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KUALA LUMPUR: Japanese companies are looking to expand in the decarbonisation, healthcare, innovation and service industries in Malaysia.

Japan External Trade Organisation (Jetro) Kuala Lumpur managing director Koichi Takano said several companies have made firm commitments to invest for two years, beginning from this year.

"These include the establishment of engineering and operations services in the oil and gas, semiconductor and biotechnology sectors," he told Bernama in an interview.

With regard to the decarbonisation sector, he said momentum is expected to build up in view of the Asia Zero Emission Community (AZEC) summit, hosted by Japan and Malaysia, which will be held in Kuala Lumpur later this year.

Major Japanese companies that have participated in the decarbonisation in Malaysia, according to Takano, include Mitsui & Co and others that are working on projects in various areas of decarbonisation in Malaysia, such as energy efficiency, renewable energy, carbon capture and storage (CCS) and hydrogen.

"The diffusion index of business sentiment of Japanese companies is steadily recovering. This is seen as a sign of trust in and expectations of a robust Malaysian economy," Takano said.



However, he noted, the tariff measures imposed by the United States have heightened uncertainty in the global economy, making the situation unpredictable.

"At this time of great global turmoil, expectations are growing for Malaysia's leadership as the ASEAN chair.

"Malaysia has already demonstrated its

leadership on the tariff issue, holding discussions within ASEAN. We look forward to continued Malaysian leadership towards the stability and growth within the ASEAN region," he added.

According to Takano, Japan has been one of Malaysia's major investors, and more investments from Japan are expected

for 2025.

Japan is the fourth-largest foreign direct investor in Malaysia in the fourth quarter (4Q) of 2024 with RM102.02 billion foreign direct investment (FDI) secured compared to RM94.18 billion in 4Q 2023, according to the Department of Statistics Malaysia.

He pointed out that based on a survey on Japanese companies in Malaysia, business sentiment was negative in the second half of 2024 at -11.5 points, but it is expected to improve to -4.5 points in 2025.

According to the survey conducted by Jetro and the Japanese Chamber of Trade and Industry, Malaysia (Jactim), the outlook remains uncertain due to cost pressures like minimum wage hikes, tax increases and subsidy cuts.

The survey revealed high-value manufacturing and decarbonisation as being top growth sectors.

Two hundred companies responded to the survey from Jan 22 to Feb 21, 2025.

The survey also highlighted that the non-manufacturing sector faces high demand for advanced technology talent.

"Additionally, there is a strong demand for clarification of environment, social and governance (ESG)-related investments, expansion of tax incentives, and thorough advance notifications when regulatory changes occur," it added. -Bernama