



FY2023
Questionnaire Survey on
Japanese Companies in
Malaysia

-Summary of Findings-

23 March 2023

Jointly conducted by

JACTIM & JETRO Kuala Lumpur

Outline of Survey/Profile of Respondents (1)

Survey Conducted By

- JACTIM
- JETRO Kuala Lumpur

Objective of Survey

- To understand the current situation of Japanese companies in Malaysia, disseminate the survey result widely, and utilize it for policy proposals to the Malaysian government.

Main Survey Topics

1. Business trend
2. Current operating status
3. Malaysia's investment environment
4. Decarbonization
5. Mechanization/automation/digitalization
6. Foreign labor policy
7. Requests to the Malaysian government

Survey Respondents

- JACTIM member companies: 556
- ※Local corporations/branches and representative offices.
Excludes individual members

Survey Period

- 20 January – 27 February 2023

Response Status

- Number of valid responses: 198 companies
(response ratio: 35.6%)

Respondents by Sector

	No. of Companies	Composition Ratio (%)
Manufacturing	125	58.4
Non-manufacturing	73	41.6
Total	198	100.0

Respondents by Company Size

	No. of Companies	Composition Ratio (%)
Large enterprise	138	72.0
SME	60	28.0
No parent company in Japan	0	0
Total	198	100.0

Respondents by state/region

	No. of Companies	Composition Ratio (%)
Kuala Lumpur	71	35.8
Selangor	66	33.5
Negeri Sembilan	9	4.5
Malacca	5	2.5
Perak	8	4.0
Johor	15	7.5
Penang	13	6.5
Northern region (Kedah, Perlis)	6	6.5
East coast (Pahang, Kelantan, Terengganu)	4	2.0
East Malaysia (Sabah, Sarawak, Labuan)	1	0.6
Total	198	100.0

Main Survey Findings

1. DI For Business Sentiment Was Negative For The First Time in 2 Terms

- DI for Business Sentiment declined by 17.5 points to -8.1 points, a sharp negative turn from the +20.5 points forecasted previously. It was negative for the first time in 2 terms due to fears of recession. Further decline to -15.2 points is forecasted for 1H2023.

2. Current Operations: Recovery Slowdown in Manufacturing Sector

- Almost 80% of non-manufacturing companies noted that their productions were above pre-Covid level. Approximately 40% of manufacturing companies were below pre-Covid level. Issues included increasing wages and prices, fluctuating forex, etc.
- Difficulty in obtaining employment passes continues to be an issue. Roughly 60% have strengthened data security due to the US-China tech war.

3. Investment Environment: English Proficiency Ranked High; Medium-to Long-term Issues Include Workers Shortage & Regulatory Changes

- "English proficiency of workers/citizens", "Pro-Japan" and "Good living environment" were the attractions for investing medium-to long-term. Trade and investment related issues were "Shortage of general workers", "Frequent regulatory changes", "Difficulty in hiring highly-skilled human resource," etc.
- Regarding future plans, about 50% of both manufacturing and non-manufacturing companies responded with "Maintaining status quo"; while about 20% were considering "Pure expansion/new business development."

4. More Than 40% of Companies are Implementing Decarbonization, Issues Were Cost-Effectiveness And Lack Of Policy

- More than 70% of companies said, "Already implementing" or "Plan to implement" decarbonization. Most common approach was "Conservation of energy/resources" and "Use of renewable energy/alternative energy."
- On the other hand, the biggest issue were "Cost-effectiveness remains unclear/unexpected", and "Government's decarbonization policy is unclear".

5. Progress In Mechanization/Automation/Digitalization

- 37.4% replied they have "Already implemented" or "Plan to implement" facilities or technologies such as mechanization, a 10% increase from the last survey.
- Companies were automating inspection equipment and analyzing data for better production efficiency to combat increasing wages and labor shortages.

6. Improvement In Hiring Of Foreign Workers But 30% Of Manufacturing Companies Face Difficulty Complying With The 80:20 Rule

- Since February 2022, majority of manufacturing companies have applied to hire foreign workers. 90% of them have gotten the approvals.
- Half of the manufacturing companies are subjected to the 80:20 rule. 30% cited difficulty in achieving the ratio by the end of 2024. There is a need for implementation of a more selective policy.

7. Requests to the Malaysian Government

- Regarding government announcements, many requested for sufficient notice period, proper preparation before implementation, and for official announcements to be made in English language.
- Many asked for a review of the energy costs, especially electricity tariff. There were also calls to strengthen competitiveness to raise the capability of the industries.
- Regarding government incentives, the top request was for various incentives targeted for SMEs to be made available to foreign-owned companies as well.