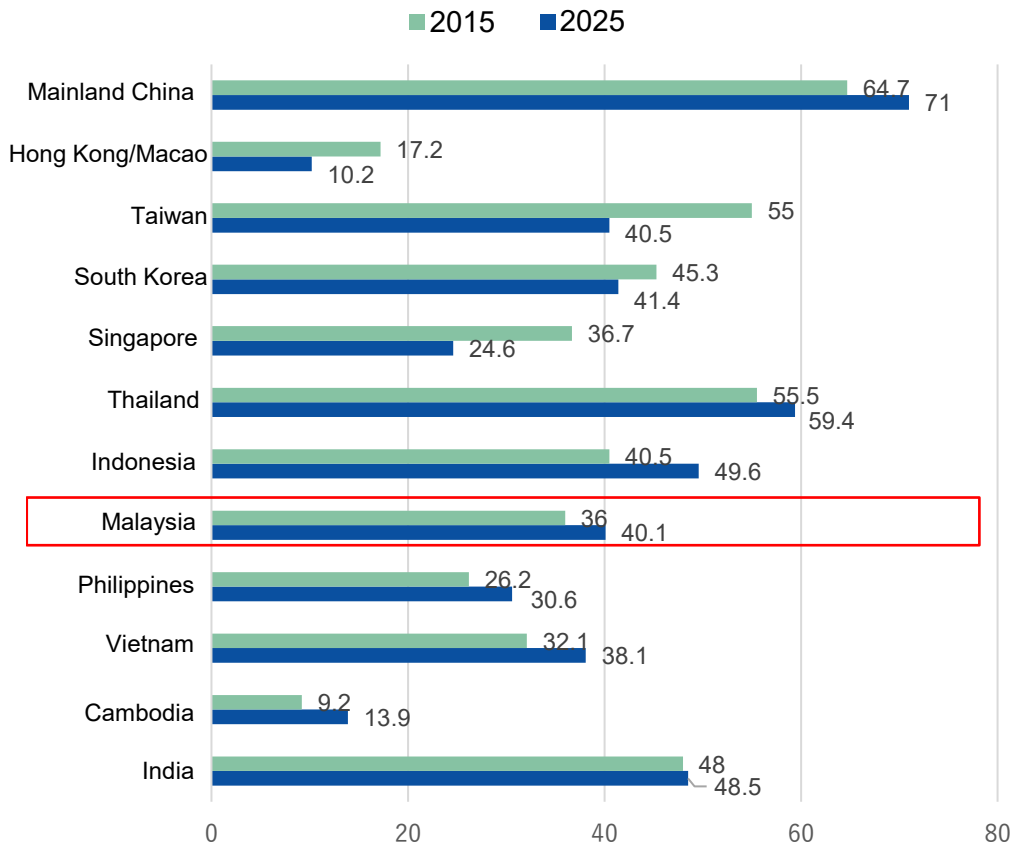
(Billion JPY)

	Thailand	Indonesia	Malaysia	Philippines	Singapore	Vietnam	Brunei	Myanmar	Cambodia	Laos	ASEAN Region
Japan	4,061	2,118	2,166	1,508	3,141	3,051	11	20	106	21	16,203
South Korea	1,310	1,323	1,709	1,416	4,061	7,904	5	23	74	12	17,837
Mainland China	11,394	10,438	9,155	4,876	8,011	20,355	87	590	1,899	421	67,226
Hong Kong	874	440	514	300	502	156	2	0	54	3	2,846
Taiwan	2,919	560	3,370	587	8,918	3,214	2	8	99	2	19,681
South Asia	898	914	1,107	391	1,314	870	24	57	35	6	5,617
United States	2,794	1,703	3,900	1,250	7,880	2,134	31	16	37	34	19,780
Middle East & Africa	4,914	2,739	3,604	825	5,081	2,053	108	50	22	1	19,397
Europe	4,318	2,571	4,018	1,295	9,464	3,033	155	55	149	39	25,097
Other Americas	1,234	1,416	1,445	712	2,205	1,578	13	7	58	5	8,673
Oceania	1,036	1,686	1,219	566	1,240	1,158	92	18	18	7	7,041
ASEAN region	7,713	7,334	10,119	5,336	12,847	6,651	477	917	1,505	633	53,530

I-3. Economic Structure (Industry/Trade) (8): Supply Chain Trends (Local Procurement of Raw Materials and Parts)

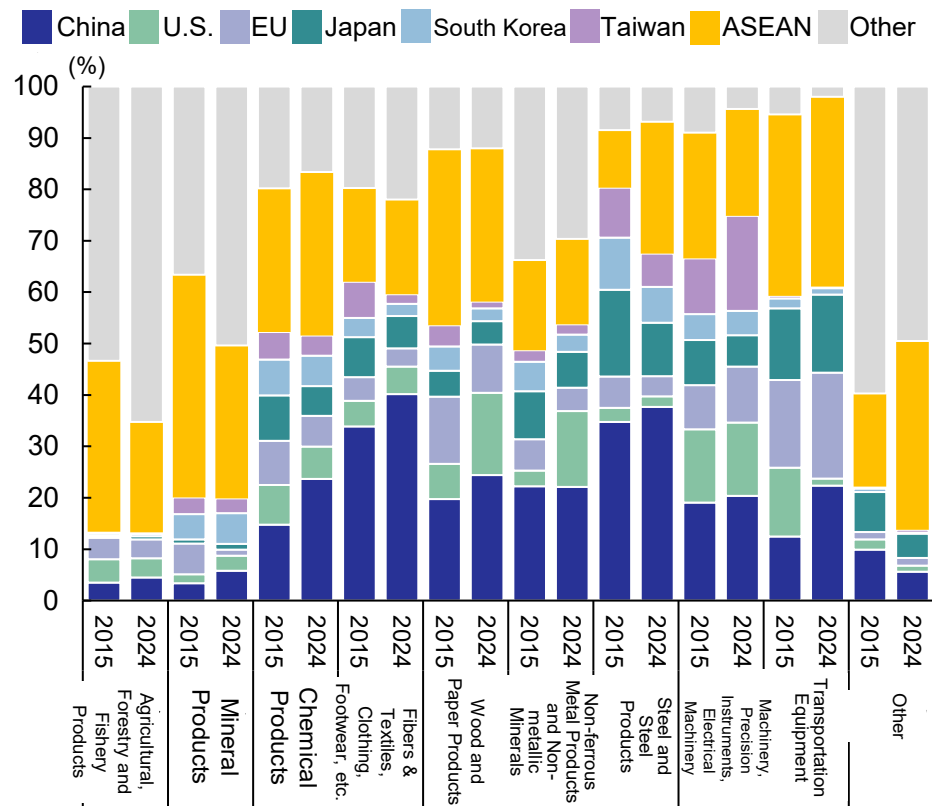
- The local procurement ratio for product manufacturing is not particularly high compared to other countries and regions, and it can be said that a relatively large proportion of raw materials and parts are procured through imports.
- China(Mainland) and ASEAN account for a large proportion of material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

Local Sourcing Ratio of Japanese Manufacturers Overseas



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

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



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

Source: Prepared by MRI based on UN Comtrade

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

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

Society	✓ In Malaysia, the Chinese held strong economic influence even before independence. The economic gap between the Malays and the Chinese caused riots to break out. The government adopted the Bumiputera policy to narrow the gap by fostering Malay entrepreneurs. As a result, ethnic tensions are not as great as they used to be. The presence of Malay companies is increasing year by year, but Chinese entrepreneurs still retain significant influence.
Economy	✓ An export-oriented country with a strong export industry as a base; exports include electronics, mineral resources and their processed products, and agricultural products such as natural rubber and palm oil. These industries have been actively welcoming foreign-owned companies since long ago. ✓ Fiscal and monetary policy management is basically conservative, and the economy is stable. The current account balance remains in the black. However, foreign exchange reserves are often described as somewhat low.
Politics	✓ Since independence in 1957, the National Front (BN) was consistently in power. However, in the general election of May 2018, the Alliance of Hope (PH), represented by former Prime Minister Mahathir, won a majority, resulting in a historic change of government. ✓ However, in February 2020, Prime Minister Mahathir resigned due to conflicts within the coalition government. On March 1 of the same year, Muhyiddin Yassin of the National Alliance (PN) became the new prime minister (resulting in a change of government without elections). However, he resigned after less than six months due to conflicts within the coalition government. In August 2021, Ismail Sabri of the National Front (BN) was appointed as the new prime minister and remained in power until the general election in November 2022. ✓ In November 2022, Anwar Ibrahim of the Alliance of Hope (PH), which won the largest number of votes in the general election, became the new prime minister. This is a change of government from the previous government of Ismail Sabri, which consisted of the National Front (BN) and other parties. The political scene is still in a state of turmoil involving multiple political parties.
Diplomacy	✓ Malaysia's foreign policy is based on the five principles of (1) freedom and independence, (2) good neighborly relations, (3) promotion of cooperation within the ASEAN region, (4) promotion of world peace and prosperity, and (5) compliance with the UN Charter. ✓ Centered on a policy of non-alignment and neutrality, it pursues multifaceted diplomacy including cooperation with ASEAN and Islamic nations, balanced relations with major powers like the US and China, and active participation in UN activities. ✓ In July 2024, Malaysia formally applied for membership in BRICS. It is the second ASEAN country to do so, following Thailand.

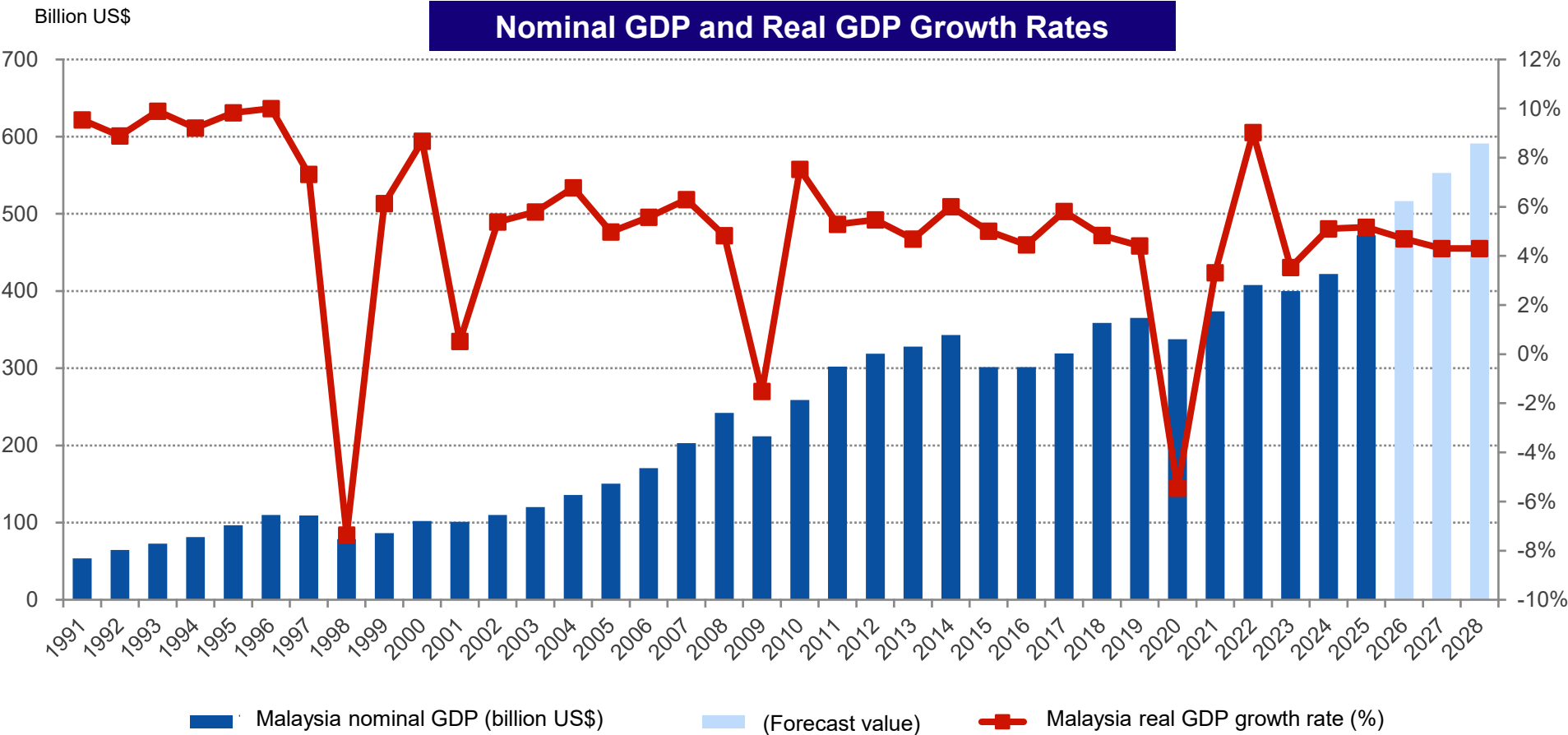
I-4. Economic and Industrial Characteristics (2): Industry

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

	Agriculture, Forestry, and Fishery	Manufacturing	Tertiary Industry
Characteristics	✓ Natural rubber production ranks 8th globally(2026). ✓ Palm oil production ranks second globally after Indonesia(2023). ✓ Forestry production is declining due to logging restrictions implemented for forest conservation.	✓ Transitioning from resource-processing to export-oriented and high-value-added industries ✓ Two domestic automobile manufacturers exist, with efforts also underway to develop the automotive parts industry. ✓ Issues include rising wages and a shortage of skilled workers.	✓ The tertiary sector accounts for over half of Malaysia's GDP and drives economic growth. ✓ Wholesale and retail trade, along with food and beverage, finance, and digital sectors, play significant roles.
Recent Trends	✓ The use of palm oil for non-food purposes, such as biofuels, is expanding, leading to increased production. ✓ The government promotes sustainable production for each product. It also addresses environmental concerns by introducing certification systems for each sector.	✓ JAKIM, the government-accredited halal certification body, established the International Halal Accreditation Board (IHAB) comprising of 69 organizations from 42 countries to establish and oversee international certification systems. ✓ The government is focusing on promoting electric vehicles (EVs) in its Low Carbon Society Implementation Plan through 2030. In 2025, Proton, a Malaysian automaker, commenced operations at its first EV factory.	✓ Recent easing of foreign investment regulations and Bumiputera policies have expanded the range of service industries accessible to foreign investment. ✓ Investment in the ITC sector is drawing attention, with companies like Google and Microsoft executing large-scale investments.

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

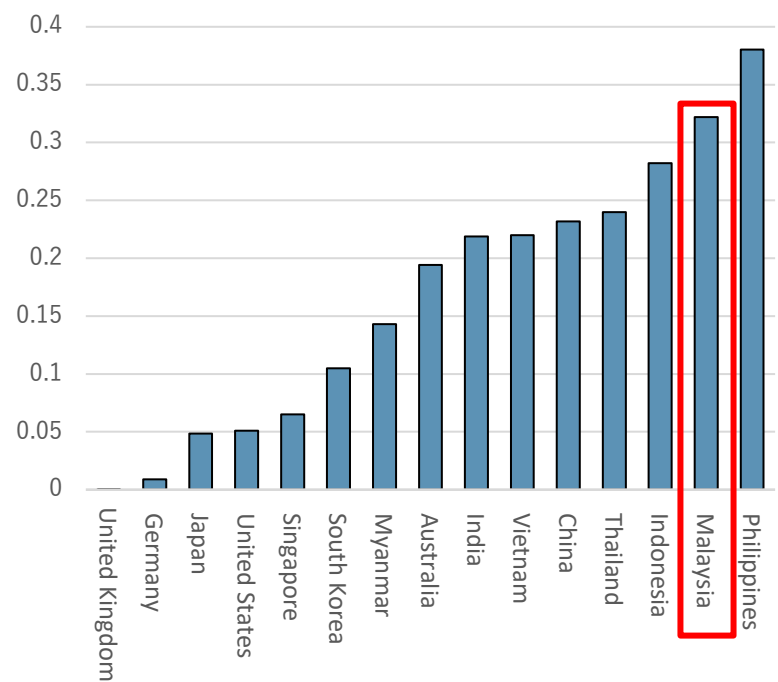
- The real GDP growth rate in 2025 was 5.2%, up slightly from 5.1% in 2024. Domestic demand, the service and construction sectors, and exports of electrical and electronic equipment supported this growth, resulting in a growth rate that exceeded the central bank’s forecast, which reflected a cautious stance amid global trade uncertainty.
- According to the IMF’s outlook, the growth rate is expected to be moderately slow to 4.7% in 2026, 4.3% in 2027, and 4.3% in 2028. While U.S. tariff policy and Malaysia’s fiscal tightening are expected to place downward pressure on growth, domestic demand, investment in the semiconductor industry, and the service sector are expected to remain robust.



I-6. Challenges in Economic Development

- Despite being at a relatively advanced stage of economic development within Asia, the degree of openness to foreign companies and the development of frameworks varies across industries, including certain service sectors.
- It has adopted preferential policies for indigenous groups such as the Malay community ("Bumiputera policy"). While recent years have seen a trend toward relaxation, foreign investment restrictions remain in place for certain industries.

Direct Investment Restriction Index (2023)



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

Outline of the Bumiputera Policy

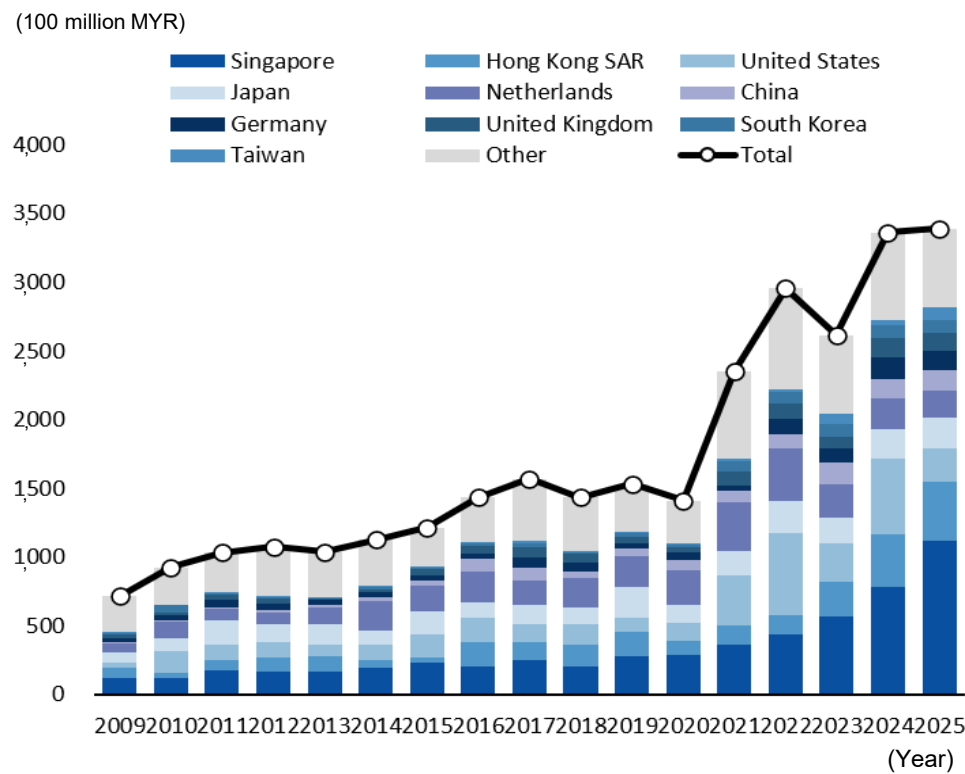
Education	✓ Malay is designated as the national language and is a compulsory subject even in Chinese schools. ✓ Malays tend to account for a larger proportion of students enrolled at national universities.
Employment	✓ Allocate employment quotas at 55% for Malays, 35% for Chinese, and 10% for Indians.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

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

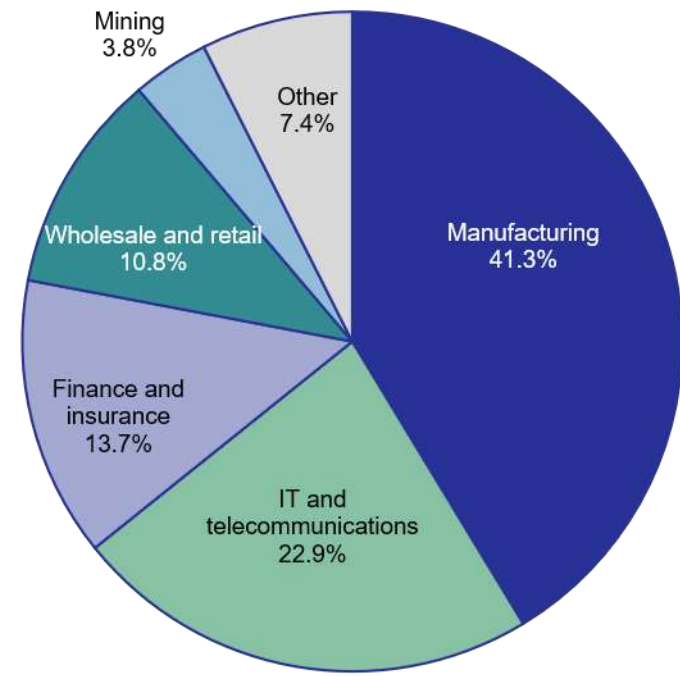
I-7. Direct Investment Trends (1): Investment from the World

- In 2025, FDI inflows from the rest of the world slightly increased to MYR 338.7 billion. The inflows were driven by regional control through Singapore, the financial sector, and investments related to data centers. Malaysia's reputation as a "neutral base" also supported these inflows under the situation where the relationship between the U.S. and China is disrupted.
- In terms of sector breakdown of inward direct investment balance in 2025, manufacturing accounted for the largest share. Malaysian industries, particularly the financial, IT and telecommunications, data center, and electrical and electronic equipment industries, attracted investments in both manufacturing and digital technologies.

Direct Investment Flow (Trends by Country/Region)

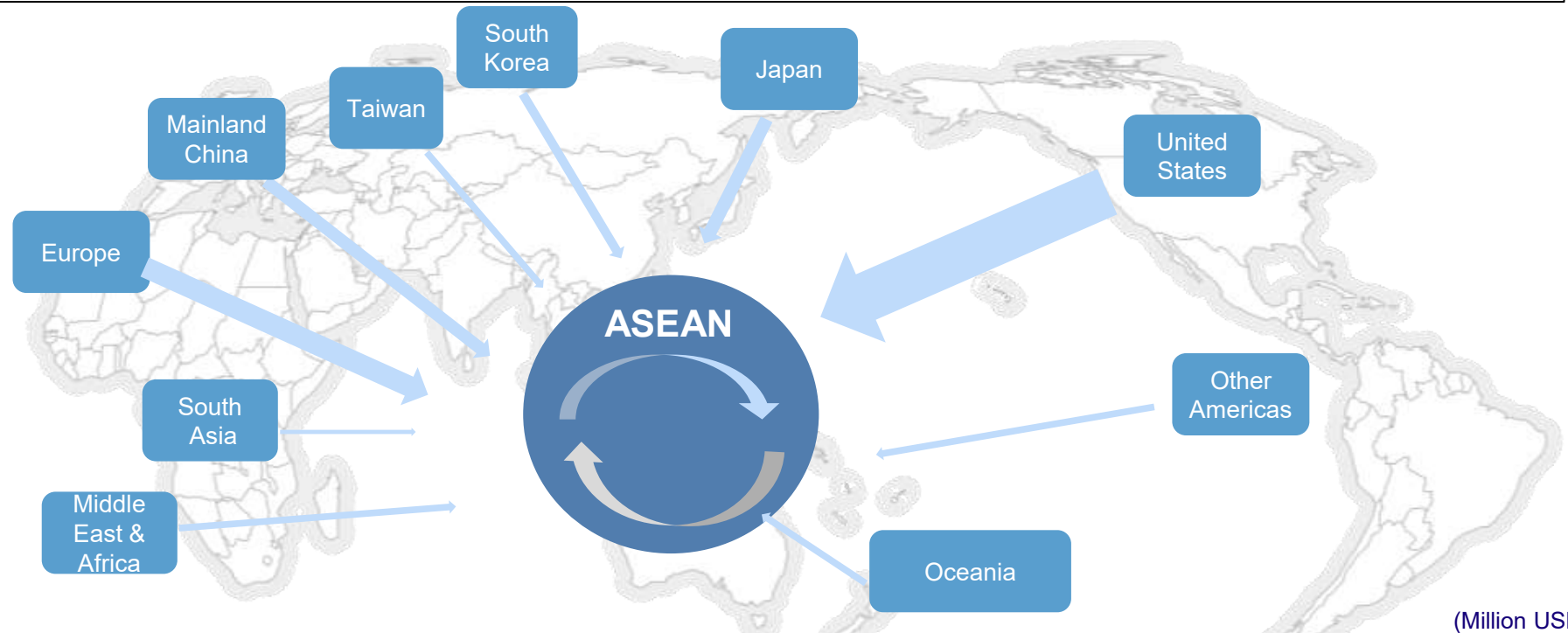


Breakdown of Direct Investment Balance by Industry (2025)



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

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



(Million USD)

	Thailand	Indonesia	Malaysia	Philippines	Singapore	Vietnam	Myanmar	Cambodia	ASEAN Total
Japan	2,494	1,625	1,336	646	10,400	3,502	14	183	20,199
South Korea	-278	1,208	482	21	2,726	7,057	-571	248	10,893
Mainland China	3,161	2,512	12	9	7,699	4,732	902	2,608	21,636
Taiwan	1,000	105	333	9	4,530	2,085	79	147	8,287
Middle East & Africa	388	268	59	1	-204	327	15	4	857
South Asia	42	-7	51	-1	3,388	126	-269	4	3,334
Europe	1,557	1,770	-1,467	602	31,435	1,398	874	69	36,237
United States	1,694	627	2,513	111	37,220	287	-30	43	42,466
Other Americas	289	-147	301	-2	4,690	1,958	635	428	8,151
Oceania	191	107	-1,064	0	3,719	912	-38	28	3,854
ASEAN region	3,036	12,180	5,017	174	6,042	10,700	-148	361	37,362

Note: Created based on ASEAN (eight countries, excluding Brunei and Laos) inward foreign direct investment (FDI) inflows for 2023. Arrow width indicates inflow magnitude. Vietnam's FDI inflows from outside the region are based on registered amounts from the Ministry of Planning and Investment of Vietnam; the other seven countries are based on fund transfers.

Source: Prepared by MRI based on ASEANStats and Vietnam's Ministry of Planning and Investment

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

- The policy interest rate was held steady at 2.75% as of May 2026. Compared to other APAC countries, it has remained at a low level.
- Outstanding loans show an annual growth trend of around 5%.

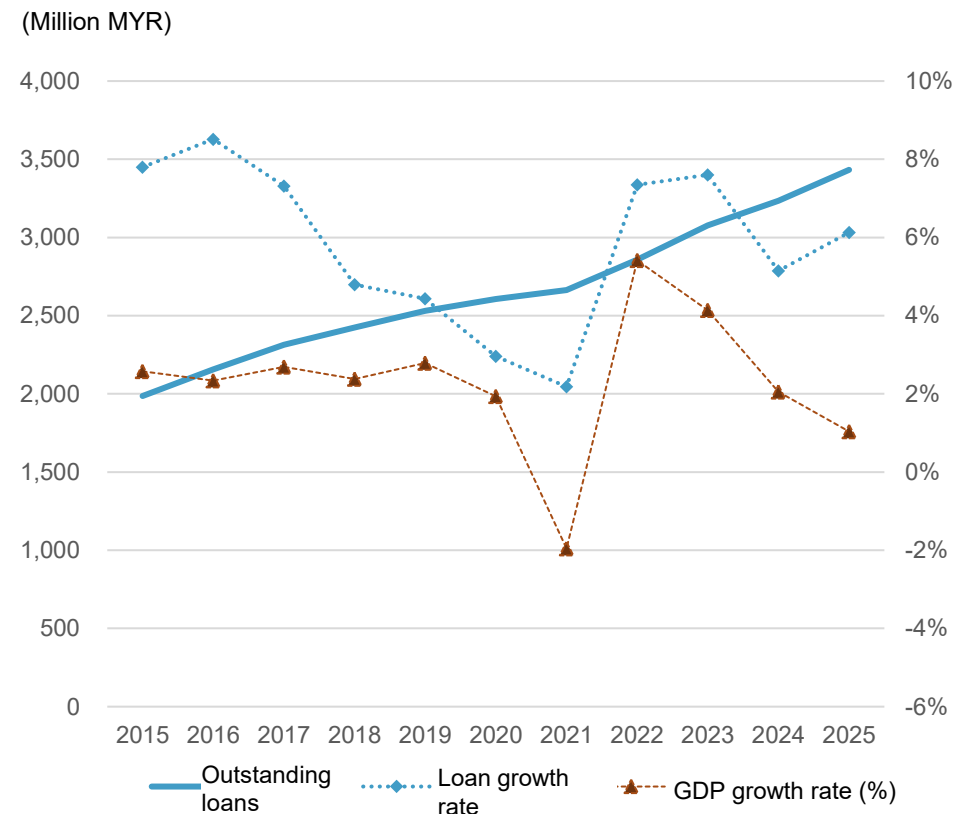
Trends in Policy Interest Rates of Major APAC Countries/Regions (%)

Country/Region	2020	2021	2022	2023	2024	2025
Mainland China	2.20	2.20	2.00	1.80	1.50	1.40
Hong Kong	0.50	0.50	4.75	5.75	4.75	4.00
Taiwan	1.13	1.13	1.75	1.88	2.00	2.00
South Korea	0.50	1.00	3.25	3.50	3.00	2.50
Thailand	0.50	0.50	1.25	2.50	2.25	1.25
Indonesia	3.75	3.50	5.50	6.00	6.00	4.75
Philippines	2.00	2.00	5.50	6.50	5.75	4.50
Vietnam	4.00	4.00	6.00	4.50	4.50	4.50
Malaysia	1.75	1.75	2.75	3.00	3.00	2.75
Laos	3.00	3.00	6.50	7.50	10.50	8.50
Myanmar	7.00	7.00	7.00	7.00	9.00	9.00
India	4.00	4.00	6.25	6.50	6.50	5.25
Bangladesh	4.75	4.75	5.75	7.75	10.00	10.00
Australia	0.10	0.10	3.10	4.35	4.35	3.60

Note: Interest rates are recorded at the end of December each year.

Source: Prepared by MRI from central banks of respective countries

Malaysia's Bank Loan Outstanding Balance Trends



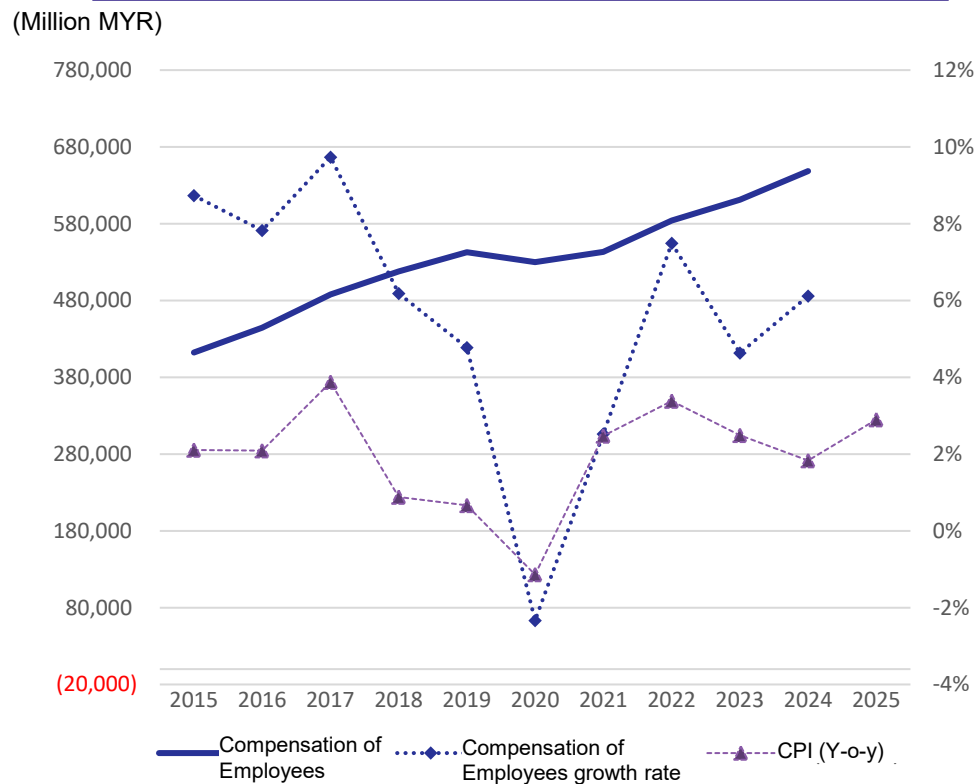
Note: GDP growth rate refers to the change in real GDP.

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

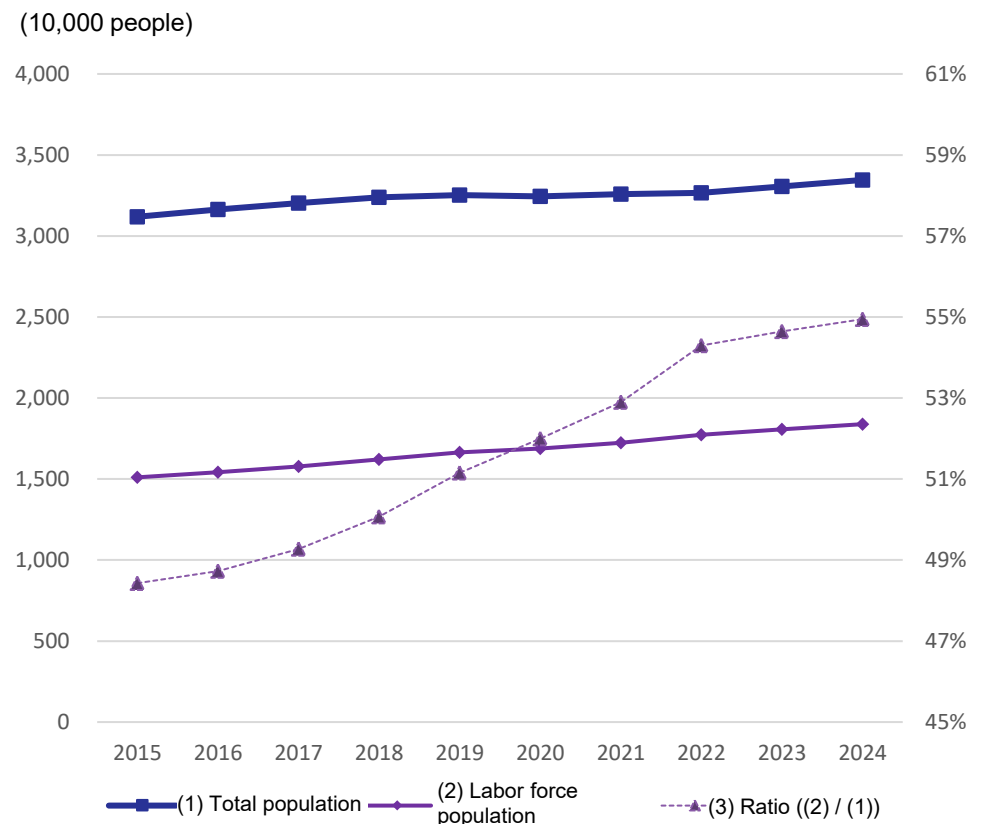
I-9. Trends in Income, CPI, and Working Population

- Compensation of employees has risen steadily. While growth slowed in 2023 amid the global economic downturn, the growth rate rose to 6.1% in 2024 as increased employment in the service and construction sectors boosted the total compensation amount.
- From 2021 and onward, real income has increased, as employee compensation has grown faster than the CPI. Accordingly, consumption activities are expected to expand, and living standards are expected to improve.
- Both the total population and the labor force population are gradually increasing each year.

Malaysia's Compensation of Employees and CPI



Trends in Total Population and Labor Force



I-10. Potential as an Investment Destination

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

Attractiveness of Investment

Advanced infrastructure	Stable electricity supply Developed transportation and port infrastructure
Strong language skills	Many speakers of English, Malay, Chinese. Effective for business development in third countries
Gateway for the Muslim market	Trusted by other countries because Malaysia offers one of the few halal certifications by a government agency in the world
Active conclusion of FTAs	Concludes FTAs inside and outside the region based on the ASEAN framework and actively concludes bilateral FTAs outside the framework
Measures to attract investment	Various tax incentives and support from government agencies
Geographical advantage	As Malaysia is located near Singapore and Thailand, it offers manufacturing sites that are suitable for developing supply chains within ASEAN.
Legal development	A well-developed legal system based on British law and highly transparent

Investment Considerations (Issues)

Tight labor supply	The labor market is chronically tight, and there is a tendency to depend on foreign labor; especially for skilled labor.
Labor cost	Labor cost is high among ASEAN countries, and the number of foreign firms entering Malaysia is declining due to cost-cutting.
Market scale	With a population of 33 million, Malaysia's domestic market is not large.
External risks	Malaysia is vulnerable to global economic slowdowns, geopolitical risks, foreign exchange fluctuations, rising material costs, and other factors.

II. Investment-related Information

II-1. Labor-related Information: Labor Cost

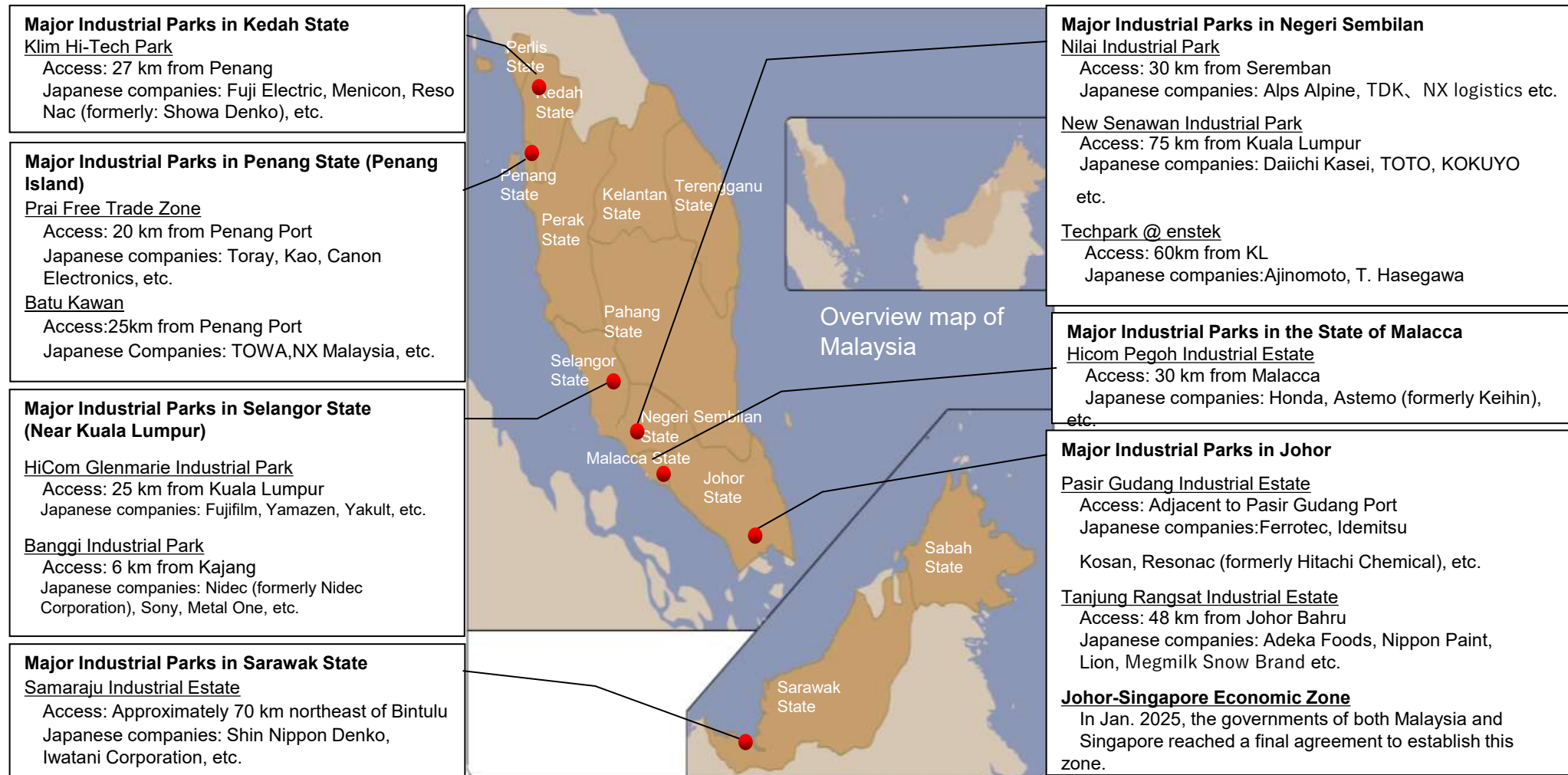
(USD/month)

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)	2,151	957	535	2,722	1,341	2,075	2,195	490	437
	Engineers	2,611	1,294	1,001	3,928	1,704	2,778	3,108	917	781
	Managers	3,587	2,052	1,988	4,767	2,709	3,688	4,909	1,773	1,622
Non-manufacturing	Staffs' wages (general level)	2,126	1,527	1,496	2,743	1,648	2,407	3,094	1,023	844
	Managers' wages	3,760	2,841	2,180	4,596	2,726	3,822	5,585	2,179	1,709
	Shop staffs' wages (Apparel)	2,849	—	1,656	1,904	1,184	2,990	1,638	754	386
	Shop staffs' wages (Food)	2,266	—	891	2,189	1,121	1,978	1,404	530	386
Legal minimum wage		8.33/hour	385/month	355/month	5.42/hour	933/month (or 6. 2/hour)	1,547/month	—	408/month	10.16 – 11.40/day
Bonus payments (fixed bonus + variable bonus)		4.85 months' base salary	2.3 months' base salary	2.6 months' base salary	1.96 months' base salary	3.41 months' base salary	2.73 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 ratio)		13.11% – 25.16%	30.7 – 34.4%	24 – 36.7%	(1) 5% Less than 30,000 HKD monthly salary (2) 1,500 HKD 30,000 HKD and more monthly salary	14.3%	10.15% – 28.75%	17%	14.45 – 14.95%	5%
Nominal wage increase rate		2.1% (2025)	1.03% (2024)	6.0% (2023)	3.5% (2024)	4.42% (2024)	2.9% (2024)	5.2% (2023)	Management: 5.88% Non-management: 5.56% (2023)	0.45% (2023)
Country/region		Indonesia	Philippines	Vietnam	Cambodia	Laos	Myanmar	India		
City		Jakarta	Manila	Hanoi	Ho Chi Minh	Phnom Penh	Vientiane	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 – 395	324	—	249 – 322	128	250 – 350	86 – 119	178 – 262	—
	Shop staffs' wages (Food)	296 – 460	324	—	237 – 249	91	250 – 500	86 – 110 (meals and a dorm provided) 119 – 143 (commutable employees)	178 – 297	190.3 – 297.3
Legal minimum wage		333/month	10.66 – 11.31/day	206/month (or 0.99/hour)	206/month (or 0.99/hour)	73.1/month	204/month	2.29/day	Unskilled: 215/month Semi-skilled: 237/month Skilled: 261/month	Unskilled: 183/month Semi-skilled: 169/month Skilled: 156/month
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 ratio)		10.24 – 11.74%	9.5%	21.5%(social insurance premiums) 17.5%(foreign workers)	21.5%(social insurance premiums) 17.5%(foreign workers)	6% (monthly salary 4.5 million LAK or less) 270,000 LAK (monthly salary over 4.5 million LAK)		Age 60 or under: 7% Over age 60: 7.5%	13%	13%
Nominal wage increase rate		3.38% (2024)	5.74 – 6.11% (2024)	—	—	—		—	8.0% (2023)	25.0% (2023)

Survey period: September 2025 for Mainland China, Hong Kong, Taiwan and South Korea; August to September 2025 for Tokyo; October to November 2024 for other countries

II-2. Major Industrial Parks and Special Economic Zones

- Industrial parks are located throughout Malaysia, with over 600 industrial parks and 18 free industrial zones in existence.
- Japanese companies have established numerous bases in Selangor State (near Kuala Lumpur) and Johor State.

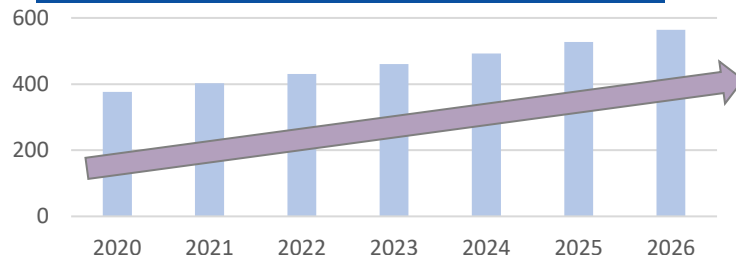


II-3. Logistics-related Information

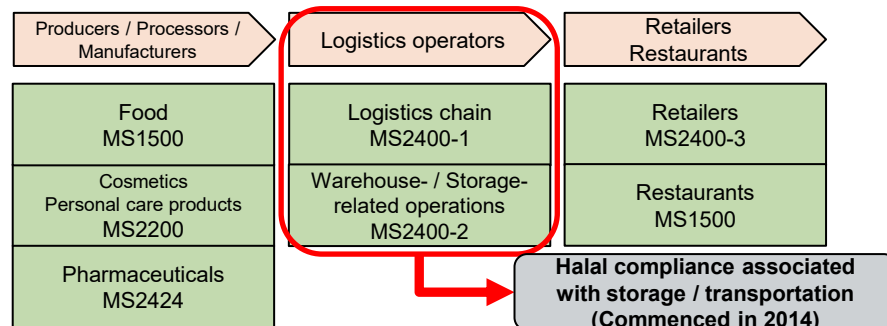
- In the World Bank's 2023 Logistics Performance Index, Malaysia ranked 26th out of 139 countries and regions worldwide. This represents a significant improvement from its 41st place in 2018 and 32nd place in 2016.
- The government envisions establishing Malaysia as a halal logistics hub.
 - JAKIM certification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

Local Logistics Market Trends

Transportation and Warehousing Market Size (Unit: 100million USD)



Supply Chain and Halal



Related Regulations and Key Players

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

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

II-4. Accounting and Tax-related Information

- **Transfer Pricing Taxation:** Due to the 2021 tax reform, from January 1, 2021, a penalty of up to MYR 100,000 will be imposed if transfer pricing documentation requested by the Inland Revenue Board is not submitted. In addition, if a transfer pricing adjustment is made by the Board, a surcharge of up to 5% of the adjustment amount will apply.
- **Taxation of Foreign-Source Income:** Previously, foreign-source income received in Malaysia by individuals, companies (excluding banking, insurance, and air/sea transport industries), etc., was exempt from tax. However, under the 2022 tax reforms, foreign-source income received by Malaysian residents (individuals and companies) on or after January 1, 2022, is subject to taxation in Malaysia.
- **Capital Gains Tax:** In principle, only gains related to real estate were taxed. However, under the 2024 tax reform, from March 1, 2024, net gains from the disposal of shares in unlisted Malaysian companies are also subject to tax (transfers due to group internal restructuring are generally exempt).
- **Service Tax:** Under the 2024 tax reform, from March 1, 2024, the service tax rate was increased from 6% to 8%, excluding food & beverage, telecommunications, and parking services. Additionally, new taxable services were added, including logistics (excluding import/export) at 6%, karaoke at 8%, brokerage/underwriting (excluding financial services) at 8%, and repair/maintenance services (excluding residential properties) at 8%. Furthermore, from July 2025, service tax at rates ranging from 6% to 8% has been newly imposed on six sectors: rental and leasing services, construction, financial services, private healthcare services, education services, and beauty services.
- **e-Invoice System:** Mandatory implementation began in phases starting August 2024. It applies to taxpayers with annual sales exceeding MYR 100 million from August 2024, taxpayers with annual sales exceeding MYR 25 million from January 2025, and taxpayers with annual sales of MYR 5 million or less from January 2026. Taxpayers with annual sales of MYR 1 million or less are exempt from this system.

Major Accounting Systems	Taxation and Tax Treaty Status
✓ Listed companies and financial institutions under the supervision of Bank Negara Malaysia must adopt MFRS accounting standards, while other companies may choose to apply either MFRS or MPERS accounting standards. Many Japanese companies (excluding financial institutions) relatively often opt for the simpler MPERS. ✓ Key differences between IFRS and MFRS or MPERS include the fact that IFRS provides exemptions from preparing consolidated financial statements (under certain conditions, such as when the ultimate parent company prepares consolidated statements), whereas Malaysian company law mandates that Malaysian corporations with subsidiaries prepare consolidated financial statements. Consequently, MFRS or MPERS do not include such exemptions for consolidated financial statement preparation.	✓ The corporate income tax rate is generally 24%. Starting from the 2023 tax year, for small and medium-sized enterprises (SMEs) with annual sales of MYR 50 million or less, the corporate income tax rates applied are: 15% on income up to MYR 150,000, 17% on income up to MYR 600,000, and 24% on income exceeding MYR 600,000. ✓ In Malaysia, tax incentives in the form of income deductions from corporate income are available for businesses designated as "promoted activities" by the Malaysian government. These include manufacturing, agriculture, hotel and tourism industries, research & development, environmental protection, and ICT businesses. ✓ The tax treaty concluded between Japan and Malaysia covers definitions such as permanent establishment, dividends, interest, and royalties.

II-5. Financial Information

- Malaysia's financial system consists of conventional financial institutions and Islamic financial institutions.
- Licensed banks are broadly categorized into 24 commercial banks, 10 investment banks, 17 Islamic banks, and five digital banks.
- In November 1989, the Federal Territory of Labuan was designated as an international offshore center. In February 1996, the Labuan Offshore Financial Services Authority was established (now renamed the Labuan Financial Services Authority: Labuan FSA).

Local Financial Sector Trends

- ✓ Malaysia's former Finance Minister, Tengku Abdul Aziz, announced the "Financial Sector Blueprint 2022-2026" for the development of the financial sector over the five years starting in 2022. It sets key objectives including the nation's long-term growth, environmental protection, and shared prosperity, and is intended to complement the new five-year national development plan, the Twelfth Malaysia Plan (12MP) (2021-25).
- ✓ Key Components of the Financial Sector Blueprint 2022–26
 - ① Financing Malaysia's Economic Transformation
 - ② Financial Well-being for Households and Businesses
 - ③ Advancing the Digitalization of the Financial Sector
 - ④ Establishing a Financial System for Transition to an Environmentally Conscious Economy
 - ⑤ Advancing a Leading Position in Islamic Finance
- ✓ In Malaysia, as demand for Islamic finance has increased, an increasing number of banks have established Islamic Banking Windows under the BNM's framework. According to the most recently released data, 16 banks have established such windows, and Japanese banks operating in Malaysia have also obtained approval to establish them.

Islamic Finance

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

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

Takaful (≈ Insurance)

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

III. Setting up an Entity

III-1. Business Models

	Local Subsidiary	Labuan Company	Branch	Representative Office/Regional Office
Summary	When a foreign company establishes a company in Malaysia, it generally chooses a "company limited by shares."	A Labuan company is a legal entity that can be established on Labuan Island, a special financial zone located off the east coast of Malaysia. Labuan companies include international finance companies, holding companies, and international trading companies.	A branch of a foreign corporation that is permitted to conduct business activities in Malaysia and registered as a foreign company does not have legal personality.	Commercial transactions and business activities are not allowed. A representative office/regional office may be established for a period of two to three years, which may be extended subject to review.
Legal basis	Companies Act 2016	Labuan Companies Act 1990	Companies Act 2016	MIDA's approval system
Minimum capital	MYR1 (but check employment pass and licensing requirements)	The minimum unit of a currency other than MYR Note: A minimum capital amount has been determined for the employment of foreign nationals or to meet permission requirements.	N.A.	N.A. Note: Although no stated capital is required, annual expenditures of MYR 300,000 or more are required, along with an evidence of such expenditures.
Foreign investment ratio	100% foreign capital is allowed, in principle. Note: However, certain sectors are subject to Bumiputera (Malay) capital adequacy requirements.	100% foreign capital is allowed.	N.A.	N.A.
Registration fee	MYR1,000	USD 30 for registration of company name; USD 300 to 1,500 for corporate registration depending on the stated capital amount; USD 1,000 per year for annual fee	MYR 5,000 to 70,000 depending on the stated capital amount of the head office	N.A.
Limitations on activities	None in particular; however, a license may be required depending on the type of business.	Malaysian ringgit-denominated transactions are prohibited.	Limitations exist; many types of businesses are not allowed to obtain permits or business licenses (e.g., wholesalers, retailers, and restaurants that need to obtain the WRT license)	Limited to market research, R&D, and free after-sales service, etc. Businesses that generate sales are not allowed.
Time required for establishment	One month approx.	One month approx.	One - two months approx.	Two months approx.
Directors	At least one Malaysian resident (including employment pass holders) is required.	1 person acceptable; non-resident acceptable; company director acceptable	—	—
Corporate tax	24% Note: Preferential tax rates are applied on a graduated basis to small and medium-sized enterprises with foreign equity ownership of 20% or less.	Business partners 3% Non-business trading companies (holding companies, etc.) 0%	24%	None
Application of tax treaties	Subject to tax treaties concluded between Malaysia and other countries	Concluded with mainland Malaysia (indirect application to over 70 countries) Excluded from tax treaties with Germany, India, Indonesia, Japan, U.K., etc.	Since they are not regarded as Malaysian residents, they are subject to the tax treaties between Japan and the subject country.	N.A.
Difficulty of closing	Difficult (liquidation by liquidators)	Easy (liquidation procedure or deregistration as in Japan)	Medium (deregistration, corporate tax clearance required)	Easy (deregistration)

III-2. Procedure to Establish Local Subsidiaries

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

Establishing a Local Subsidiary in Malaysia			Remarks	
1	Apply for permission to use a trade name (company name) (name search). (Usually one to two days)	approx. 4 weeks	Approx. 4 months.	✓ Steps to establish and register a company ▸ Online application to the company registration office (CCM/SSM) is required to establish a local subsidiary. ▸ Must register company within 30 days after company name is approved ✓ Selection of promoters and directors ▸ The Companies Act requires the appointment of at least one “resident” director (two for public companies); “resident” includes foreigners with long-term visas such as an employment pass. ✓ Company secretary ▸ The Companies Act requires the appointment of at least one qualified company secretary. ▸ A company is required to appoint a company secretary within 30 days of incorporation. The company secretary provides advice on procedures for general meetings of shareholders and meetings of the board of directors, prepares meeting minutes and written resolutions, handles procedures for changes in directors, statutory notification of annual reports, and other duties. ✓ Fees for establishing company ▸ Company name application: RM 50 ▸ Company registration fee: RM 1,000 ✓ Licenses to be obtained after incorporation to commence operations ▸ Manufacturers: MIDA manufacturing license ▸ Wholesalers, retailers, and distributors (involving foreign capital): WRT license ▸ Common to all sectors: Sector-specific licenses (e.g., licenses for distributors, construction companies, communications companies, healthcare companies, staffing companies, and educational service companies), business premise licenses issued by local governments, and signboard licenses
2	Prepare documents required for application for company registration. Select promoters and directors at the time of establishment. Determine authorized capital and paid-in capital.			
3	Prepare application form. (Approx. two weeks when using an agent)			
4	Submit application documents to the company registration office (CCM/SSM). (Usually two to three days)			
5	Company is established (registration document obtained).			
6	First meeting of the Board of Directors Submit registration documents to SSM (share allotment form, list of directors, etc.). (Held within one month after establishment of company)	approx. 8 weeks		
7	Open bank account. (Usually opened one to two months after submitting documents)			
8	Capital remittance, share transfer, capital increase procedures	approx. 4 weeks		
9	Apply for employment passes at Immigration Department.			
10	Receive employment passes.			

III-3. Procedure to Establish Representative Offices

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

Establishing a Representative Office in Malaysia	Remarks
1 Prepare required documents and their English translations. 2 Prepare application for registration of the representative office. (Prepare personal documents of representatives at the same time.) 3 Submit the registration application for the representative office. (Three copies of the application form and the required documents are needed.) 4 Obtain a registration certificate for the representative office. Within your company Procedure for applying to MIDA	Required documents ■ The parent company’s most-recent annual report and English-language audited financial statements ■ A certified copy of the commercial register ■ A brochure describing the business and products (optional) Note: All the above documents must be prepared in English. ■ If you are sending a representative, a passport copy, resume, and career-related documents are also required. Required time ■ Approximately two months is required from the submission of the registration application to MIDA until approval and a certificate of registration as a representative office is obtained. Conditions for establishment ■ Annual fee (planned basis): Minimum RM 300,000 ■ All expenses are to be paid from outside Malaysia.

III-4. Local Expenses

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

	Type of Expense		Amount (USD)	Remarks
Land price, office rent, etc.	Industrial park (land) purchase price (per m ²)		120.02	Telok Panlima Galang (about 9 km from Klang Port); excluding tax and other expenses
	Industrial park rent (per m ² , monthly)		9.11	Hicom Glenmarie (approx. 23 km from the Port of Klang); excluding tax and other expenses
	Office rent (per m ² , monthly)		16.00	Kuala Lumpur city center, average 332m ² ; excluding tax and other expenses
	Rent for retail space/showroom in city center (per m ² , monthly)		27.56	Kuala Lumpur city center area; excluding tax and other expenses
	Housing rent for expatriate (monthly)		1,554	Kuala Lumpur city center area, Average price for 93–111 m ² house, two bedrooms, fully-furnished serviced apartments and condominiums, excluding tax and other expenses
Utilities	Electricity	Business (per kWh)	Monthly base rate: 143.88 Rate per kWh: a.0.09 b.0.05	Industrial (E2 category) a. Peak hours (8 am to 10 pm) b. Off-peak hours (10 pm to 8 am)
		Residential (per kWh)	Monthly base rate: 0.72 Rate per kWh: 0.05–0.14	Rate per kWh varies depending on the amount used.
	Water/ Sewer	Business (per m ³)	Monthly base rate: 8.63 Rate per m ³ : 0.65–0.71	The survey was conducted in Selangor State; the rate per m ³ varies depending on the amount used.
		Residential (per m ³)	Monthly base rate: 1.56 Rate per m ³ : 0.16–0.63	The survey was conducted in Selangor State; the rate per m ³ varies depending on the amount used.
	Gas	Business (per unit)	7.13 – 7.88/MMBtu (Rate per m ³ : 0.25–0.28)	Fixed rate (categories B, C, D, E, F, L); natural gas Other costs such as connection fees to pipelines are not included.
		Residential (per unit)	5.22/MMBtu (Rate per m ³ : 0.20)	Fixed rate (category A); natural gas Other costs such as connection fees to pipelines are not included

Survey dates: October – November 2024

IV. Regulations, Incentives, Reference Information

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

- Malaysia has no single inward investment law that comprehensively governs all areas of investment. The competent regulatory ministries and agencies or organizations may impose specific equity conditions and other requirements depending on the investment activities.
- Since the 1970s, Malaysia has implemented the Bumiputera policy, which gives preferential treatment to Malays and other indigenous peoples. This policy forms the basis of regulations in each sector.
- Companies in the manufacturing industry can be 100% foreign-owned, in principle, from June 2003.

Overview of Malaysian regulations for foreign investors

Ministry of Investment, Trade, and Industry (MITI)	A ministry that governs investment and trade policies throughout Malaysia; with regard to regulations for foreign investors, it formulates liberalization strategies for the service sector and basic policies for each industry.
Malaysian Investment Development Authority (MIDA)	An organization under MITI that promotes investment; it serves as the point of contact for manufacturing licenses and incentives, and it coordinates, follows up on, and monitors investment projects.
Other relevant organizations	The Ministry of Economy, which governs guidelines for real estate acquisition; the central bank, which regulates and supervises the financial sector; and the relevant supervising organizations for individual sectors, including telecommunications, energy, transportation, and distribution sectors, have introduced equity conditions and requirements for participating in local markets for foreign investors.

Manufacturing Sector

➤ Companies can be 100% foreign owned, in principle.

Service Sector

➤ 27 subsectors were liberalized in 2009, followed by another 18 subsectors in 2012.

➤ As restrictions on foreign investment ratio remain in certain industries, such as logistics and retail industries, it is necessary to check the latest guidelines issued by the relevant organizations.

Bumiputera Policy

- The Bumiputera policy has been implemented since the 1970s to provide preferential treatment to Malays and other indigenous peoples in areas of shareholding, employment, education, and real estate. In August 2024, Prime Minister Anwar announced the Bumiputera Economic Transformation Plan 2035 (PuTERA35).
- The policy aims to narrow gaps and to expand Bumiputera influence. As it imposes restrictions on foreign companies' participation in local markets and business expansion, it serves as a substantive regulation for foreign investors.

Bumiputera

=

Sons of the soil
(refers to Malays and other indigenous people)

Strategic pillars and prioritized measures	
Strengthening the economic foundation	• Expanding Bumiputera initiatives in the economic area • Supporting small and medium-sized enterprises in improving their competitiveness and expanding their scale • Strengthening talent development and the educational ecosystem • Promoting asset-building • Expanding equity ownership
Governance and framework development	• Improving government services and governance • Strengthening Bumiputera support initiatives of private and government-linked companies • Fostering the Spirit of Bumiputera (Bumiputera economic philosophy)
Realizing social justice	• Eliminating absolute poverty among Bumiputera • Strengthening the social security system • Socio-economic development for indigenous peoples (Orang Asli) • Accelerating development in Sabah and Sarawak

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

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

Foreign Investment Restrictions as Stated in MDTCC Guidelines

Specialty shops	Hypermarkets/department stores	Restricted industries
Specialty shops* • Minimum capital of MYR 1 million (MYR 1 million per store) • If the shop is street level, or if floor area is over 5,000 m², the impact on the local retail industry shall be considered before approval is granted.	Hypermarkets (Sales floor area of 5,000 m ² or more) • Minimum capital of MYR50 million • Minimum of 30% Bumiputera capital required • At least 30% of products on display must be manufactured by local SMEs or Bumiputera companies. Department stores • Minimum capital of MYR20 million • At least 30% of products on display must be manufactured by local SMEs or Bumiputera companies.	Industries where foreign investment is restricted • Supermarkets (sales floor area less than 3,000 m²) • Grocery stores/general sales stores • Newspaper and general merchandise stores • Gas stations • Jewelry stores • Restaurants (not high-end) etc.

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

IV-2. Investment Promotion(1): The Latest Investment Incentive Framework for Manufacturers

Framework name	New Incentive Framework (NIF)
Overview	- A performance-linked, staged incentive framework aligned with the national strategy and the global minimum tax - It replaces the former incentive scheme under the Promotions of Investments Act, 1986, which prioritized the amount of investment.
Competent agency / framework	Malaysian Investment Development Authority (MIDA)
Targets	(Effective March 1, 2026) 15 manufacturing subsectors 1. Electrical and Electronics, 2. Chemicals, 3. Pharmaceuticals, 4. Medical Equipment, 5. Aerospace, 6. Machinery, 7. Automobile-Related, 8. Oil and Petrochemicals, 9. Oleochemicals, 10. Food Manufacturing and Processing, 11. Wood, Paper, and Furniture, 12. Textiles, Apparel, and Footwear, 13. Strategic Mineral-related Products, 14. Rubber Products, 15. Metals Note: Certain businesses are exempt from this framework. (To be effective between April and June 2026) Service sector Details had not been announced as of the end of May 2026.
Details	Companies' investments are scored based on their degree of contribution to the National Investment Aspirations (NIA) and the New Industrial Master Plan (NIMP) 2030. Upon certification, companies may choose one of the following two preferential tax treatments. Special Tax Rate (STR): A measure that reduces the corporate income tax rate For up to 15 years, a corporate income tax rate of 0% to 15% Note: Cumulative deficits may be carried forward for seven years. Investment Tax Allowance (ITA): A measure that allows capital expenditures to be deducted from statutory income Up to 100% of qualified capital expenditures incurred over a period of up to 15 years may be used to offset 70% to 100% of statutory income. Note: Unused qualified capital expenditures may be carried forward until they are fully utilized.

IV-2. Investment Promotion (2): Other Investment Incentive Programs for Which Companies Can Apply - I

Program name	Digital Ecosystem Acceleration Scheme (DESAC)
Overview	A preferential tax scheme introduced under the FY2022 budget to attract investment in digital-related infrastructure projects
Competent agency / framework	Malaysian Investment Development Authority (MIDA) / Income Tax Act, 1967
Targets	✓ New and existing companies that provide digital infrastructure services (e.g., submarine cable facilities, including cable landing stations, data centers, cloud computing services) Note: Applications must be submitted by December 31, 2027.
Details	<u>New companies</u> may choose one of the following two preferential tax treatments. Special Tax Rate (STR): A measure that reduces the corporate income tax rate Tier 1 (companies that meet the minimum and additional requirements): For 5 or 10 years, a corporate income tax rate of 10% Tier 2 (companies that meet the minimum requirements): For 5 or 10 years, a corporate income tax rate of 15% Investment Tax Allowance (ITA): A measure that allows capital expenditures to be deducted from statutory income Tier 1: 100% of qualified capital expenditures incurred over a period of 5 or 10 years may be used to offset up to 100% of statutory income. Tier 2: 60% of qualified capital expenditures incurred over a period of 5 or 10 years may be used to offset up to 100% of statutory income. <u>For existing companies</u>, the following preferential tax treatment applies. Investment Tax Allowance (ITA): A measure that allows capital expenditures to be deducted from statutory income Tier 1: 60% of qualified capital expenditures incurred over a period of 5 years may be used to offset up to 70% of statutory income. Tier 2: 30% of qualified capital expenditures incurred over a period of 5 years may be used to offset up to 70% of statutory income.

IV-2. Investment Promotion (2): Other Investment Incentive Programs for Which Companies Can Apply - II

Program name	Reinvestment Allowance (RA)
Overview	Tax allowance for existing manufactures that allows capital expenditures, excluding expenditures on land, incurred for business expansion or extension to be deducted from income
Competent agency / framework	Inland Revenue Board of Malaysia / Income Tax Act, 1967
Targets	✓ Companies that have been operating for at least 36 months and that make reinvestments for the expansion, modernization, automation, or diversification of their existing business ✓ Businesses in the manufacturing sector or certain agricultural businesses
Details	✓ 60% of qualified capital expenditures incurred may be used to offset up to 70% (or 100% in certain regions) of statutory income for each fiscal year. ✓ Companies may claim an allowance on qualified capital expenditures incurred during a period of 15 years from the fiscal year in which they first incurred qualified capital expenditures. ✓ Unused qualified capital expenditures may be carried forward for seven years.

Program name	Incentive for Reinvestment
Overview	Tax allowance for existing manufactures that allows capital expenditures, excluding expenditures on land, incurred for business expansion or extension to be deducted from income
Competent agency / framework	Malaysian Investment Development Authority (MIDA) / New Industrial Master Plan 2030
Targets	✓ Companies in the following 18 manufacturing subsectors that have claimed the Reinvestment Allowance above 1. Aerospace, 2. Automobile-Related, 3. Chemicals and Biotechnology, 4. Electrical and Electronics, 5. Food Processing, 6. Halal, 7. Machinery, 8. Medical Equipment, 9. Metals, 10. Mineral Products, 11. Palm Oil-related Products, 12. Pharmaceuticals and Biotechnology, 13. Oil and Petrochemicals, 14. Railways, 15. Rubber Products, 16. Shipbuilding, 17. Textiles, Apparel, and Footwear, 18. Wood, Paper, and Furniture ✓ Companies that have been operating for at least 36 months and that make reinvestments for the expansion of production capacity or modernization of production equipment Note: Applications must be submitted by December 31, 2028.
Details	For existing companies, the following preferential tax treatment applies. Investment Tax Allowance (ITA): A measure that allows capital expenditures to be deducted from statutory income ✓ Tier 1 (companies that meet the minimum and additional requirements): 100% of qualified capital expenditures incurred over a period of 5 years may be used to offset up to 100% of statutory income. ✓ Tier 2 (companies that meet the minimum requirements): 60% of qualified capital expenditures incurred over a period of 5 years may be used to offset up to 70% of statutory income.

IV-2. Investment Promotion (2): Other Investment Incentive Programs for Which Companies Can Apply - III

Program name	Green Technology Tax Incentive
Overview	A tax incentive that provides allowances for investment in assets associated with environmental protection, such as energy efficiency and recycling, as specified by the Malaysian Green Technology and Climate Change Corporation (MGTC) as Green Investment Tax Allowance (GITA) Assets. The incentive was introduced under the FY2024 national budget.
Competent agency / framework	Target 1) Malaysian Green Technology and Climate Change Corporation (MGTC) under purview of the Ministry of Natural Resources and Environmental Sustainability Targets 2 and 3) Malaysian Investment Development Authority (MIDA) The Income Tax Act, 1967 provides the legal framework for all three targets.
Targets	1. Companies investing in GITA Assets for their own use 2. Companies investing in GITA Assets for use in their business 3. Companies leasing solar power generation systems Note: Applications must be submitted by December 31, 2026.
Details	Companies investing in GITA Assets for their own use ✓ Tier 1 (e.g., acquisition of electric vehicles for business purposes, battery energy storage systems, and green buildings) 100% of qualified capital expenditures incurred by December 31, 2026 may be used to offset 70% of statutory income. ✓ Tier 2 (acquisition of designated transformers, heat exchangers, or boilers, renewable energy systems, waste recycling equipment, water reclamation equipment, etc.) 60% of qualified capital expenditures incurred by December 31, 2026 may be used to offset 70% of statutory income. Companies investing in GITA Assets for use in their business ✓ Tier 1 (green hydrogen-related businesses): 100% of qualified capital expenditures incurred over a period of 5 years (with an option to apply for an extension of an additional 5 years) may be used to offset 100% or 70% of statutory income. ✓ Tier 2 (businesses related to integrated waste management or electric vehicle charging stations): 100% of qualified capital expenditures incurred over a period of 5 years may be used to offset 100% of statutory income. ✓ Tier 3 (businesses related to biomass, biogas, geothermal, solar, or wind power generation): 100% of qualified capital expenditures incurred over a period of 5 years may be used to offset 70% of statutory income. Companies leasing solar power generation systems ✓ Tier 1 (more than 3MW to 10MW or less): 70% of statutory income is exempt from tax for a period of 5 years. ✓ Tier 2 (more than 10MW to 30MW or less): 70% of statutory income is exempt from tax for a period of 10 years.

IV-2. Investment Promotion (2): Other Investment Incentive Programs for Which Companies Can Apply - IV

Program name	Global Services Hub tax incentive (GSH)
Overview	A preferential corporate income tax treatment designed to attract regional headquarters of multinational enterprises
Competent agency / framework	Malaysian Investment Development Authority (MIDA) / Income Tax Act, 1967
Targets	Activities related to corporate strategy divisions and service divisions, including planning, accounting, sales, and marketing divisions Companies engaging in the following business activities ① Regional receipt and expenditure management / business management ② Formulation of business strategies ③ Formulation of corporate growth strategies ④ At least two of the following qualified activities a. Strategic services b. Business services c. Shared services d. Other services Note: Applications must be submitted by December 31, 2027.
Details	<u>For new companies</u>, the following corporate income tax reduction measures apply. Tier 1: For 5 or 10 years, a corporate income tax rate of 5% Tier 2: For 5 or 10 years, a corporate income tax rate of 10% <u>For existing companies</u>, the following corporate income tax reduction measures apply. Tier 1: For 5 years, a corporate income tax rate of 5% on certified income Tier 2: For 5 years, a corporate income tax rate of 10% on certified income Eligibility for certification is assessed based on the company's track record in the following areas or other factors. • Annual expenditures • Number of full-time workers earning high salaries • Collaboration with Technical and Vocational Education and Training (TVET) institutions • Provision of training for Malaysian students and citizens • Environmental, social, and governance (ESG) elements

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

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

Types of Companies under the Current Companies Act

Classification by Degree of Shareholder Liability

Company Limited by Shares

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

Company Limited by Guarantee

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

Unlimited Company

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

Classification of Companies Limited by Shares

Public Company

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

Private company

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

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

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

Managing Director	✓ Under the Malaysian Companies Act, a managing director is appointed by the board of directors pursuant to the articles of association to carry out certain delegated powers and responsibilities in the conduct of business. ✓ Although not a statutory corporate body and therefore not mandatory, in practice most companies appoint one as the chief executive officer.
Directors	✓ A minimum of one director is required for a private company, with a minimum of two directors for a public company. Directors must be residents of Malaysia. ✓ Directors are subject to fiduciary duties and are required to act honestly and properly for the benefit of the company. ✓ Other director obligations include: Duty to report and disclose conflicts of interest (Section 221); duty to prepare financial statements and maintain proper accounting records (Sections 245, 248); and duty to establish internal controls (for public companies, Section 246).
Company Secretary	✓ Under the Companies Act, at least one company secretary must be appointed. ✓ The company secretary handles administrative tasks related to business operations under the Companies Act, such as preparing and filing registration documents, and preparing minutes for general meetings of shareholders and board meetings. ✓ The company secretary must be a Malaysian citizen or permanent resident and must belong to a specific organization designated under the Companies Act. ✓ The appointment of the company secretary is made by the directors (Article 236 (1)).
Auditor	✓ The Malaysian Companies Act does not provide for an institution called an auditor. However, public companies are required to establish an Audit Committee composed of directors.
Accounting Auditor	✓ Under the Malaysian Companies Act, companies are required to appoint an auditor and undergo an audit. ✓ The auditor must be a certified public accountant registered with the Malaysian Institute of Accountants. ✓ The auditor expresses an opinion on whether the financial statements prepared by the company comply with the Companies Act and Malaysian accounting standards.

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

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

Shareholders' Meetings under the Companies Act 2016

Implementation Items (Public Companies)	✓ Reporting of audited financial statements, directors' reports, and audit reports ✓ Election of successor directors to replace retiring directors ✓ Determination of directors' names and compensation ✓ Other necessary matters
Quorum and Venue	✓ Quorum: Two persons, except for a one-shareholder company (Article 329) ✓ Venue: The meeting must be held within Malaysia, and the chairperson must participate from the venue. ✓ May be held at multiple locations provided shareholders are given the opportunity to speak and exercise voting rights (General Meetings may also be held via teleconference or videoconference) (Article 327)
Notice and Minutes of General Meetings	✓ Notice of the general meeting must be given at least 14 days prior to the meeting date, stating the venue and time in the convocation notice. However, if a special resolution is required, or if a public company holds an annual general meeting, notice must be given at least 21 days prior. ✓ Minutes detailing resolutions and proceedings must be prepared and retained for seven years after holding a shareholders' meeting.

Methods and Types of Resolutions

Treatment of Non-public Companies	✓ Shareholder resolutions in non-public companies may be adopted either by written resolution or at a shareholders' meeting. ✓ Non-public companies are not obligated to hold regular shareholders' meetings. For matters traditionally handled at shareholders' meetings, the following are permitted: ① Sending audited financial statements to shareholders within six months of the fiscal year-end date, ② Nominating directors and auditors via written resolution, and ③ Implementing dividends at the discretion of the directors
Ordinary Resolutions and Special Resolutions	✓ An ordinary resolution is passed by a majority of shareholders present at a shareholders' meeting (or a majority of voting rights) or by a majority of shareholders with voting rights in a written resolution. ✓ Special resolutions require notice of the shareholders' meeting at least 21 days prior to the meeting date and approval by at least 75% of the attending shareholders (written resolutions or resolutions by proxy are also permitted under certain conditions).

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

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

Key Amendment Point 1: Mandatory Reporting of Beneficial Owners

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

Key Amendment Point 2: Revision of Corporate Rehabilitation Procedures

- ✓ To strengthen restructuring and corporate rehabilitation procedures, various procedures were clarified and new systems introduced.
 - ✓ These reforms draw upon the Singapore Insolvency Law Amendments (2017, 2020) and the UK Insolvency Law Amendments (2020).
 - ✓ These amendments can be seen as balancing the rights and interests of creditors and debtors more effectively
- Examples of Key Amendments:
- Amendments to the Preservation Order System
To achieve a balanced approach to creditor and debtor rights, the duration of preservation orders has been clarified, restrictions on additional preservation orders have been imposed, and the scope of preservation orders has been expanded.
 - Provisions for Super-priority Rescue Finance
A system enabling financial institutions providing rescue financing to receive priority rights and collateral superior to other existing creditors

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

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

Liberalization of settlement currencies	✓ Under the current Malaysian system, settlement currencies for import/export and other trade transactions are not restricted. Foreign currencies or Malaysian ringgit may be used for settlement as agreed between the trading parties. ✓ Non-residents (overseas trading counterparties) may freely make payments to or receive payments from Malaysian residents in Malaysian ringgits.
Collection of export proceeds in Malaysia	✓ Malaysian resident exporters are obliged to collect export proceeds in Malaysia within a specified period (six months from the date of shipment, in general). ✓ However, if the collection of export proceeds is delayed for reasons beyond the exporter's control, the collection period may be extended for up to 24 months without prior approval from the central bank. ✓ Furthermore, the regulation of mandatory currency conversion of export proceeds (a rule that required a certain proportion of export proceeds to be converted into Malaysian ringgits immediately) was lifted in April 2021. Exporters may manage their foreign-currency-denominated export proceeds and determine the timing of conversion at their discretion. (They may retain 100% of their export proceeds in foreign currencies.)
Exceptions for foreign-currency settlement of domestic transactions	✓ Although transactions between Malaysian residents must, in principle, be settled in Malaysian ringgits, the system reform in 2021 expanded the scope of exceptions. ✓ Only for global supply chain transactions in the export industry, transactions between Malaysian residents may be settled in foreign currencies. ✓ In such cases, the foreign currency used for payment must be sourced from the exporter's trade foreign currency account (Trade FCA) or from foreign-currency-denominated borrowings. Spot conversion from Malaysian ringgit into the foreign currency for this purpose is prohibited.

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

Non-trade/Capital Transactions

Non-trade Transactions	✓ Non-resident individuals and financial institutions are not permitted to solicit deposits or insurance premiums from Malaysian residents or to offer insurance products or other goods to them, whether directly or indirectly.
Capital Transactions	✓ Residents and non-residents are permitted to bring in and take out ringgit currency up to the equivalent of US\$10,000. There are no restrictions on bringing in or taking out foreign currency.
	Investment ✓ <u>Investment in Malaysia by Non-Residents</u> Direct investors may freely remit capital, profits, dividends, interest, fees, and rental income to their home country. Non-residents may sell their assets to residents in ringgit or foreign currency. However, remittances outside Malaysia must be made in foreign currency. ✓ <u>Overseas Investment by Residents</u> Resident corporations and individuals not receiving ringgit-denominated domestic credit may freely invest overseas. Residents receiving ringgit-denominated domestic credit may invest overseas using foreign currency obtained through exchange, up to MYR 50 million per calendar year for corporate groups and MYR 1 million for individuals. Furthermore, all residents may invest overseas without restriction using funds from overseas, funds in foreign currency investment accounts, or funds from non-residents (excluding foreign currency borrowings). When using foreign currency borrowings as the source, individuals may invest up to MYR 10 million and corporations may invest without limit, within borrowing restrictions, using the procured funds. ✓ Other conditions apply for resident investment trust management companies, fund management companies, and licensed insurance companies.
	Credit Facilities ✓ <u>Foreign Currency Credit Granting to Residents</u> Resident corporations may freely obtain foreign currency credit facilities without amount restrictions from resident/non-resident entities within their group, direct shareholders, or domestic authorized banks, etc., or through issuing foreign currency bonds to other residents. From non-resident financial institutions or non-residents outside the same corporate group, foreign currency credit facilities may be obtained up to a total equivalent of RM100 million. Residents may freely obtain ringgit-denominated credit facilities without any amount restrictions from residents or non-residents within the group, direct shareholders, or domestic authorized banks, etc. ✓ <u>Foreign Currency Credit Facilities to Non-Residents</u> Non-residents may freely obtain foreign currency-denominated credit facilities from authorized domestic banks without any amount restrictions. Non-residents may freely obtain ringgit-denominated credit facilities without any amount restrictions through the issuance of ordinary bonds or Islamic bonds (sukuk) from authorized domestic banks (excluding international Islamic banks), provided such facilities are for activities based on genuine domestic needs in Malaysia or for the purchase of residential or commercial real estate in Malaysia.

IV-5. Trade System

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

Import-related Regulations and Licenses

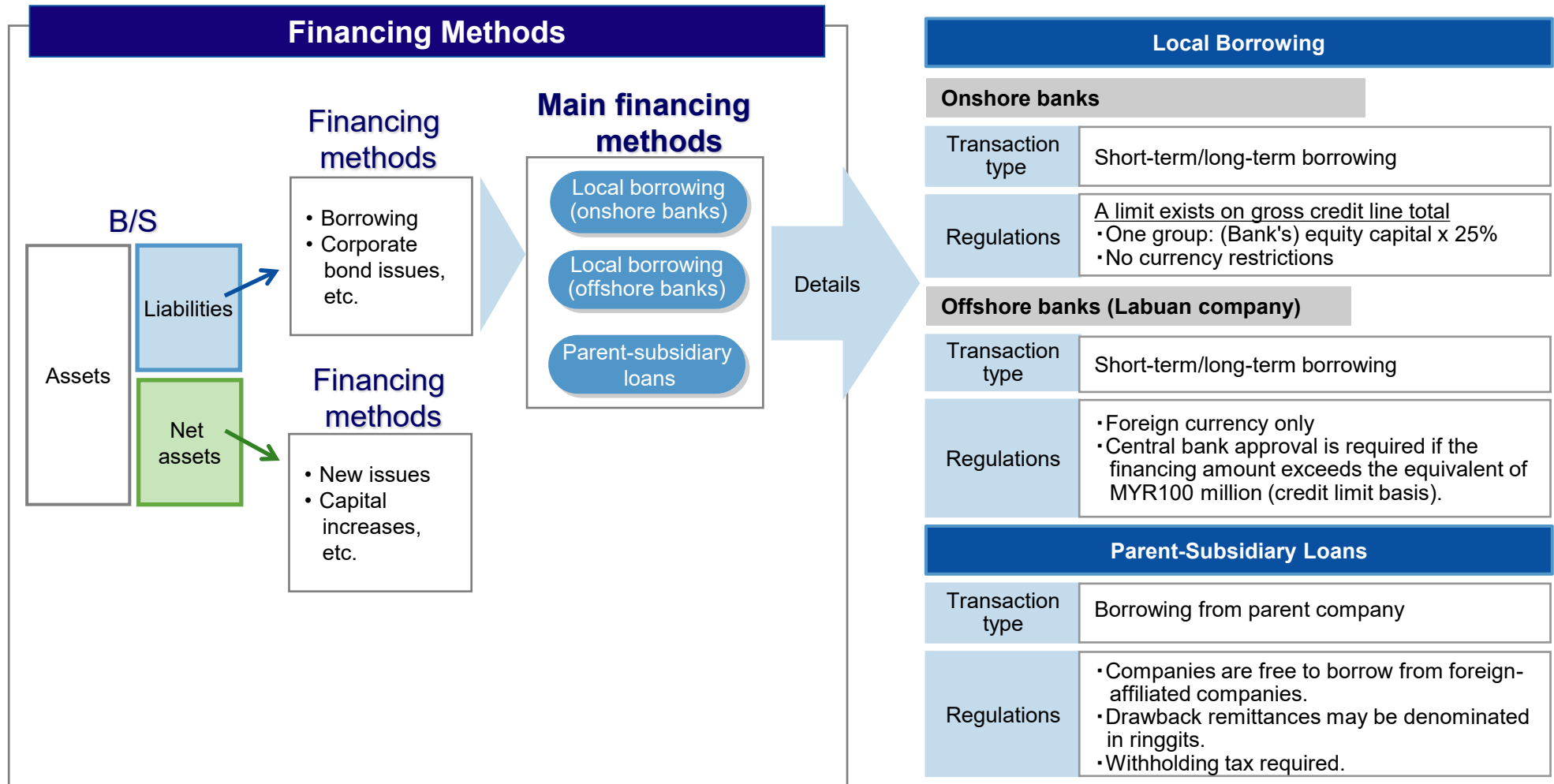
- ✓ Importers are responsible for declaring products to customs and paying duties if applicable.
- ✓ Import restrictions fall into four categories: ① Goods absolutely prohibited for import (e.g., specific hazardous chemicals), ② Goods requiring an import license (e.g., motor vehicles, sugar), ③ Goods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

Export-related Regulations and Licenses

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

IV-6. Financing (1): Financing Options

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



IV-6. Financing (2): Regulations

General Regulations

	Borrowing from banks		Borrowing from abroad	
Lender	On-shore bank	Off-shore bank (Labuan company)	Affiliated companies Direct shareholder (10% or more ownership)	Non-affiliated companies
Currency	Ringgit: Yes Foreign currency: Yes	Ringgit: Not handled Foreign currency: Yes	Ringgit: Yes (drawback remittance, etc.) Foreign currency: Yes	Ringgit: Yes (drawback remittance, etc.), credit limit is RM 1 million Foreign currency: Yes, credit limit is equivalent of RM 100 million
Interest rate	Ringgit: Base interest rate + SP Foreign currency: Base interest rate + SP	Ringgit: Not handled Foreign currency: Base interest rate + SP	Ringgit: Base interest rate + SP Foreign currency: Base interest rate + SP	Ringgit: Base interest rate + SP Foreign currency: Base interest rate + SP
Fund usage	No limitations	No limitations	Ringgit: Can only be used in Malaysia (and not for investment purposes or acquisition of land only) Foreign currency: No limit	Ringgit: Can only be used in Malaysia (and not for investment purposes or acquisition of land only) Foreign currency: No limit
Permission from authorities	None in particular	Central bank approval is required if the financing exceeds RM 100 million on a credit-limit basis.	None in particular	Central bank approval is required if the financing exceeds RM 100 million on a credit-limit basis.
Stamp duty	Ringgit: 0.5% of contract amount Foreign currency: 0.5% of contract amount Note: In general, stamp duty on a loan agreement is 0.5% of the borrowing amount. The rate is reduced to 0.1% when specified conditions are met and may be increased to 1% if the loan period and/or amount has not been determined.	Ringgit: 0.5% of contract amount Foreign currency: 0.5% of contract amount Note: When an offshore company borrows funds for its offshore business, it may apply for an exemption from stamp duty (the applicable requirements and procedures need to be confirmed.)	Ringgit: 0.5% of contract amount Foreign currency: 0.5% of contract amount Note: In general, stamp duty on a loan agreement is 0.5% of the borrowing amount. The rate is reduced to 0.1% when specified conditions are met and may be increased to 1% if the loan period and/or amount has not been determined.	Ringgit, 0.5% of contract amount Foreign currency: 0.5% of contract amount Note: In general, stamp duty on a loan agreement is 0.5% of the borrowing amount. The rate is reduced to 0.1% when specified conditions are met and may be increased to 1% if the loan period and/or amount has not been determined.
Withholding tax	Not required	Not required	10% (paid to Japan) 10% (paid to Singapore)	10% (paid to Japan) 10% (paid to Singapore)
Other	Group lending restriction apply (Single Counterparty Exposure Limit)* Lending limit for one group: (Bank's) equity capital × 25%	None in particular		None in particular

*Single Counterparty Exposure Limit (SCEL)

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

IV-7. Real Estate Regulations

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

Excerpt from EPU Guidelines

1. Real estate acquisition (non-residential) requiring EPU approval and meeting acquisition conditions
 - a. Direct acquisition of real estate valued at MYR 20 million or more, where this results in dilution of ownership rights held by Bumiputera parties (Bumiputera individuals, Bumiputera-controlled local companies) and/or government agencies
 - b. Indirect acquisition of real estate through share acquisition by non-Bumiputera parties (non-Bumiputera individuals, local companies controlled by non-Bumiputera) in a company owning over 50% of total assets, where this results in a change of control of the company owned by Bumiputera parties or government agencies and the real estate value exceeds MYR 20 million
The conditions for corporate acquisition of real estate are as follows:
 - i. Bumiputera capital must be 30% or more
 - ii. Minimum paid-up capital:
 - For local companies where Malaysians hold over 50% ownership: MYR100,000
 - For local companies where foreigners or foreign companies hold over 50%: MYR 250,000

2. Minimum Purchase Amount

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

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

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

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