Investment Climate Statement - Vietnam

March 2018

Mizuho Bank, Ltd.
Global Strategic Advisory Department
Direct Investment Trends: Investment from Overseas (1)

- From 2009 to 2011, foreign direct investment dipped on economic instability, but it gradually recovered thereafter and has topped $20 billion a year (approval basis) in the four consecutive years since 2013.
- In 2017 (total approved investments by December 20), new investments had risen by 42.3% to hit $21.2 billion, with further investments growing by 49.2% to hit $8.4 billion. Japan was the biggest source of foreign investment.

**Foreign Direct Investment (Approval Basis)**

(Unit: $100 million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Further investment</th>
<th>New investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>12,512</td>
<td>2,757</td>
<td>9,755</td>
</tr>
<tr>
<td>2007</td>
<td>21,348</td>
<td>2,630</td>
<td>18,718</td>
</tr>
<tr>
<td>2008</td>
<td>61,720</td>
<td>5,428</td>
<td>56,292</td>
</tr>
<tr>
<td>2009</td>
<td>21,932</td>
<td>5,137</td>
<td>16,795</td>
</tr>
<tr>
<td>2010</td>
<td>19,886</td>
<td>1,967</td>
<td>17,919</td>
</tr>
<tr>
<td>2011</td>
<td>15,598</td>
<td>3,360</td>
<td>12,238</td>
</tr>
<tr>
<td>2012</td>
<td>16,348</td>
<td>7,731</td>
<td>8,617</td>
</tr>
<tr>
<td>2013</td>
<td>22,352</td>
<td>7,869</td>
<td>14,483</td>
</tr>
<tr>
<td>2014</td>
<td>21,922</td>
<td>5,418</td>
<td>16,504</td>
</tr>
<tr>
<td>2015</td>
<td>24,115</td>
<td>7,774</td>
<td>16,341</td>
</tr>
<tr>
<td>2016</td>
<td>22,380</td>
<td>6,565</td>
<td>15,815</td>
</tr>
</tbody>
</table>

Sources: Compiled by the Global Strategic Advisory Department of Mizuho Bank, Ltd., based on JETRO materials
In 2016, South Korea was number one and Singapore number two when it came to approved new direct investment amounts. The largest investment project in FY2016 totalled $1.5 billion and it involved South Korea’s LG Display setting up an organic EL display factory in Hai Phong in north Vietnam.

Manufacturing accounted for over 60% of the total investment amount (approx. $10.1 billion), with investment in this sector up 7.2% on the previous fiscal year. Next up was the real estate sector with a share of around 10% (approx. $1.6 billion).

Sources: Compiled by the Global Strategic Advisory Department of Mizuho Bank, Ltd., based on JETRO materials and NNA articles
Direct Investment Trends: Investment from Japan

- Investment dipped for a time in 2009 due to the financial crisis, but it began recovering the following year; in 2012, Tokyu Corporation and Bridgestone received approval for investments in the region of $1.2 billion and $600 million, respectively.
- In 2013, the authorities approved a substantial further investment of $2.8 billion in the Nghi Son Refinery (a project involving Idemitsu Kosan and Mitsui Chemicals, etc.). 2016 saw approvals for around $2.5 billion of investment, up 39% on the previous year.
- 2017 saw the approved investment amount rising to a record-high $9.1 billion in connection with major projects such as the Nghi Son 2 coal-fired power plant (led by Marubeni Corporation; approx. $2.8 billion) and the Van Phong 1 thermal power plant (led by Sumitomo Corporation; approx. $2.6 billion).

### Direct Investment from Japan (Approval Basis)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Further investment</th>
<th>New investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>1,502</td>
<td>409</td>
<td>1,093</td>
</tr>
<tr>
<td>2007</td>
<td>1,386</td>
<td>434</td>
<td>952</td>
</tr>
<tr>
<td>2008</td>
<td>6,308</td>
<td>412</td>
<td>5,896</td>
</tr>
<tr>
<td>2009</td>
<td>439</td>
<td>235</td>
<td>204</td>
</tr>
<tr>
<td>2010</td>
<td>2,399</td>
<td>288</td>
<td>2,111</td>
</tr>
<tr>
<td>2011</td>
<td>2,622</td>
<td>663</td>
<td>1,959</td>
</tr>
<tr>
<td>2012</td>
<td>5,593</td>
<td>1,222</td>
<td>4,371</td>
</tr>
<tr>
<td>2013</td>
<td>5,875</td>
<td>4,469</td>
<td>1,406</td>
</tr>
<tr>
<td>2014</td>
<td>2,299</td>
<td>962</td>
<td>1,337</td>
</tr>
<tr>
<td>2015</td>
<td>1,803</td>
<td>486</td>
<td>1,317</td>
</tr>
<tr>
<td>2016</td>
<td>2,510</td>
<td>1,328</td>
<td>1,182</td>
</tr>
</tbody>
</table>

(Unit: $100 million)

Sources: Compiled by the Global Strategic Advisory Department of Mizuho Bank, Ltd., based on JETRO materials
Trends Involving Japanese Companies Operating in Vietnam

- Over 1,600 Japanese companies had expanded into Vietnam as of October 2016, with over 1,000 of these companies setting up in south Vietnam.
- Traditionally, most of these companies were involved in export processing, but in recent times more companies have set up in sectors geared toward domestic demand (retailing, real estate, and the manufacturing of food or consumer goods, etc.).

**No. of Japanese Companies in Vietnam**

![Graph showing the number of Japanese companies in Vietnam from 2006 to 2016.](image)

- (No. of companies)
- Vietnamese embassy (Hanoi)
- Ho Chi Minh City consulate general

Note: No. of companies in the Society of Commerce and Industry as of March 2017: 1,637 (Hanoi = 652; Danang = 109; Ho Chi Minh City = 876)

**No. of Japanese Companies by Sector (as of 2016)**

- Manufacturing: 772
- Wholesaling and retailing: 152
- Other: 206
- Construction: 104
- Services: 97
- Transportation: 85
- Finance: 49
- IT: 61
- Sector unclear: 161

Sources: Compiled by the Global Strategic Advisory Department of Mizuho Bank, Ltd., based on the *Annual Report of Statistics on Japanese Nationals Overseas* by the Ministry of Foreign Affairs of Japan and JETRO materials.
**Tax-related Information**: Corporate Tax Rates

- The standard corporate tax rate was lowered to 20% on January 1, 2016.
- ‘Exemptions’ refer to 100% exemption from the tax rate applicable in the concerned fiscal year; ‘tax reduction’ refers to 50% tax cut.

Major preferential tax rates/requirements (When there is no taxable income in the first 3 years since the first fiscal year when sales are generated, they will automatically commence from the fourth year.)

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Preferential tax rate</th>
<th>Applicable period</th>
<th>Exemption period</th>
<th>Tax reduction period</th>
</tr>
</thead>
<tbody>
<tr>
<td>When none of the below-mentioned tax incentives apply</td>
<td>20%</td>
<td>—</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>New investment projects in industrial parks <em>not located in highly convenient areas</em></td>
<td>20%</td>
<td>—</td>
<td><strong>Two years from when taxable income first accrues</strong></td>
<td><strong>Four years from when the exemption period ends</strong></td>
</tr>
<tr>
<td>New investment projects or additional investment projects in <em>extremely</em> socio-economically disadvantaged areas (Decree No. 218/2013/ND-CP, Appendix), <em>economic zones or high-tech zones</em></td>
<td>10%</td>
<td>15 years from when sales are first generated</td>
<td><strong>Four years from when taxable income first accrues</strong></td>
<td><strong>Nine years from when the exemption period ends</strong></td>
</tr>
<tr>
<td>New investment projects or additional investment projects in the areas of technology development, scientific research, <em>software development, the generation of renewable energies</em>, and environmental conservation, etc.</td>
<td>10%</td>
<td>15 years from when sales are first generated</td>
<td><strong>Four years from when taxable income first accrues</strong></td>
<td><strong>Nine years from when the exemption period ends</strong></td>
</tr>
<tr>
<td>Investment projects in the areas of <em>education, vocational training, healthcare</em>, culture, sports, and environmental protection</td>
<td>10%</td>
<td>Whole period</td>
<td><strong>Four years from when taxable income first accrues</strong></td>
<td><strong>Nine years from when the exemption period ends</strong></td>
</tr>
<tr>
<td>Investment projects <em>that add up to more than 6 trillion Vietnamese dong</em> (VND) in the three years from the issuance of the investment certificate and which fulfill either of the below-mentioned criteria in the three years since the first fiscal year when sales are generated: (1) annual sales of more than VND 10 trillion or (2) more than 3,000 employees</td>
<td>10%</td>
<td>15 years from the approval of the incentive</td>
<td><strong>Four years from when taxable income first accrues</strong></td>
<td><strong>Nine years from when the exemption period ends</strong></td>
</tr>
<tr>
<td>New investment projects or additional investment projects in socio-economically disadvantaged areas (Decree No. 218/2013/ND-CP, Appendix), New investment projects or additional investment projects related to: the manufacture of high-quality steel, energy-saving products, or machinery/facilities used in agriculture, farming or fishing/the salt industry; the production of irrigation facilities; the production/refinement of feed for cattle or fish farms; or the promotion of traditional industries</td>
<td>17%</td>
<td>Ten years from when sales are first generated</td>
<td><strong>Two years from when taxable income first accrues</strong></td>
<td><strong>Four years from when the exemption period ends</strong></td>
</tr>
</tbody>
</table>

Highly-convenient areas:
- Special cities (Hanoi, Ho Chi Minh City), tier 1 cities under the direct control of the central government (Hai Phong, Da Nang, Can Tho), and tier 1 cities under the control of provincial authorities (Hue, Vinh, Da Lat, Nha Trang, Quy Nhon, Buon Ma Thuot, Thai Nguyen, Nam Dinh, Viet Tri, Ha Long)

Sources: Compiled by the Global Strategic Advisory Department of Mizuho Bank, Ltd., based on materials released by the Vietnamese government, etc.
Regulations for Foreign Investors

- When the revised common Law on Investment came into force in July 2015, it eased restrictions regarding those sectors in which foreign investment is either prohibited or subject to conditions.
- The sectors in which foreign investment is either prohibited or subject to conditions were revised in January 1, 2017.

### List of Investment-Restricted Sectors in the New Common Law on Investment

<table>
<thead>
<tr>
<th>Prohibited sectors</th>
<th>Conditional sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reduced to 7 sectors in January 1, 2017</strong></td>
<td><strong>Revised to 243 sectors in January 1, 2017</strong></td>
</tr>
<tr>
<td>1. Dealing with certain types of drugs, as stipulated in Appendix 1 of the new</td>
<td>⇒ This includes most of the service sectors that foreign-owned companies would</td>
</tr>
<tr>
<td>common Law on Investment</td>
<td>consider participating in.</td>
</tr>
<tr>
<td>2. Dealing with certain types of chemicals or minerals, as stipulated in Appendix</td>
<td>The major conditional sectors are as follows:</td>
</tr>
<tr>
<td>2 of the new common Law on Investment</td>
<td>◆ Security business ◆ the practice of law ◆ accounting services ◆ insurance</td>
</tr>
<tr>
<td>3. Dealing with specimens of wild fauna or flora, as listed in Appendix 1 of the</td>
<td>◆ casinos ◆ logistics ◆ employment placement services ◆ real estate</td>
</tr>
<tr>
<td>Convention on International Trade in Endangered Species of Wild Fauna and Flora;</td>
<td>◆ overseas study consulting services ◆ cosmetics production</td>
</tr>
<tr>
<td>dealing with specimens of group 1 endangered rare wild fauna or flora, as listed</td>
<td>◆ accommodation management ◆ advertising</td>
</tr>
<tr>
<td>in Appendix 3 of the Convention on International Trade in Endangered Species of</td>
<td>Note: Be aware that some sectors are subject to separate conditions in</td>
</tr>
<tr>
<td>Wild Fauna and Flora</td>
<td>accordance with the WTO membership treaty or other government ordinance.</td>
</tr>
<tr>
<td>4. Dealing in prostitution</td>
<td></td>
</tr>
<tr>
<td>5. Buying or selling of humans, or tissues/parts of the human body</td>
<td></td>
</tr>
<tr>
<td>6. Dealing with asexual reproduction</td>
<td></td>
</tr>
<tr>
<td>7. Buying or selling of firecrackers</td>
<td></td>
</tr>
</tbody>
</table>

### Foreign Equity Restrictions

- **Capital contribution ratios**
  - In sectors where 100% foreign ownership is not permitted (conditional sectors, etc.), the government issues regulations on the capital contribution ratios in each sector (example: road transportation services [passenger and freight] = foreign ownership of 51% or less).

- **Minimum capital requirements**
  - Some sectors have minimum capital requirements (example: real estate management = VND 20 billion [from July 2015]).

Sources: Compiled by the Global Strategic Advisory Department of Mizuho Bank, Ltd., based on the Law on Investment (67/2014/QH13) and the new Law of Real Estate Business (66/2014/QH13)
Mizuho Bank’s Vietnam Offices

**Hanoi Branch**

4th Floor, 63 LTT Building, 63 Ly Thai To Street, Hanoi, Socialist Republic of Vietnam

Tel : 84-24-3936-3150 / 84-24-3936-3103
Fax : 84-24-3826-6665

Access from the airport
Approximately 50 minutes by taxi

**Ho Chi Minh City Branch**

18th Floor, Sun Wah Tower, 115 Nguyen Hue Boulevard, District 1, Ho Chi Minh City, Socialist Republic of Vietnam

Tel : 84-28-3827-8260
Fax : 84-28-3821-9160

Access from the airport
Approximately 30 minutes by taxi

Sources: Compiled by the Global Strategic Advisory Department of Mizuho Bank, Ltd.
Mizuho’s Customer Support Structure in Vietnam

**New expansions**

1. New overseas expansion
   - M&A strategy
   - Partner strategy

2. Capital bank accounts
   - Current bank accounts

3. Settlemets/CMS

4. Finance
   - Foreign exchange/guarantees
   - Securitization, etc.

5. Trade settlements

6. Employee transactions
   - (bank accounts for wages, corporate/individual cards, housing loans, etc.)

7. Sales promotions/
   - management support

**Current transactions**

- Handling of main accounts
- Handling of settlement accounts
- Handling of various credit transactions
- Handling of settlements

- Not handled
- Not handled

**Mizuho’s Vietnam offices**
- (Hanoi and Ho Chi Minh City branches)

- Global Strategic Advisory Department
- Mizuho Securities, etc.

**Vietcombank**

- Vietcombank’s customer base
- Vietcombank Securities
- Domestic office network
  - (464 offices)
- Domestic office network
  - (cash collection, etc.)
- VCB settlement system
- Coordinated response
- Response to local subsidiary risk
- Traditionally strong in the area of trade settlements
- Bank accounts for wages
- Housing loans
- Corporate cards
- Sales finance (B to C)
- Affiliated cards
- Leasing company (B to B)

Sources: Compiled by the Global Strategic Advisory Department of Mizuho Bank, Ltd.
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