FY2025

Survey on Business Conditions of Japanese-Affiliated Companies in Singapore

Japan External Trade Organization (JETRO)
Singapore Representative Office
December 12, 2025

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1 Key Findings of the Survey

1 Japanese Firms Drives Overseas Expansion from Singapore — India Leads the Way

- Japanese companies in Singapore continue to show strong appetite for business expansion. Despite global uncertainty including U.S. tariff measures, 66.8% expect to post an operating profit in 2025, indicating steady performance.
- When asked about their business outlook for the next 1–2 years, 43.9% responded “expansion,” up from 42.5% the previous year. This marks the second consecutive year that the share of companies expecting expansion has increased.
- The share of companies aiming to “expand or newly enter” third-country markets rose 6.9 percentage points from the previous year to 43.0%. India topped the list of future destinations (40.0%), ahead of Malaysia (36.5%), Indonesia (30.6%), and Vietnam (30.0%).

2 Uncertain Tariff Impact, Eyes on China’s Rapid ASEAN Expansion

- A total of 19.1% of companies export to the United States either “directly” or “via third countries or business partners.”
- Regarding the impact of U.S. tariff hikes and retaliatory tariffs by other economies on their 2025 operating profit outlook, the largest share of respondents (43.5%) answered, “Impact is unclear at this point.”
- Among companies responding “not sure,” many cited worries about declining demand due to economic slowdown and the possibility that unstable tariff rates may lead U.S. customers to avoid their products. Meanwhile, some companies expecting “no impact” noted potential opportunities to capture business as Chinese firms accelerate their expansion into ASEAN.

3 Regional HQ Relocations Limited — Soaring Labor Costs Remain Top Concern

- Including companies considering future establishment, around 50% of Japanese firms maintain or plan to maintain a regional headquarters function in Singapore. Among those with an existing headquarters, only 3.9% are considering full relocation.
- However, about 20% are considering partial relocation (12.4%) or have already partially relocated functions (11.0%). Key reasons include rising labor costs and stricter criteria for employment-pass issuance.
- Regarding investment-environment risks, the top concern remains increased labor costs (91.3%), with the response rate increasing relative to last year. 44.3% cited tightening employment-pass issuance criteria, although this share continues to decline.

2 About the Survey

Purpose

To understand the current business activities of Japanese-affiliated firms in Asia and Oceania and to widely share these findings.

Countries/regions surveyed:

Japanese-affiliated firms (with direct and indirect Japanese investment of 10% or greater, and the branch offices and representative offices of Japanese companies) operating in a total of 20 countries/regions in Northeast Asia(5) and ASEAN countries(9), Southwest Asia(4), and Oceania(2).

Survey period

August 19 – September 17, 2025

Response

Out of a total of 1,184 surveys distributed in Singapore, we received valid responses from 477 firms, resulting in a valid response rate of 40.3%.

Remarks:

- The survey has been conducted since 1987 and this year is 38th version.
- Since 2007, the survey has included non-manufacturing sectors.
- Firms that responded to at least one question were considered valid responses.
- Industry classification is based on “FY2025 Survey of Business Conditions of Japanese Companies Operating Overseas (Asia and Oceania) “(November 2025).
- Figures have been rounded and may not add up to the exact total.
- Unless otherwise specified, companies that did not respond to each question were excluded from the calculations.

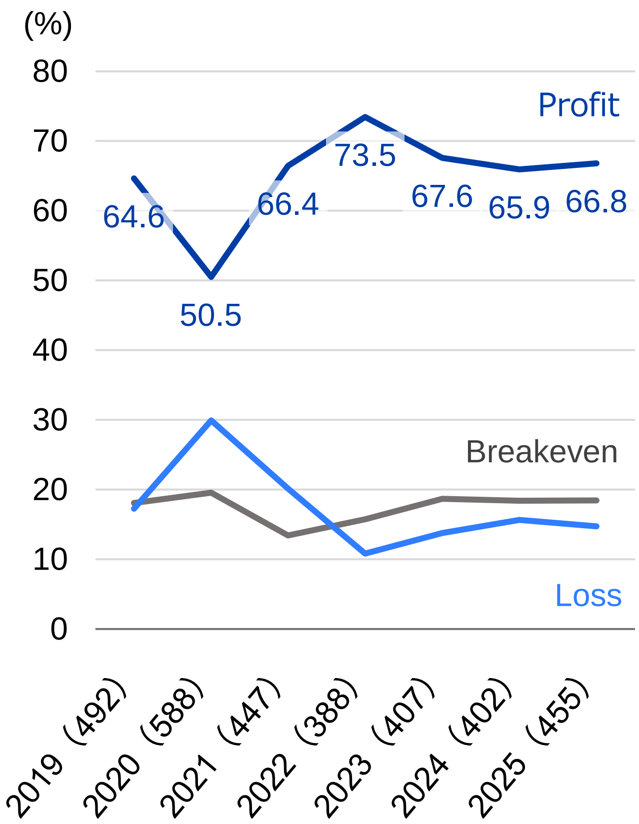
Industry/classification	No. of firms	Share (%)
Total	477	100.0
Manufacturing	93	19.5
Food	10	2.1
Chemicals/medicine	17	3.6
General machinery	12	2.5
Electric machinery parts/electronic device parts	13	2.7
Non-manufacturing	384	80.5
Construction	31	6.5
Transport/warehouse	31	6.5
Information and communications	33	6.9
Trading/wholesale	70	14.7
Distributor	75	15.7
Finance/insurance	30	6.3
Real estate agencies/real estate lessors	12	2.5
Business services	47	9.9
Other non-manufacturing industries	29	6.1
Large enterprises	239	50.1
Leading medium enterprises	94	19.7
Small or medium-seized enterprises	144	30.2

Notes:
1)Industries with fewer than 10 companies were excluded.
2)Company size refers to the size of the Japanese headquarters (parent company). Definitions are based on Japan's “Small and Medium-sized Enterprise Basic Act” and “Act on Partially Amending the Act on Strengthening Industrial Competitiveness and Other Acts to Create New Business and Encourage Investment in Industries.”

3 | Japanese Firms Maintain Solid Performance Amid Uncertainty

- Amid growing uncertainty over U.S. tariffs and other factors, 66.8% of Japanese firms anticipate posting operating profits in 2025.

Operating Profit Outlook for Japanese Firms in Singapore



Note: Figures in brackets () are the number of respondent firms, excluding no answer.

Operating Profit Outlook for Japanese Firms in Singapore (by Industry)

(no. of firms, %, %pt)

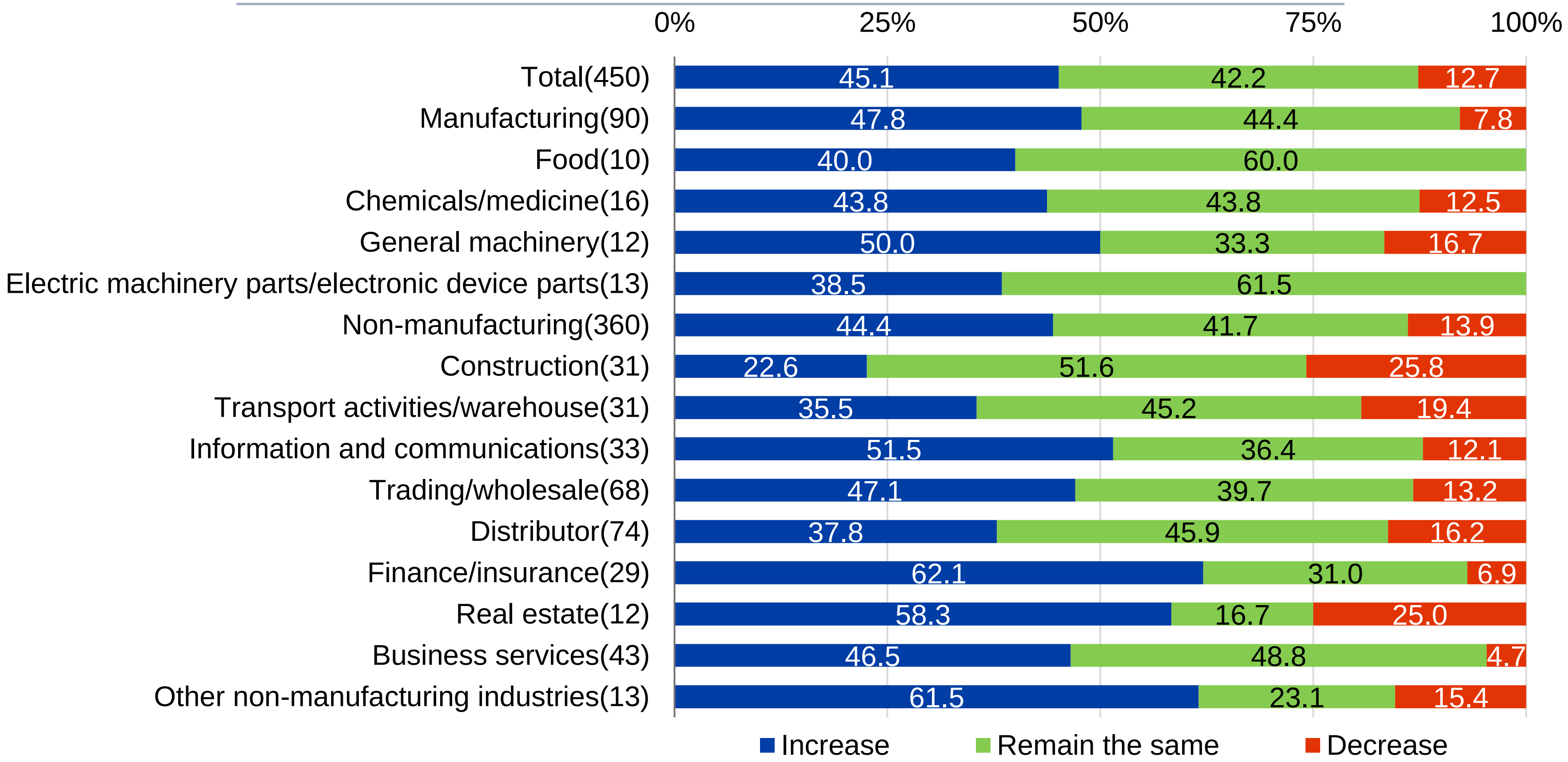
Respondent company classification (No. of firms in 2025/2024)	Profit		Breakeven		Loss	
	2025	2024 →25	2025	2024 →25	2025	2024 →25
Total(455/402)	66.8	0.9	18.5	0.1	14.7	△ 0.9
Manufacturing(91/87)	12.5	△ 2.6	4.2	0.7	3.3	0.3
Food(10/12)	1.3	△ 0.2	0.2	△ 0.8	0.7	0.2
Chemicals/medicine(16/17)	2.2	△ 1.0	0.4	0.2	0.9	0.1
Electric machinery parts/electronic device parts(13/11)	2.0	△ 0.8	0.7	0.7	0.2	0.2
Non-manufacturing(364/315)	54.3	3.5	14.3	△ 0.6	11.4	△ 1.3
Construction(31/23)	4.4	0.7	1.3	0.3	1.1	0.1
Transport/warehouse(30/29)	4.6	△ 0.4	1.5	0.5	0.4	△ 0.8
Information and communications(33/29)	4.4	0.4	1.8	△ 0.7	1.1	0.4
Trading/wholesale(69/59)	10.8	0.6	1.5	△ 0.5	2.9	0.4
Distributor(75/71)	12.7	△ 0.2	2.2	△ 1.0	1.5	0.0
Finance/insurance(30/26)	5.3	1.3	0.2	△ 1.0	1.1	△ 0.1
Business services(44/36)	5.3	0.1	3.5	1.5	0.9	△ 0.9
Other non-manufacturing industries(14/14)	2.4	0.2	0.2	△ 0.8	0.4	0.2

Notes: 1)Figures in brackets () are the number of respondent firms, excluding no answer.
2)Only industries with 10 or more firms responding to the 2025 and 2024 surveys are listed.

4 “Improvement” Topped the Responses for the 2026 Operating Profit Outlook

■ For the 2026 operating outlook compared to 2025, the largest share of respondents (45.1%) indicated “increase.” , followed by “remain the same” (42.2%). While only 12.7% expected “decrease” (12.7%).

Operating Profit Outlook for 2026 Compared to 2025 (Japanese Firms in Singapore)

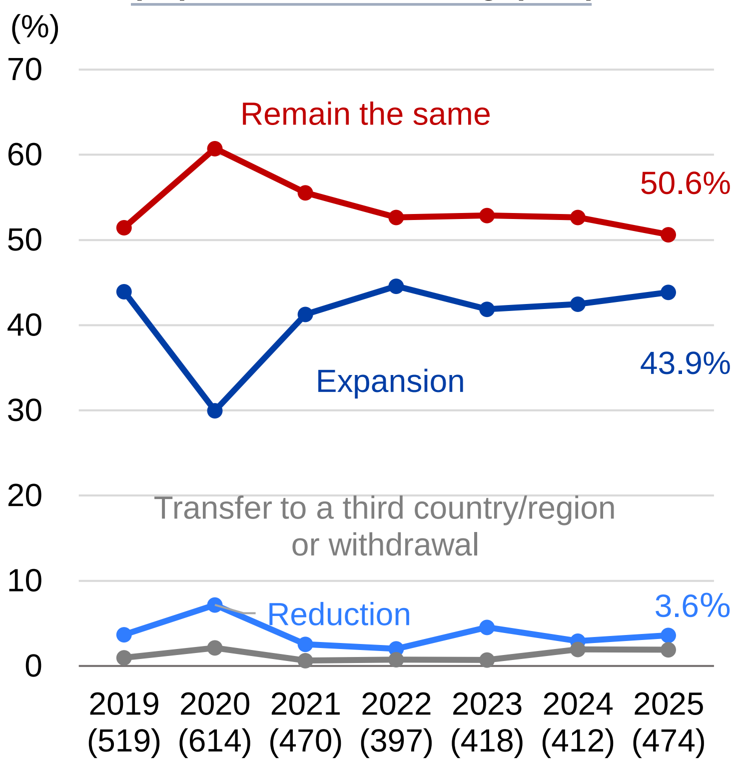


Note: 1)Figures in brackets () are the number of respondent firms, excluding no answer.
2)Industries with less than 10 companies were omitted.

5 “Expansion” in Future Business Strategy Rises for Second Year in a Row

- For future business development direction over the next 1-2 years, “remain the same level” was the most common response at 50.6%, followed by “expansion” at 43.9%. **The proportion of companies indicating “expansion” has increased for the second consecutive year.**
- Among non-manufacturing sectors, 44.4% responded “expansion,” with the financial and insurance industry showing the highest share at 63.3%.

Future Business Direction Over the Next 1-2 years (Japanese Firms in Singapore)



Note: Figures in brackets () are the number of respondent firms, excluding no answer.

Japanese Firms in Singapore Planning to “Expand” Their Business Over the Next 1-2 years (by industry)

(no. of firms, %, %pt)

Respondent company classification (No. of firms in 2023/2024/2025)	2023	2024	2025	2025: 2024→25
Total(418/412/474)	41.9	42.5	43.9	1.4
Manufacturing(88/87/93)	40.9	49.4	41.9	▲7.5
Chemicals/medicine(20/17/17)	25.0	41.2	35.3	▲5.9
Electric machinery parts/electronic device parts(12/11/13)	58.3	54.5	30.8	▲23.8
Non-manufacturing(330/325/381)	42.1	40.6	44.4	3.7
Construction(22/22/30)	27.3	27.3	36.7	9.4
Transport/warehouse(29/29/31)	31.0	37.9	41.9	4.0
Information and communications(35/29/33)	51.4	48.3	51.5	3.2
Trading/wholesale(52/59/70)	26.9	30.5	35.7	5.2
Distributor(74/70/75)	56.8	42.9	45.3	2.5
Finance/insurance(23/26/30)	34.8	65.4	63.3	▲2.1
Business services(34/36/46)	50.0	47.2	52.2	5.0
Other non-manufacturing industries(24/26/29)	29.2	30.8	34.5	3.7

Notes: 1)Figures in brackets () are the number of respondent firms, excluding no answer. 2)Only industries with 10 or more firms responding to the 2023, 2024, and 2025 surveys are listed.

6 More Companies Plan Expansion into Third Countries from Singapore

■ The combined share of companies that already have a presence in a third country and plan further expansion, and those without a presence but intend to enter new markets, increased by 6.9 percentage points from the previous year’s survey, reaching 43.0%.

Overall Policy on Overseas Expansion from Singapore Entities (Next ~3 Years)

(no. of firms, %, %pt)

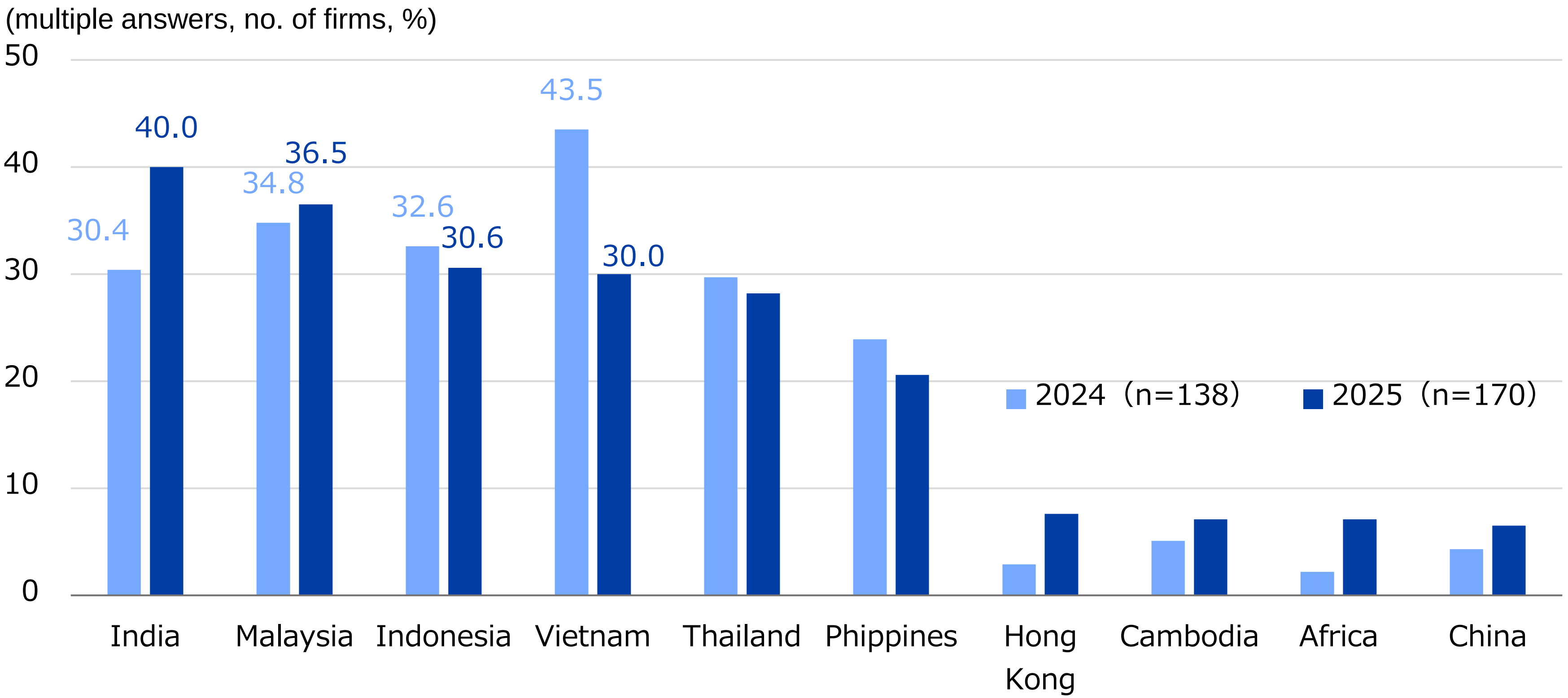
Respondent company classification (No. of firms in 2025/2024)	Already have local entities overseas and maintain the status quo		Plan to expand		Plan to expand: Already have local entities overseas and plan to expand further		Plan to expand: No local entities overseas currently but expand into new areas in the future		Necessary to downsize or withdraw from our overseas entity		Will not expand our business overseas in the future		Others	
	2025	2024 →25	2025	2024 →25	2025	2024 →25	2025	2024 →25	2025	2024 →25	2025	2024 →25	2025	2024 →25
Total(412/396)	37.9	△0.3	43.0	6.9	32.0	7.8	10.9	△0.9	2.7	△0.6	13.1	△5.1	3.4	△0.9
Manufacturing(82/82)	43.9	4.9	40.2	0.0	31.7	1.2	8.5	△1.2	4.9	1.2	8.5	△6.1	2.4	0.0
Chemicals/medicine(15/17)	60.0	12.9	20.0	2.4	20.0	8.2	0.0	△5.9	0.0	△5.9	20.0	△3.5	0.0	△5.9
Electric machinery parts/electronic device parts(12/10)	58.3	8.3	25.0	△15.0	25.0	△15.0	0.0	0.0	16.7	16.7	0.0	△10.0	0.0	0.0
Non-manufacturing(330/314)	36.4	△1.5	43.6	8.6	32.1	9.5	11.5	△0.9	2.1	△1.1	14.2	△4.9	3.6	△1.1
Construction(27/22)	40.7	△9.3	37.0	14.3	33.3	15.2	3.7	△0.8	0.0	0.0	14.8	△12.5	7.4	7.4
Transport/warehouse(25/28)	48.0	8.7	40.0	7.9	28.0	△0.6	12.0	8.4	0.0	△3.6	12.0	△13.0	0.0	0.0
Information and communications(31/29)	32.3	11.6	51.6	△13.9	29.0	△8.9	22.6	△5.0	6.5	3.0	6.5	△0.4	3.2	△0.2
Trading/wholesale(60/56)	35.0	△9.6	50.0	12.5	38.3	15.1	11.7	△2.6	0.0	△1.8	13.3	△1.0	1.7	△0.1
Distributor(67/66)	31.3	△12.6	40.3	20.6	29.9	19.2	10.4	1.4	3.0	△4.6	17.9	△4.8	7.5	1.4
Finance/insurance(27/26)	51.9	24.9	40.7	△1.6	25.9	△4.8	14.8	3.3	3.7	△0.1	3.7	△15.5	0.0	△7.7
Business services(42/36)	23.8	△15.1	42.9	4.0	31.0	6.0	11.9	△2.0	4.8	4.8	23.8	7.1	4.8	△0.8
Other non-manufacturing industries(23/24)	47.8	14.5	30.4	9.6	30.4	17.9	0.0	△8.3	0.0	0.0	17.4	△11.8	4.3	△12.3

Notes: 1)Figures in brackets () are the number of respondent firms, excluding no answer. 2)Only industries with 10 or more firms responding to the 2025 and 2024 surveys are listed.

7 | India Tops Expansion Destinations, Followed by Malaysia

- The top destination for future overseas expansion (including new investments and the enhancement of existing bases) was India, cited by 40.0% of respondents—the highest share. This surpassed Malaysia (36.5%), Indonesia (30.6%), and Vietnam (30.0%).

Top 10 Countries/Regions for Future Expansion from Singapore Entities (Next ~3 Years)



Note: The survey sample (n) consists of firms in Singapore that responded “already have local entities overseas and plan to expand further” or “no local entities overseas currently but expand into new areas in the future.” Excluding non-responding companies.

8 Strong Rise in Non-Manufacturing Firms' Appetite for India Expansion

- Among firms seeking to expand overseas business from Singapore entities, manufacturing firms cited Indonesia and India as their top choices, each at 37.5%.
- For India, the percentage of firms citing non-manufacturing sectors (40.6%) significantly exceeded the previous year's survey results.

Top 10 Countries/Regions for Future Expansion from Singapore Entities (Next ~3 Years, by Manufacturing and Non-Manufacturing)

(multiple answers, no. of firms, %, %pt)

Respondent company classification (n in 2025/2024)	India		Malaysia		Indonesia		Vietnam		Thailand	
	2025	2024→2025	2025	2024→2025	2025	2024→2025	2025	2024→2025	2025	2024→2025
Total(170/138)	**40.0**	9.6	36.5	1.7	30.6	△2.0	30.0	△13.5	28.2	△1.5
Manufacturing(32/33)	37.5	△1.9	25.0	0.8	37.5	4.2	34.4	△8.0	34.4	7.1
Non-manufacturing(138/105)	**40.6**	13.0	39.1	1.0	29.0	△3.4	29.0	△14.8	26.8	△3.7
業種	Philippines		Hong Kong		Cambodia		Africa		China	
	2025	2024→2025	2025	2024→2025	2025	2024→2025	2025	2024→2025	2025	2024→2025
Total(170/138)	20.6	△3.3	7.6	4.7	7.1	2.0	7.1	4.9	6.5	2.1
Manufacturing(32/33)	25.0	6.8	6.3	3.2	6.3	0.2	12.5	12.5	3.1	0.1
Non-manufacturing(138/105)	19.6	△6.1	8.0	5.1	7.2	2.5	5.8	2.9	7.2	2.5

Notes: 1) The survey sample (n) consists of firms in Singapore that responded "already have local entities overseas and plan to expand further" or "no local entities overseas currently but expand into new areas in the future."
2) Items highlighted represent 30% or more, while those in bold red represent 40% or more.

1 | Less Than 20% of Japanese Firms Involved in Exports to the U.S.

- **The share of companies exporting to the U.S., either "directly" or "via a third country/region or business partners," was 19.1%.**
- The largest proportion, 67.4%, responded that they have "no transactions with the U.S. (including indirect transactions)."

Export and Trade Relationships with the U.S.(Japanese Firms in Singapore)

(multiple answers, no. of firms, %)

Industry	No. of firms	Exporting to the U.S.			Importing from the U.S.		Other	Not transacting with the U.S. (including indirect transactions)
			directly	Via a third country/region or business partner	directly	Via a third country/region or business partner		
Total	472	19.1	8.7	11.7	9.3	3.8	6.4	67.4
Manufacturing	91	34.1	19.8	17.6	9.9	4.4	1.1	59.3
Food	10	40.0	30	10	0	10	0	60
Chemicals/medicine	17	41.2	23.5	23.5	11.8	0	0	58.8
General machinery	12	33.3	25	8.3	0	16.7	0	58.3
Electric machinery parts/electronic device parts	13	23.1	0	23.1	15.4	0	7.7	61.5
Non-manufacturing	381	15.5	6	10.2	9.2	3.7	7.6	69.3
Construction	31	3.2	0	3.2	9.7	9.7	6.5	77.4
Transport/warehouse	31	41.9	29	16.1	16.1	6.5	19.4	38.7
Information and communications	33	9.1	6.1	3	0	0	6.1	84.8
Trading/wholesale	70	20.0	5.7	14.3	15.7	5.7	5.7	58.6
Distributor	75	28.0	6.7	22.7	10.7	1.3	1.3	62.7
Finance/insurance	29	0.0	0	0	0	0	10.3	89.7
Real estate agencies/real estate lessors	12	0.0	0	0	8.3	0	16.7	75
Business services	47	4.3	2.1	2.1	0	0	4.3	91.5
Other non-manufacturing industries	28	14.3	3.6	14.3	17.9	7.1	14.3	57.1

Note: Industries with less than 10 companies were omitted.

2 Impact of Tariff Hikes Unclear for Most Firms

■ The impact of U.S. tariff hikes and retaliatory tariff measures by other countries or regions on companies' projected operating profits for 2025 (January–December), **the largest share of respondents (43.5%) answered "Not Sure."**

Impact of U.S. Tariff Hikes and Retaliatory Measures on Projected Operating Profits for 2025 (Jan–Dec, Japanese Firms in Singapore)

（no. of firms, %）

Industry	No. of firms	Significant positive impact	Significant negative impact	Negative and positive impacts will be equal	No impact	Not sure
Total	469	1.1	15.4	3.6	36.5	43.5
Manufacturing	91	2.2	18.7	6.6	33.0	39.6
Food	10	0.0	20.0	10.0	40.0	30.0
Chemicals/medicine	17	5.9	5.9	5.9	35.3	47.1
General machinery	12	8.3	25.0	16.7	16.7	33.3
Electric machinery parts/electronic device parts	13	0.0	30.8	0.0	30.8	38.5
Non-manufacturing	378	0.8	14.6	2.9	37.3	44.4
Construction	31	0.0	16.1	3.2	29.0	51.6
Transport/warehouse	31	0.0	25.8	9.7	25.8	38.7
Information and communications	33	0.0	12.1	0.0	66.7	21.2
Trading/wholesale	69	1.4	14.5	2.9	33.3	47.8
Distributor	75	2.7	18.7	2.7	22.7	53.3
Finance/insurance	28	0.0	14.3	0.0	46.4	39.3
Real estate agencies/real estate lessors	12	0.0	25.0	0.0	33.3	41.7
Business services	47	0.0	8.5	2.1	48.9	40.4
Other non-manufacturing industries	27	0.0	3.7	0.0	44.4	51.9

Notes: Industries with less than 10 companies were omitted. 2) The highlighted sections represent the most common responses across each industry. 3) Based on the tariff increase imposed by the second U.S. Trump administration by August 15, 2025, as well as retaliatory measures by other countries/regions.

Samples of Comments from Japanese Companies

No impact

- Decoupling from China is accelerating, and Chinese firms are increasingly expanding into ASEAN , leading to expectation of rising demand. While tariffs may cause overall economic slowdown, the ASEAN region is expected to grow and perform better compared to other regions. (Trading/wholesale Company A)

Not sure

- Concerns about declining demand due to the economic downturn (Distributor Company B)
- Risk of being avoided by U.S. clients due to unstable tariff rates. (Trading/wholesale Company C)
- Indirect demand decline may occur due to negative economic impact. Will closely monitor the degree of market impact and, if changes arise, flexibly review and shift focus to other markets.(Real Estate/Leasing CompanyD)

3 Chinese Companies is the Prime Competitors for Manufactures

- In target markets (countries/regions), the most common response for the strongest competitor was “local companies” (26.9%), followed by “Chinese companies” (24.6%) and “Japanese companies” (20.5%).
- By industry, manufacturing recorded the highest response for “Chinese companies” (27.8%), while non-manufacturing saw “local companies” (27.6%) as the top competitor.

Top 5 Major Competitors in Target Markets (Countries/Regions) – Japanese Companies Based in Singapore

（no. of firms, %, %pt）

業種	Local		Chinese		Japanese		U.S.		European	
	2025	2024→25	2025	2024→25	2025	2024→25	2025	2024→25	2025	2024→25
Total（391/256）	26.9	△1.3	24.6	△0.4	20.5	0.5	7.4	△0.8	7.2	△5.3
Manufacturing（79/65）	24.1	8.7	27.8	△2.9	17.7	5.4	8.9	△5.0	10.1	△9.9
Chemicals/medicine（16/13）	12.5	△2.9	37.5	14.4	0.0	△7.7	18.8	3.4	18.8	△4.3
Non-manufacturing（312/191）	27.6	△4.9	23.7	0.7	21.2	△1.4	7.1	0.8	6.4	△3.5
Construction（24/10）	58.3	28.3	20.8	△29.2	0.0	△20.0	4.2	4.2	4.2	4.2
Transport/warehouse（25/18）	32.0	△12.4	4.0	△1.6	32.0	15.3	0.0	0.0	24.0	△9.3
Information and communications（31/17）	29.0	△6.3	9.7	9.7	22.6	△18.6	19.4	7.6	6.5	6.5
Trading/wholesale（55/43）	30.9	△4.0	34.5	9.0	18.2	△0.4	1.8	△5.2	5.5	△3.8
Distributor（64/54）	4.7	△6.4	50.0	11.1	17.2	△8.7	9.4	3.8	6.3	△3.0
Business services（36/18）	27.8	△5.6	11.1	△11.1	30.6	8.3	11.1	0.0	0.0	△5.6

Notes: 1)Figures in brackets () are the number of respondent firms, excluding no answer. Only industries with 10 or more firms responding to the 2025 and 2024 surveys are listed.
2)The highlighted sections represent the most common responses across each industry.

1 Regional HQ Relocations to Other Countries/Regions is Limited

- 37.8% of Japanese companies in Singapore “have RHQ functions” for APAC region and elsewhere. Including companies that “plan to have RHQ functions in the future” (11.0%) brings the total to approximately 50%.
- Among firms with RHQ functions, about 20% are either “considering/planning to relocate part of” or “already relocated part of” RHQ functions. Key drivers are rising labor costs and stricter work visa issuance standards.

RHQ Functions for Asia-Pacific and Other Regions (Japanese Firms in Singapore)

(no. of firms, %)

Item	Total (410)	Manufacturing (82)	Non-Manufacturing (328)
Have RHQ functions	**37.8**	**39.0**	**37.5**
Do not have RHQ functions, but plan to have it in the future	11.0	9.8	11.3
Do not have RHQ functions, and no plan to have it in the future	46.8	45.1	47.3
Used to have RHQ functions but have terminated or relocated to another country/region	4.4	6.1	4.0

Notes: 1)Figures in brackets () are the number of respondent firms, excluding no answer. 2)Regional Headquarters (RHQ) function means having control of stock ownership and/or financing across international borders. It includes other integrated operating functions as well as providing general business management supports (shared services) such as sales, manufacturing, logistics, procurement, research and development, human resources, and legal services.

Relocation of RHQ Functions from Singapore to Other Countries/Regions

(%)

Not considering/planning at all	Considering/planning to relocate part of RHQ functions	Already relocated part of RHQ functions	Not sure	Considering/planning to relocate all the RHQ functions
62.1	12.4	11.1	10.5	3.9

Reasons for considering to relocate part of RHQ functions
- While labor costs and rent are rising, profitability is becoming unsustainable due to market saturation (General Machinery Co. E)
- High costs are becoming a disadvantage that outweighs the benefits of establishing regional headquarters functions (Distributor Co. F)

Reasons for already relocated prat of RHQ functions
- Rising labor costs. Difficulty in recruiting qualified personnel (engineers). Future market outlook (declining trend) (Distributor G)
- The introduction of the COMPASS system imposes constraints on increasing personnel (Financial/Insurance Co,H)

Note: Of the 155 firms that responded that they have “RHQ functions,”153 firms that responded were included in the tally.

2 | Rising Labor Costs: The Biggest Barrier to Investment

- On investment environment risks, rising labor costs (91.3%) ranks as the biggest concern
- Among the top four risks, the response rates for shortage of land/office space and rising property rents and difficulty in obtaining visas and work permits have shown a declining trend since 2022.

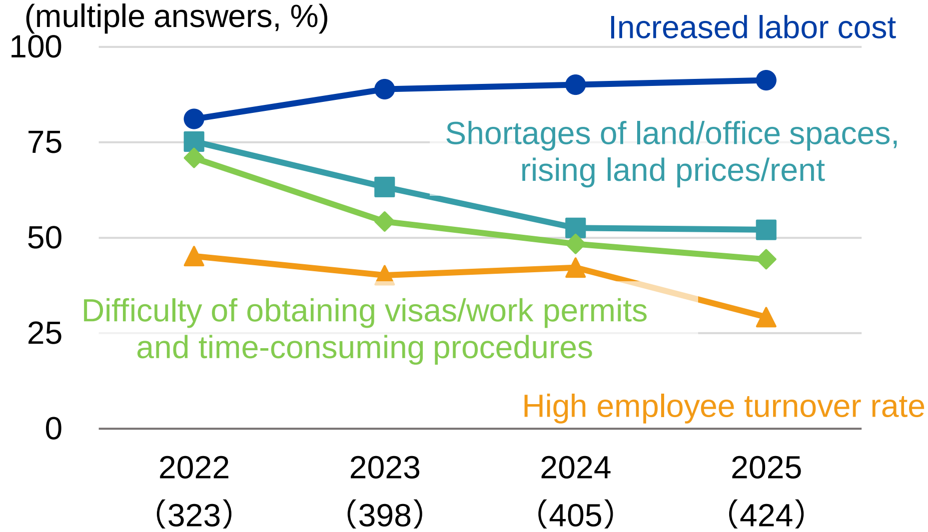
Investment Environment Risks for Japanese Companies in Singapore (Top 10, Multiple Answers)

(no. of firms, %, %pt)

Risks	2025 (424)	2024 →25
Increased labor cost	91.3	1.2
Shortages of land/office spaces, rising land prices/rent	52.1	△0.5
Difficulty of obtaining visas/work permits and time-consuming procedures	44.3	△4.1
High employee turnover rate	29.2	△13.0
Labor shortage or difficulty in recruiting (specialists/engineers/middle-managers)	22.2	△5.7
Labor shortage or difficulty in recruiting (general workers/staff/clerks)	21.9	△2.8
Political or social instability	5.2	△1.0
Time-consuming administrative procedures (permits and licenses)	4.0	0.6
Currency volatility	3.8	△3.1
Time-consuming tax procedures	3.5	0.9

Note: Figures in brackets () are the number of respondent firms, excluding no answer.

Risk Trends in the Investment Environment for Japanese Companies in Singapore (Top 4 Risks from 2025 Survey)

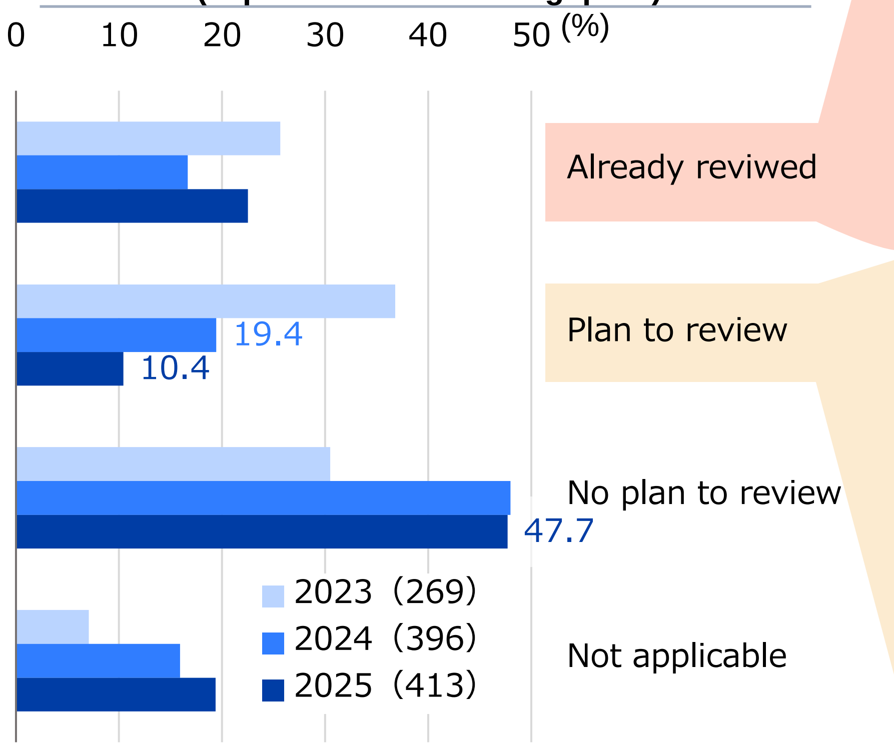


Notes: 1)Figures in brackets () are the number of respondent firms, excluding no answer. 2) The 2022 survey asked respondents to select items that will impact business management. Responses regarding negative impact (risk) of “level of labor costs,” “procedure for obtaining visas and work permits,” “level of employee retention rate,” “availability of land/office,” and “level of land price/rent” were aggregated. Respondents who cited either “availability of land/office” or “level of land price/rent” were categorized as citing “Shortages of land/office spaces, rising land prices/rent.”

3 | Half of Firms Keep Expat Numbers Despite Tougher Visa Rules

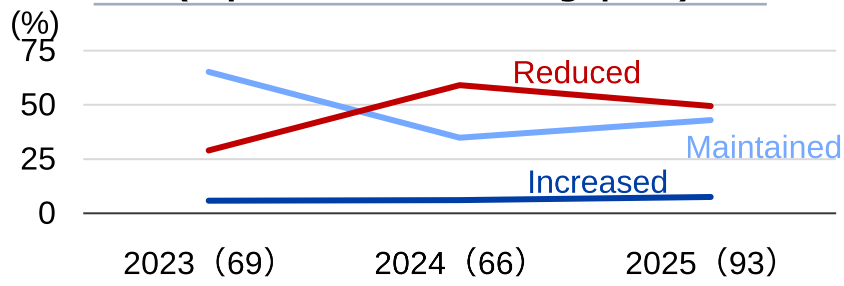
- On the impact of the COMPASS framework, the largest proportion of Japanese companies (47.7%) responded “No plans to review” their expatriate numbers. The share of companies planning to review dropped significantly to 10.4% in 2025 from 19.4% in 2024.
- Among companies that have already reviewed expatriate numbers, 49.5% reported reducing expatriates

Trend in the Number of Expatriates Following the Introduction of the COMPASS System and Raising of Salary Standards (Japanese Firms in Singapore)



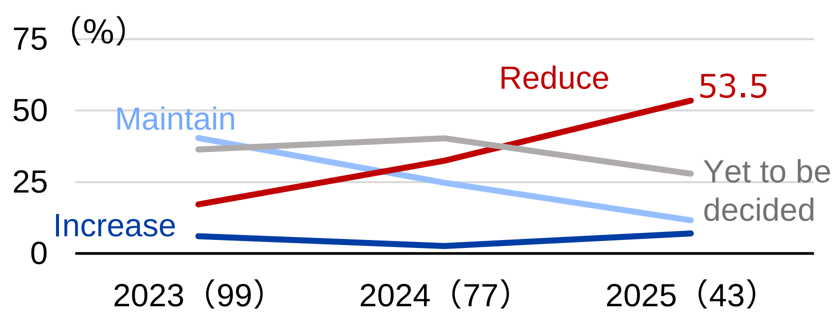
Note: Figures in brackets () are the number of respondent firms, excluding no answer.

Review of Expatriates_Already Reviewed (Japanese Firms in Singapore)



Note: Figures in brackets () are the number of respondent firms, excluding no answer.

Review of expatriates_plan to review (Japanese firms in Singapore)



Note：1)Figures in brackets () are the number of respondent firms, excluding no answer.

1 Stable Political and Social Conditions are the Top Investment Advantage

- Among investment environment advantages, “political and social conditions stability” ranks highest at 90.2%. The ranking of the top four items has remained unchanged since 2023.

Investment Environment Advantages for Japanese Companies in Singapore (Top 10, Multiple Answers)

(no. of firms, %, %pt)

Advantages	2023 (402)	2024 (407)		2025 (427)	
			2023→24		2024→25
Political/social stability	90.0	88.5	△1.6	90.2	1.7
Fewer linguistic/communication problems	60.9	59.0	△2.0	61.8	2.9
Good living environment for Japanese expatriates	54.5	51.1	△3.4	56.9	5.8
Well-organized legal system with clear implementation	53.2	43.0	△10.2	40.7	△2.2
Tax incentives (corporate taxes/customs duties)	39.8	33.4	△6.4	37.9	4.2
Simple and highly transparent tax procedures	42.3	32.4	△9.9	36.3	3.9
Market scale, growth potential	34.6	27.8	△6.8	26.7	△1.1
Prompt and simple administrative procedures (permits and licenses)	30.3	22.6	△7.7	26.7	4.1
Sufficient infrastructure of communication	22.9	21.6	△1.3	23.4	1.8
High quality of employees (specialist/engineer)	20.1	19.4	△0.7	22.7	3.3

Note: Figures in brackets () are the number of respondent firms, excluding no answer.

2 Perspectives of Japanese Companies in Singapore on Work Visa Issues

Investment Environment Risks/Problems for Japanese Firms in Singapore

- While it is necessary to have a certain number of Japanese expatriates, the COMPASS regulations prevent us from increasing headcount. (Finance & Insurance Company I)
- As employment visa requirements become stricter year by year, it is increasingly difficult to select engineers to dispatch from the Japan headquarters. (Construction Company J)
- Securing talent is challenging, and the high hurdle for obtaining work visas makes it difficult to assign expatriates, posing future operational risks. (Sales Company K)
- We would like to expand the number of staff at our base, but due to visa difficulties, this cannot be considered locally, and we have started exploring expansion in other countries within the region. (Finance & Insurance Company L)

Challenges Facing RHQ of Japanese Firms in Singapore

- When operating a regional headquarters or holding company in Singapore, it is typically run as a small organization focused on specialists and managers. The composition of such an organization is unlikely to match the staffing structure desired by the Singapore government. Since the Singapore headquarters also serves as a link between the Japan head office and overseas subsidiaries, reliance on Japanese expatriates is inevitable. (Business Services Company M)
- Obtaining visas has become increasingly difficult, raising concerns about whether we can continue to fulfill regional headquarters functions in the future. (Trading & Wholesale Company N)

Reasons for Reviewing Expatriate Headcount with the Introduction of the COMPASS and Higher Salary Criteria (Japanese firms in Singapore)

<u>Reasons for Reducing Expatriates</u>

- Promoting the hiring of local talent (General Machinery Company O)
- To score points on company-related items under the COMPASS system, headcount is capped at 24 employees or fewer (Finance & Insurance Company P)
- Fewer personnel eligible for Employment Pass (EP) and rising costs (Transportation Company Q)

<u>Reasons for Future Reduction of Expatriates</u>

- To further promote the hiring of local talent (Chemical & Pharmaceutical Company R)
- Difficulty obtaining work visas for younger employees; need to hire local talent (Transportation Company S)

<u>Reasons for Not Reviewing Expatriate Numbers</u>

- Only two expatriates, already meeting (work visa) requirements (Chemical & Pharmaceutical Company T)
- Fewer than 25 employees, so currently not struggling to meet COMPASS criteria (Business Services Company U)

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