



JETRO

Questionnaire Survey on Japanese Companies in Malaysia 2026

-Summary of Findings-

28 April 2026

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 Operation Status
3. Malaysia's Investment Environment
4. Decarbonization
5. Labor Matters
6. Taxation
7. Requests to the Malaysian Government

Survey Respondents

- 562 JACTIM member companies ※Local corporations/branches and representative offices excluding individual member

Survey Period

- 6 February 2026 – 5 March 2026

Response Status

- Number of valid responses: 208 (response rate: 37.0%)

Respondents by Sector

Sector	No. of Companies	Composition Ratio (%)
Manufacturing	101	48.6
Non-manufacturing	107	51.4
Total	208	100.0

Respondents by Company Size

Sector	No. of Companies	Composition Ratio (%)
Large	140	67.3
SMEs	68	32.7
Total	208	100.0

Respondents by state

State	No. of Companies	Composition Ratio (%)
Kuala Lumpur	79	38%
Selangor	76	37%
Johor	13	6%
Penang	10	5%
Negeri Sembilan	9	4%
Kedah	5	2%
Malacca	5	2%
Perak	5	2%
Sarawak	2	1%
Pahang	2	1%
Perlis	1	1%
Terengganu	1	1%
Total	208	100%

Main Findings

1. Business Sentiment and Profit Margin DI expected to turn positive

■ Business conditions are expected to improve through 2026. While profit-related DIs may dip in 2025, a 2026 recovery is projected, led by the non-manufacturing sector. However, it is important to note that the impact of the current situation in the Middle East is not fully reflected in these figures.

1. Negative trend in Number of Employees DI; chronic labor shortages

- Number of Employees DI: -10.6 points (H2 2025) and -8.7 points (2026), indicating persistent labor shortages.
- Cash Flow DI: +21.6 points (H2 2025) and expected to remain stable and favorable in 2026.

2. Over 70% of companies face issues with Japanese expatriate employment

■ 73.1% of companies face Japanese expatriate employment issues, mainly due to “recent updates to EP requirements.” Under new rules, 13.8% manufacturing EP holders fail to meet criteria (less than RM5,000), and category II is 45.1%, followed by III 24.4%. 52 companies expect to assign a single expatriate abroad for over 10 years.

3. Labor issues and evolving regulatory environment remain top concerns

- Investment strengths: Structural advantages like “English proficiency,” “few natural disasters,” and “friendly to Japan” remain top-ranked. Ratings for “good living environment,” “safety & security,” and “political stability” continue to rise.
- Investment issues: Labor-related matters—such as “rising costs,” “regulations on foreign workers,” and “securing highly skilled talent”—and “frequent regulatory changes” are key area for further improvement.
- More than half of Manufacturers expect the improvement of “Reinvestment Allowance,” while non-manufacturers demand early clarification of the New Investment Incentive Framework.

4. Issues in Decarbonization: Cost-effectiveness and unclear guidelines

■ 67.8% of companies answered that they “already implemented” or “have plan to implement” decarbonization. The leading obstacle remains “cost effectiveness unclear / unpromising,” consistent with previous findings.

5. High dependency on foreign labor in manufacturing; current retirement age preferred

■ 2/3 of manufacturers and 1/3 of non-manufacturers rely on foreign labor due to difficulty in hiring local talent, although strong local workforce retention reduces this need.

6. Key Requests to the Malaysian Government

- Companies urge cautious policy implementation regarding “minimum wage hikes” and “foreign labor hiring freezes.” Demands include institutional improvements, such as “clearer ESG guidelines,” “expanded tax incentives,” and “thorough prior notice of regulatory changes.”
- Extending SME incentives to foreign-affiliated companies remains the most requested incentive.