

Investment Climate Statement **Vietnam**

May 2023

Mizuho Bank, Ltd.
Global Strategic Advisory Department

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Research Division

MIZUHO

The Mizuho logo consists of the word "MIZUHO" in a bold, white, sans-serif font, positioned above a white horizontal line that curves slightly upwards at both ends.

I. Country Profile

II. Investment-related Information

III. Establishing a Local Subsidiary

IV. Regulations, Incentives, Reference Information

V. Other

I. Country Profile

I-1. Key Economic Indicators for Asia

Country/Region	Japan	China	South Korea	India	Singapore	Malaysia
Population (millions)	125.2	1,412.5	51.6	1,423.3	5.6	33.0
Nominal GDP (US\$ Billion)	4,234	18,100	1,665	3,386	467	408
Real GDP growth rate (annual, %)	1.1	3.0	2.6	6.8	3.6	8.7
GDP per capita (US\$)	33,822	12,814	32,250	2,379	82,808	12,364
Estimated GDP growth rate (2023, %)	1.3	5.2	1.5	5.9	1.5	4.5
Credit rating (S&P) as of Oct 2022	A+	A+	AA	BBB-	AAA	A-
Country/Region	Thailand	Indonesia	Vietnam	The Philippines	Laos	Myanmar
Population (millions)	70.1	274.9	99.5	111.6	7.5	53.9
Nominal GDP (US\$ Billion)	536	1,319	407	404	15.3	56.8
Real GDP growth rate (annual, %)	2.6	5.3	8.0	7.6	2.3	2.0
GDP per capita (US\$)	7,651	4,798	4,087	3,623	2,047	1,053
Estimated GDP growth rate (2023, %)	3.4	5.0	5.8	6.0	4.0	2.6
Credit rating (S&P) as of Oct 2022	BBB+	BBB	BB+	BBB+	n.a.	n.a.

Source: Compiled by the Global Strategic Advisory Department of Mizuho Bank, Ltd., based on the IMF's World Economic Outlook Database, April 2023 Edition and S&P website
*** Data are as of 2022; 2023 GDP growth and italicized data are estimated by IMF. Data for Vietnam are figures from the General Statistics Office of Vietnam.**

S&P rating criteria:

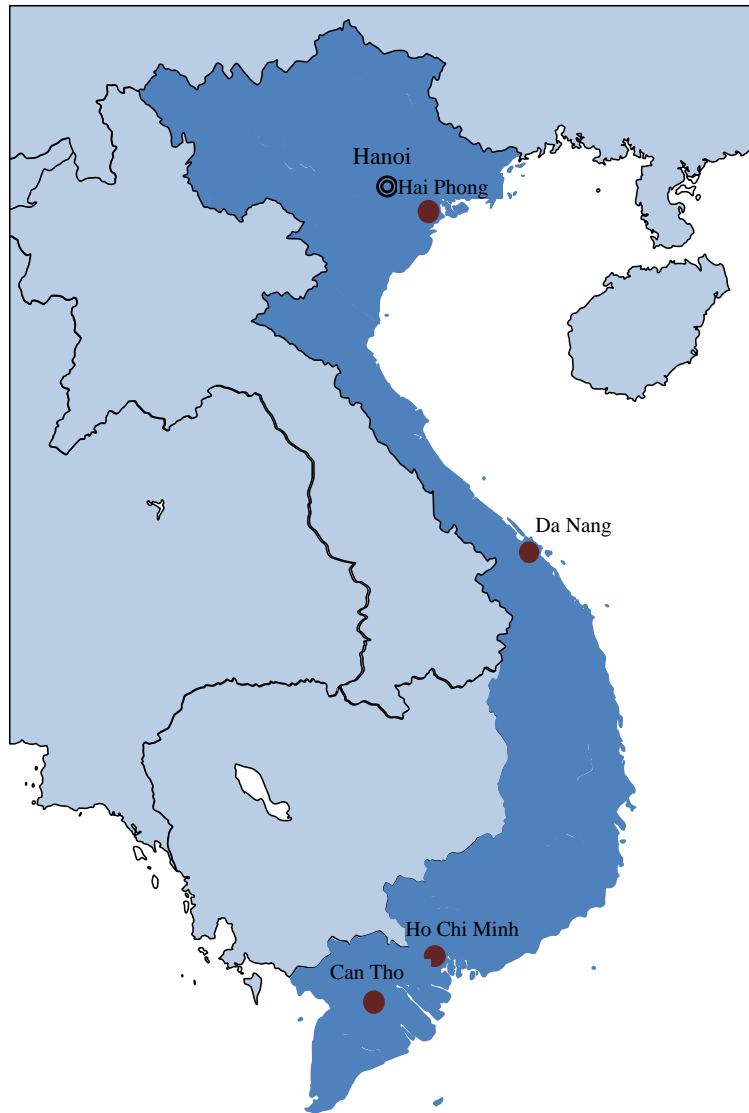
A: An obligor rated "A" has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

BBB: An obligor rated "BBB" has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

BB: An obligor rated "BB" is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments

* S&P credit rating as of October 2022

I-2. Basic Data and Overview



Basic Data on Vietnam

Population	99.5 million persons (As of April 2023, IMF)
Square area	approx. 329,000 million km ² (same as Malaysia or 93% of Germany)
Capital	Hanoi
Language	Vietnamese
Ethnicities	54 ethnic groups, of which 90% are Kinh
Religions	Buddhism (~80% of the population), Catholicism, etc.
Currency	Vietnam dong (VND)
Politics	Socialist republic, single-party authoritarian system by Communist Party
GDP	Nominal: US\$406.5 billion; Per capita: US\$4,087 (As of April 2023, IMF)
Real GDP growth rate	8.02% (2022, General Statistics Office of Vietnam)
Major industries	Agriculture, manufacturing, wholesale, retail, etc.

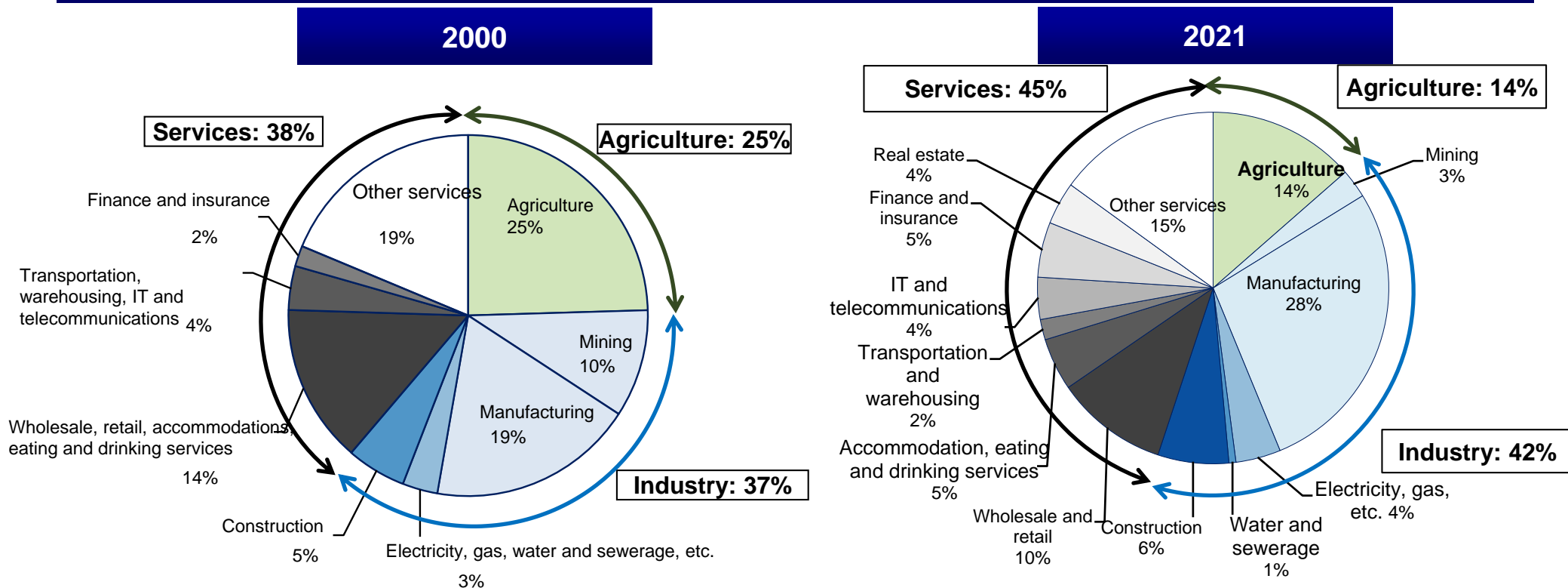
Overview of Vietnam

- Vietnam is a country at the eastern edge of mainland Southeast Asia, borders China, Lao and Cambodia and being the fifteenth most populous country.
- Vietnam's strengths are fertile soil, abundant resources such as marine resources, minerals, and oil fields, a stable social structure, and a high-quality labor force.
- Although it is a socialist country, Vietnam launched its Doi Moi (renovation) policy in 1986, got foreign direct investment increase steadily in the 2000s and sustained high economic growth. Vietnam joined WTO in 2007 and became a middle-income country in 2010.
- Due to the impact of the COVID-19 pandemic, GDP growth was sluggish in 2020 and 2021, but remained positive. (2020: 2.9%; 2021: 2.6%)
- In October 2021, the country successfully transformed to with-COVID-19 policy that fostered economic growth. In 2022, Vietnam achieved a high GDP growth rate of 8.02% YoY, well above the Government's target of 6%-6.5%.

I-3. Economic Structure (Industry/Trade) (1): Industrial Structure

- Agriculture, once accounted for 25% of GDP with more than half of the working population, declined to 14% in 2021.
- Owing to steady increase in foreign investment, manufacturing industry became the main economic driving force, accounting for almost 30% of total GDP.
- In recent years, foreign investment in the service sector targeting at the domestic demand has been also on the rise, leading to the fact that of service sector as a share of GDP is on the upward trends

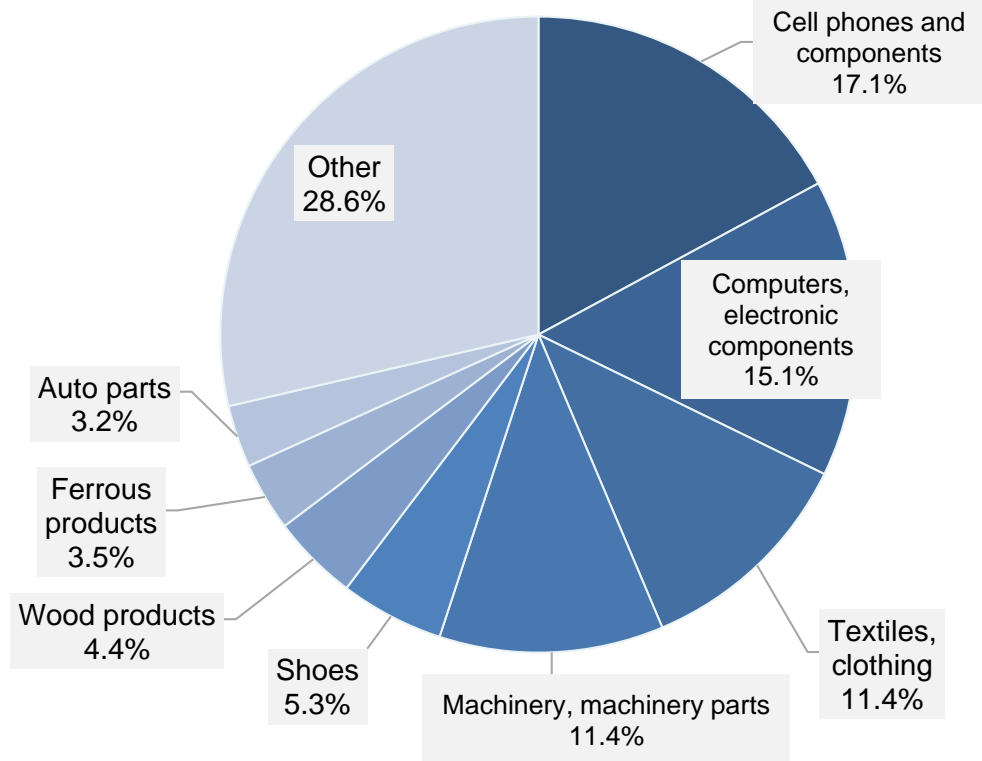
GDP Composition by Industry (2000 vs 2021)



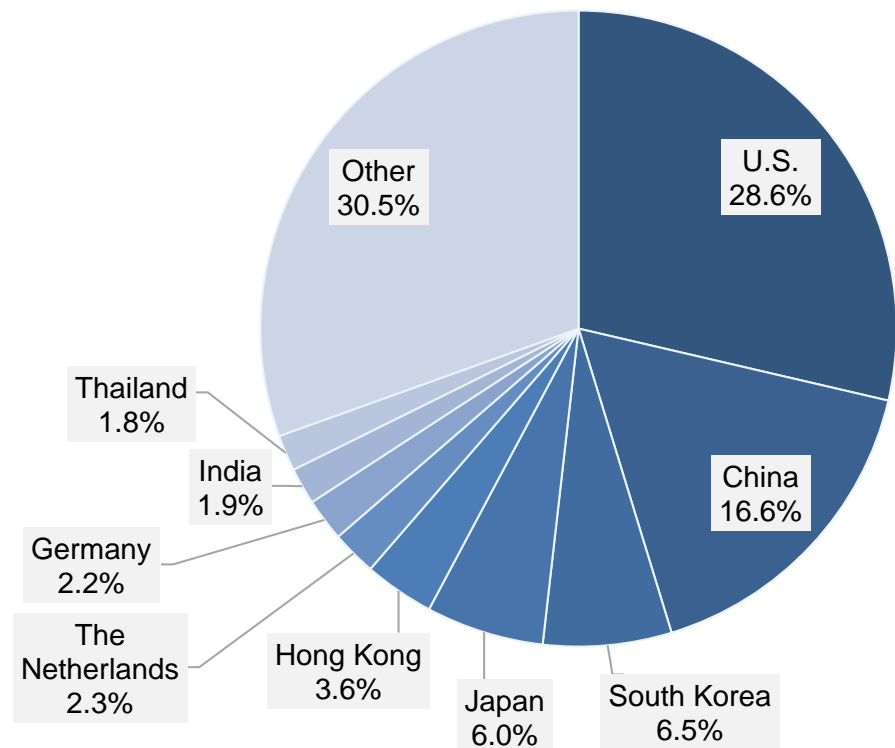
I-3. Economic Structure (Industry/Trade) (2): Export Structure

- With advantages on labor force and competitive wage, the country has recorded consecutive rise in foreign investment by companies and developed labor-intensive industries such as apparel, shoe and electronic product assembly.
- Since the late 2000s, exports of electronics products have expanded drastically in line with entry of South Korean FDIs such as Samsung and LG, accounting for more than 30% of export balance.
- US is the largest destination of Vietnam's exported goods, followed by China, South Korea, and Japan.

Breakdown of Exports by Goods (2021)



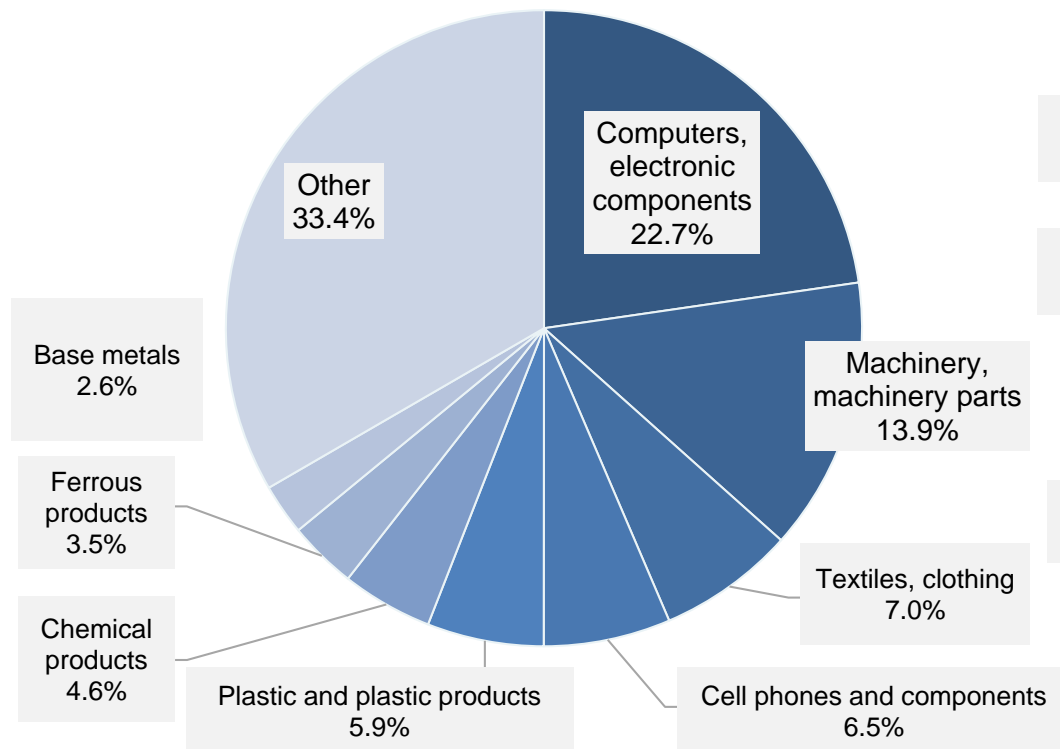
Breakdown of Exports by Country/Region (2021)



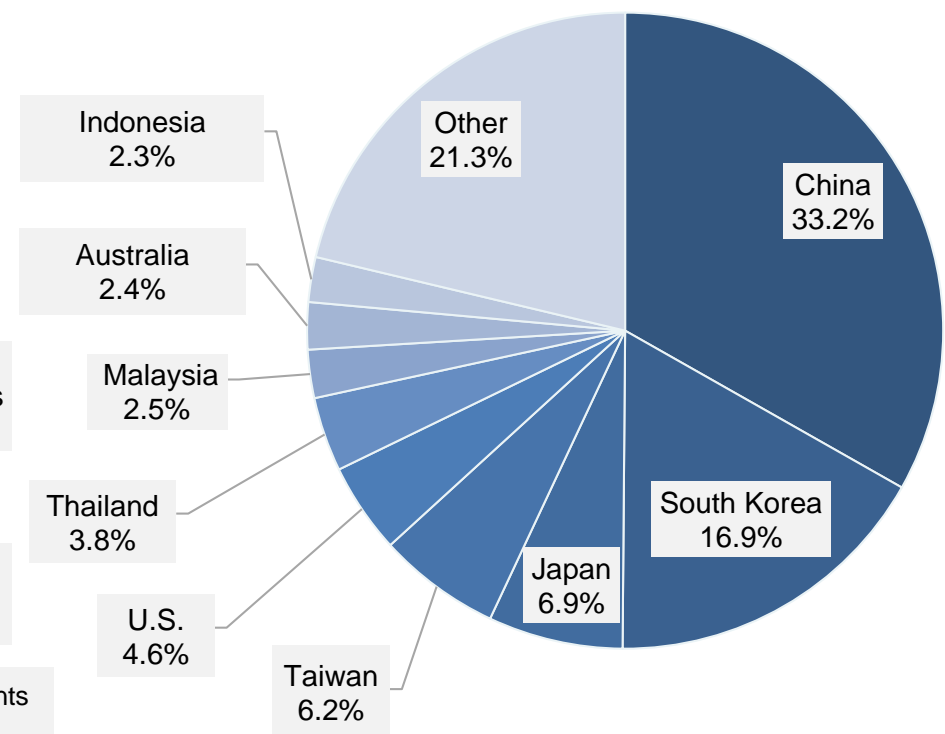
I-3. Economic Structure (Industry/Trade) (3): Import Structure

- Similar to export, import of electronics and phone-related products increased following entry of the Samsung (South Korea) investment in 2009.
- Development of processing industry whereby various raw and intermediate materials are imported mostly from China and South Korea, processed then exported in form of final product, has led to immature supporting industry.

Breakdown of Imports by Goods (2021)



Breakdown of Imports by Country/Region (2021)



I-4. Economic and Industry Characteristics

- **Manufacturing industry:** While growth is continuously driven by foreign investment, local procurement rate is merely around 37.3% (2022), illustrating that supporting industries under-development remains an inherent issue.
- **Construction and real estate:** Real estate experienced downturn due to fund raising difficulty amid investors' concerns over corporate bond issuance misconduct.
- **Retail:** Foreign investment still on upward trend on the background of remarkable growth in GDP per capita.

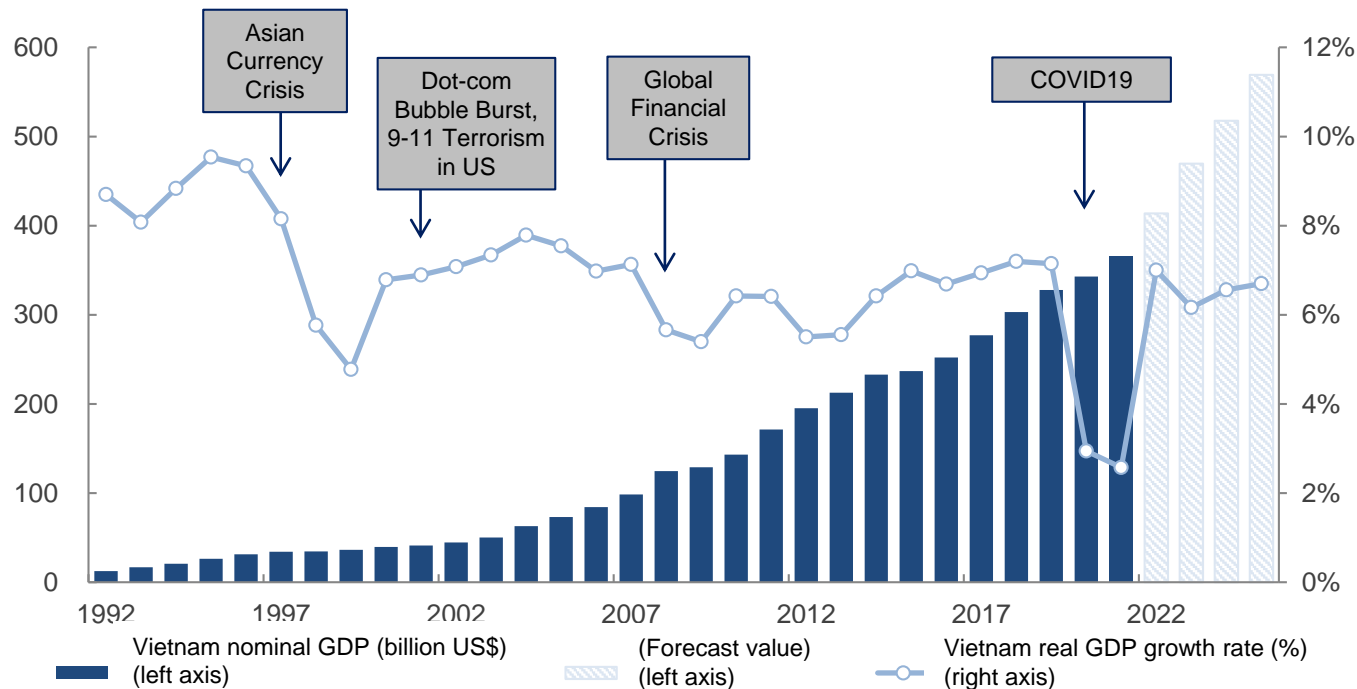
Major Industries' Characteristics and Trends

	Manufacturing	Construction and real estate	Retail
Features	<ul style="list-style-type: none"> ✓ Compared to neighboring countries, Vietnam offers low wages, abundance of hardworking human resources, and stable socio-politic environment; which are attractive for many companies considering to set up manufacturing hubs ✓ Major foreign investors in Vietnam highlighted names of not only Japanese companies but also South Korea, China, Taiwan, and Hongkong ✓ Samsung established cell phone and home appliance plants, posing a strong presence in the country 	<ul style="list-style-type: none"> ✓ This sector comprises approximately 6% of Vietnam's GDP, and it is steadily expanding in line with Vietnam's economic growth ✓ Foreign companies' entry into Vietnam remains robust, leading to subsequent demand for plants and offices construction 	<ul style="list-style-type: none"> ✓ Despite modern (MT) has gradually developed in recent years, as of 2021, traditional trade (TT) still accounted for more than 80% ✓ Since 2009, 100% foreign investment is legally possible, but there are still restrictions on foreign retailers in multiple stores installments
Recent Trends	<ul style="list-style-type: none"> ✓ As GDP per capita is growing, there are an increasing number of companies targeting at domestic demand with aim to sell products manufactured in Vietnam within the country ✓ Automobile maker VinFast, a subsidiary of Vingroup, the largest conglomerate in Vietnam, focused entire resources on EVs since 2022 	<ul style="list-style-type: none"> ✓ Since March 2022, there were a number of arrests aligned with stock price manipulation and misconducts in bond issuance among major developers ✓ Thus, banks tightened conditions for credit extension and underwriting, which affected the whole industry since many developers have been unable to raise funds. 	<ul style="list-style-type: none"> ✓ Estimated retail sales revenue in 2022 grew significantly, by 19.8%YoY, in a rebound from COVID-19 affected 2021 ✓ There are consecutive market entries of foreign investor being major players in department stores, shopping malls, convenience stores, and e-commerce

I-5. Economic Environment: Medium and Long-term Development Trends

- Since the launch of Doi Moi reform in 1986, Vietnam has stably maintained positive economic growth. Despite certain slowdown during 1997 Asian currency crisis, the economy continued to develop thanks to attracting inflows in forms of official development assistance and foreign investment in export processing industries.
- As a result of pursuing high economic growth rather than macroeconomic stability, the country experienced economic instability, with soaring inflation from the late 2007 to 2011. The Government adopted economic stabilization measures since 2011.
- In recent years, the development model focusing on international free trade promotion is on the gear and successful transformation into “Living with Covid” policy since October 2021 fosters ground for relatively high growth in 2022.

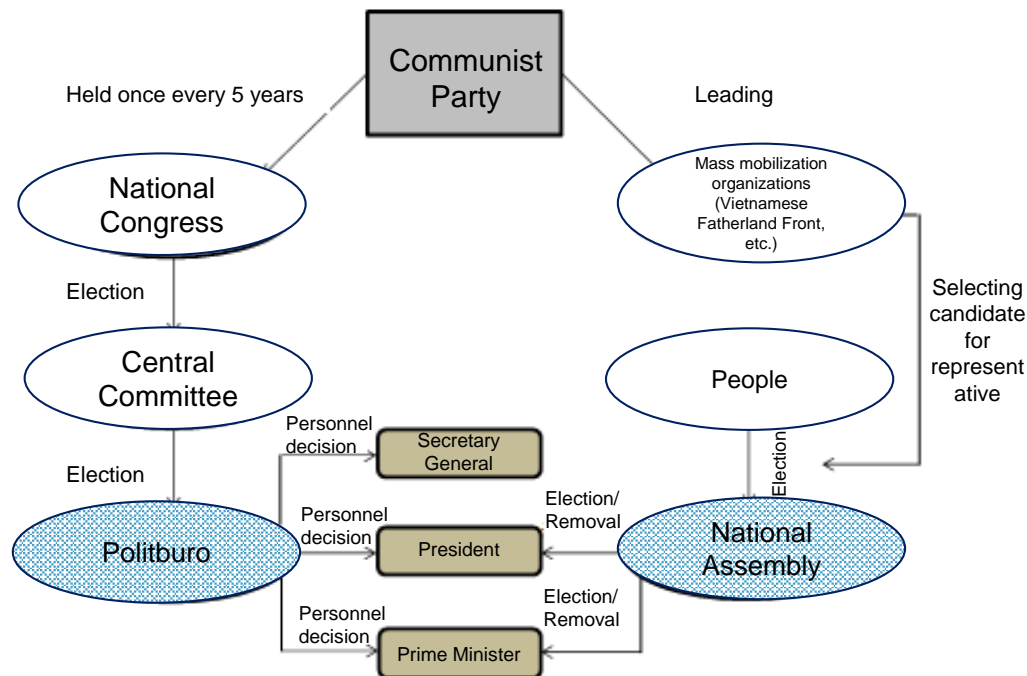
Trends in Nominal GDP and Real GDP Growth Rate



I-6. Political Situation

- Vietnam adopts a socialist republic system under the one-party sole leadership of the Communist Party and promoting the market economy with various reforms lead by the Party's Political Bureau.
- The country is officially lead by “Four Pillars”, including the powerful General Secretary of the Communist Party at highest position, followed by the President, governing Prime Minister, and the Chair of National Assembly. These top positions are determined every five years at the Party congress, which the next is scheduled in 2026.
- In January 2023, an unprecedented situation occurred where President Nguyen Xuan Phuc was dismissed due to his supervisory responsibility concerning a corruption scandal related to return flight arrangement for Vietnamese living abroad and governmental bid for test kits during Covid 19 pandemic period.

Vietnam's Political Structure



Positions Decided at the 13th National Congress (as of 2023)

-Secretary General: Nguyen Phu Trong

- Birthdate: April 14, 1944
- Birthplace: Hanoi (North)
- Previous Position: President in National Congress Term 6th in 1/2011

-President: Vo Van Thuong

- DOB: December 13, 1970
- Birthplace: Vinh Long (South)
- Previous Position: Standing Secretary of the Communist Party of Vietnam Central Committee's Secretariat

-Prime Minister: Pham Minh Chinh

- Birthdate: October 12, 1958
- Birthplace: Thanh Hoa Province (North Central)
- Previous Position: 2nd term as head of the Central Organization Commission

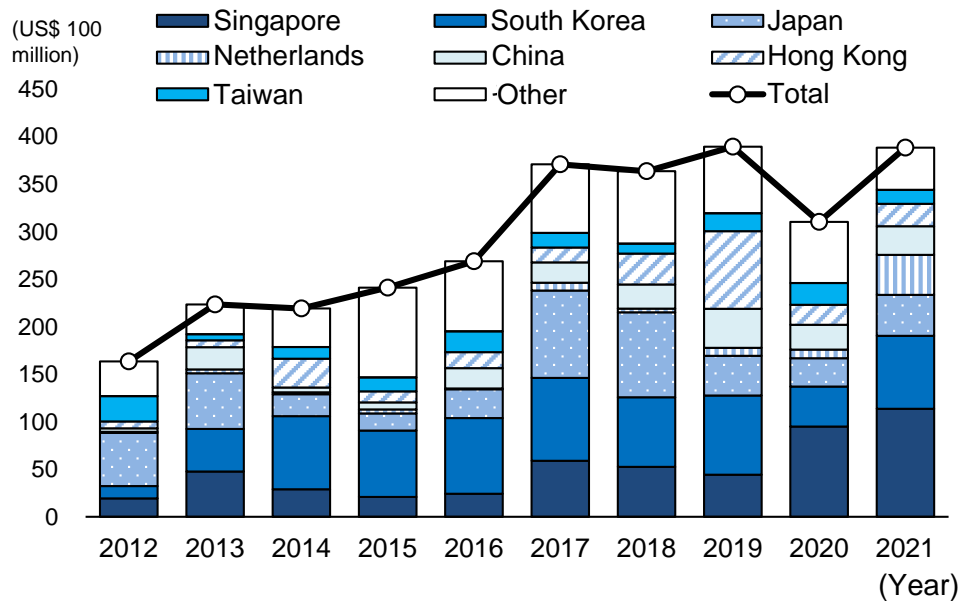
-National Assembly Chairperson: Vuong Dinh Hue

- Birthdate: March 15, 1957
- Birthplace: Nghe An Province (North Central)
- Previous Position: 2nd term as Deputy Prime Minister and Hanoi Party Secretary

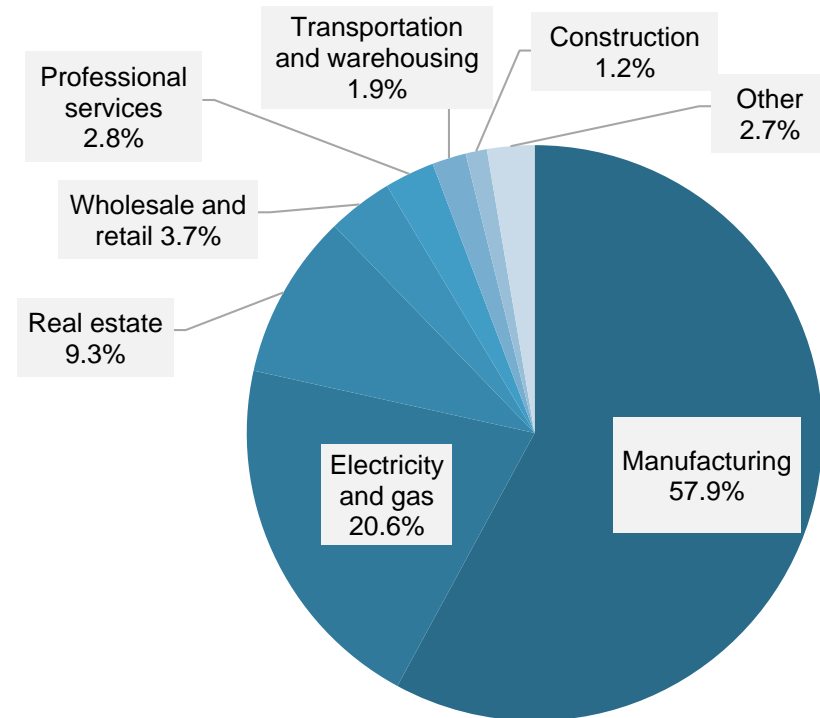
I-7. Inward Investment

- FDI inflows have generally remained strong, exceeding US\$30 billion since 2017, with a dip in 2020 due to the impact of COVID-19. The major investor countries/regions are Singapore, South Korea, Japan, etc. However, since 2019, there have been investment inflows from Chinese and Hong Kong companies seeking to avoid the effects of the U.S.-China trade friction.
- By industry, manufacturing is the largest sector, followed by electricity and gas, and real estate.

Direct Investment Flow (trends by country/region)

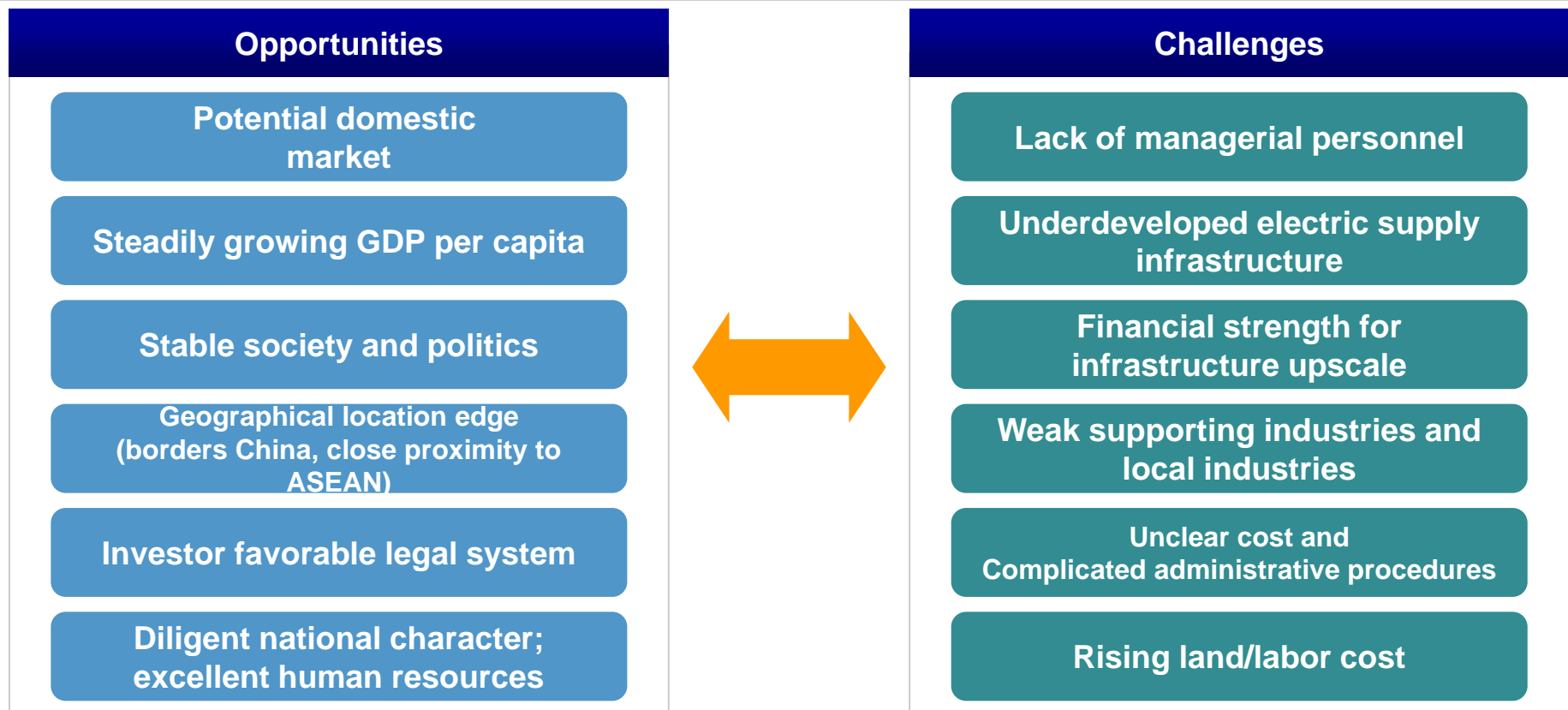


Breakdown of Direct Investment Flow by Industry (2021)



I-8. Potential as an Investment Destination

- Vietnam has attractive advantage in terms of labor cost compared to other countries in ASEAN. However, raise in minimum wage and acceleration in foreign investment in recent years make it gradually difficult to hire workers in large numbers and at low-cost.
- The country is active in FDI attracting and encouraging investor-friendly reforms, but there are challenges such as lack of clarity in the legal system operation and costly administrative procedures
- Infrastructure has been improved in recent years, however financial stress might hinder further scale up in infrastructure upgrade to ensure long-term economic growth. In addition, power shortage due to the lack of transmission lines and substations make stable electricity supply safety a crucial improvement points to attract further investment.



II. Investment-related Information

II-1. Labor-related Information (1): Employment of Local Workers

- The revised *Labor Code* (45/2019/QH14) passed on November 20, 2019, and became effective on January 1, 2021.
- Short-term contracts are specified as 36 months or less, enabling staffing adjustments by using seasonal hiring that is not subject to renewal.

Employment Status	Types of labor contracts (Article 20)	<ul style="list-style-type: none"> • Indefinite Labor Contract • Fixed-term labor contract (for a period not exceeding 36 months from the effective date of the contract) • A fixed-term labor contract may be renewed once for another fixed term, but thereafter must be an indefinite-term labor contract
Trial Period	Trial period (Article 25)	<ul style="list-style-type: none"> • Only one trial is allowed for any one job • Not to exceed 180 days for the job of company manager • Not to exceed 60 days for positions requiring junior college, or a higher level of expertise or skill • Not to exceed 30 days for positions requiring an intermediate level of expertise and skill, or for technical workers or clerical staff • Not to exceed 6 days for other jobs
	Wages for trial period (Article 26)	<ul style="list-style-type: none"> • At least 85% of the wages for official job
Working Hours	Normal working hours (Article 105)	<ul style="list-style-type: none"> • Not to exceed 8 hours/day or 48 hours/week
	Overtime work (Article 107)	<ul style="list-style-type: none"> • Not to exceed 200 hours/year • Not to exceed 300 hours/year if Article 107, paragraph 3 applies. Example: Production and export processing of textile, sewing, leather, shoes, electrical, electronic, agricultural processing, forestry, salt, and fishery products
Wages	Wages for overtime and late-night work (Article 98)	<ul style="list-style-type: none"> • At least 150% on regular workdays • At least 200% on weekly holidays • At least 300% on public holidays, Lunar New Year, and paid vacations • At least a 30% premium above regular wages for late-night work

II-1. Labor-related Information (2): Labor Cost

											(US\$)
Country/region		Japan	China		Hong Kong	South Korea	Taiwan	Singapore	Malaysia	Thailand	
City		Tokyo	Shanghai	Shenzhen	Hong Kong	Seoul	Taipei	Singapore	Kuala Lumpur	Bangkok	
Manufacturing	Workers' wages (general worker)	2,763	1,124	595	2,199	2,416	1,368	1,907	431	447	
	Engineers	3,760	1,304	1,122	—	2,979	1,725	2,813	867	798	
	Managers	5,030	2,509	1,691	4,027	3,768	2,419	4,306	1,650	1,629	
Non-manufacturing	Staffs' wages (general level)	2,774	1,441	1,499	2,506	2,383	1,658	2,589	922	883	
	Managers' wages	5,306	2,979	2,968	4,366	3,586	2,802	4,650	1,978	1,629	
	Shop staffs' wages (apparel)	3,795	—	1,088	1,668	2,962	1,125	1,041	493	372.6	
	Shop staffs' wages (food)	2,569	—	713	1,932	1,986	880	1,072	409	72.6	
Legal minimum wage		9.83/hour	400/month	340/month	4.82/hour	1,651/month	867/month	—	288/month (13.31/day; 1.39/hour)	10.1 to 10.8/day	
Bonus payments (fixed bonus + variable bonus)		4.55 months' base salary	2.33 months' base salary	1.58 months' base salary	1.87 months' base salary	2.93 months' base salary	3.13 months' base salary	2.10 months' base salary	1.94 months' base salary	2.64 months' base salary	
Social security burden ratio (employer's burden)		15.045% to 15.245%	33.16% to 36.52%	20.74% to 34.49%	(1) 5% Less than 30,000 HKD monthly salary (2) 1,500 HKD 30,000 HKD and more monthly salary	9.98% to 28.48%	12.95%	17%	13.45% to 14.95%	5%	
Nominal wage increase rate		-4.7% (2020)	7.9% (2020)	9.1% (2020)	1.1% (2020)	0.27% (2020)	2.75% (Jan.-Jul. 2021)	3.9% (2019)	5.15% (manager) 4.96% (non-manager) (2019)	2.26% (2019)	
Country/region		Indonesia	The Philippines	Vietnam		Cambodia	Laos	Myanmar	India		
City		Jakarta	Manila	Hanoi	Ho Chi Minh	Phnom Penh	Vientiane	Yangon	New Delhi	Mumbai	
Manufacturing	Workers' wages (general worker)	421	272	241	266	222	210	181	261	328	
	Engineers	582	409	471	508	408	360	329	510	944	
	Managers	1,260	1,092	1,025	1,064	1,003	771	836	1,573	1,852	
Non-manufacturing	Staffs' wages (general level)	507	594	595	647	501	530	477	628	712	
	Managers' wages	1,216	1,481	1,249	1,412	1,343	1,253	1,118	1,727	1,971	
	Shop staffs' wages (apparel)	272 to 374	323 to 347	—	237 to 259	200 to 400	140	156 to 195	459 to 479	—	
	Shop staffs' wages (food)	204 to 408	323 to 347	—	278 to 302	190 to 400	130	140 to 156	483 to 597	242 to 269	
Legal minimum wage		300/month	10.42 to 11.19/day	191/month	191/month	192/month	119/month	3.74/day	188/month (unskilled) 207/month (semi-skilled) 228/month (skilled)	146/month (unskilled) 161/month (semi-skilled) 177month (skilled)	
Bonus payments (fixed bonus + variable bonus)		2.02 months' base salary	1.66 months' base salary	1.64 months' base salary	1.41months' base salary	1.00 months' base salary	1.33 months' base salary	1.22 months' base salary	1.15 months' base salary	1.37 months' base salary	
Social security burden ratio (employer's burden)		7.7254% to 7.7404%	10.0%+100 PHP	21.5% (public insurance premium) 17.5% (foreign workers)	21.5% (public insurance premium) 17.5% (foreign workers)	3.4%	6% (monthly salary 4.5 million LAK or less) 270,000 LAK (monthly salary over 4.5 million LAK)	7% (age 60 or under) 7.5% (over age 60)	13%	13%	
Nominal wage increase rate		3.27% (2021)	0% (2019)	—	—	—	—	—	6.5% (2019)	6.4% (2019)	

II-1. Labor-related Information (3): Minimum wage

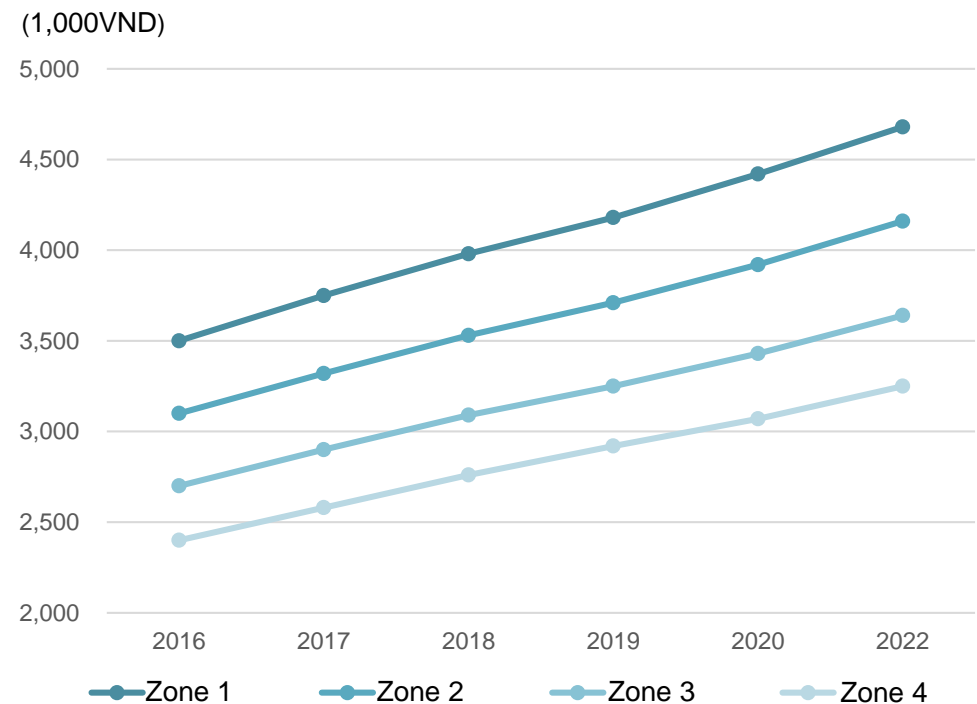
- Decree No. 38/2022/ND-CP on minimum wage increases became effective on July 1, 2022.
- The minimum wage differs across four geographical zones, and not only are wages increased but some of the zone areas are also changed. It should be noted that some areas that were previously assigned lower wages have been upgraded.
- Hourly minimum wages are newly stipulated by this decree.

Minimum Wages in Major Areas (July 2022)*

	(1,000VND)	
	Monthly	Hourly
Zone 1 All districts of Hanoi and Ho Chi Minh City, and Hạ Long in Quang Ninh Province	4,680	22.5
Zone 2 Da Nang City, Bac Ninh Province, Nghe An Province, Binh Phuoc Province, Hung Yen Province	4,160	20.0
Zone 3 Ha Nam Province, Nghi Son District-level Town in Thanh Hoa Province, Bac Giang Province	3,640	17.5
Zone 4 All areas outside of Zones 1 to 3	3,250	15.6

Note: The zone of areas within the same city may differ depending on the province that the areas are in.

Changes in Minimum Wages



II-2. Tax-related Information (1): Corporate Tax Rates

- The standard corporate tax rate was lowered to 20% since January 1, 2016.
- There are major 2 tax incentives: “Tax Holiday” refers to 100% exemption; “tax reduction” often refers to a 50% tax rate cut.

Summary of Major preferential tax rates/requirements

(If there is no taxable income arisen in 3 years since the first sales are generated, tax holiday or reduction will automatically commence from the fourth year)

Requirements	Preferential tax rate	Applicable period	Exemption period	Tax reduction period
When none of the below-mentioned tax incentives applies	20%	—	None	None
New investment projects in industrial parks (except for those located in highly convenient areas*)	20%	—	2 years since the first taxable income	4 years after exemption period
Investment projects in investment recommended areas such as high technology, new technology, new materials, green energy, renewable energy...etc	10%	15 years since the first revenue generated	4 years since the first taxable income	9 years after exemption period
Investment projects in education, vocational training, healthcare, culture, sports, and environmental protection	10%	Whole period	4 years since the first taxable income	9 years after exemption period
New investment projects or additional investment projects in economic zones, hi-tech zones, or specially socio-economically disadvantaged areas (Decree No. 218/2013/ND-CP, Appendix)	10%	15 years since the first revenue generated	4 years since the first taxable income	9 years after exemption period
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, 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; the promotion of traditional industries	17%	10 years since the first revenue generated	2 years since the first taxable income	4 years after exemption period

* 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)

II-2. Tax-related Information (2): Personal Income Tax Rate

- Residents are taxed on global income (all income earned in Vietnam and abroad).
- Non-residents are taxed uniformly at 20% on income originated in Vietnam.

Definition of Resident

A person is considered a resident if any of the following are met:

1. If a person stays in Vietnam for 183 days or more in a calendar year (January 1 - December 31)
2. If a person stays in Vietnam for 183 days or more during the 12 months from the date of first entry into Vietnam
3. If a person has a rental contract of 183 days or more during the tax year*

*Regarding 3, if a person has a certificate of residence issued by a tax bureau outside of Vietnam, he/she is treated as a non-resident.

Declaration and Tax payment

Residents	<ul style="list-style-type: none"> • Preliminary filing and tax payment is required quarterly (by the end of the following quarter) or monthly (within 20 days of the end of the month) • If the wage payer files an annual tax return, the deadline for filing and payment is March 31 of the following year
Non-residents	<ul style="list-style-type: none"> • Filing and tax payment is required quarterly (by the end of the following quarter) • An annual tax return is not required

Resident Tax Rate

Monthly Taxable Income	Tax Rate
VND 5 million or less	5%
Over VND 5 million to VND 10 million	10%
Over VND 10 million to VND 18 million	15%
Over VND 18 million to VND 32 million	20%
Over VND 32 million to VND 52 million	25%
Over VND 52 million to VND 80 million	30%
Over VND 80 million	35%

[*Please confirm details with a local expert for details](#)

II-2. Tax-related Information (3): Social Insurance System

- Vietnamese employees must enroll in all of the following 3 programs.
- Foreigner employees are not eligible for unemployment insurance.

	Employer share	Employee share	Eligibility	Benefits	Notes
Social Insurance	17.5% of salary	8% of salary	<ul style="list-style-type: none"> • Vietnamese persons • Locally hired foreign nationals 	<ul style="list-style-type: none"> • Illness • Maternity • Workers' compensation • Retirement and pension • Funeral 	<ul style="list-style-type: none"> • Foreigners transferred within a company are not eligible • Internal transferees are defined as those who were hired more than 1 year before and transferred to a Vietnamese subsidiary • Foreign employees who have reached retirement age under Vietnamese law are also excluded
Health Insurance	3% of salary	1.5% of salary	<ul style="list-style-type: none"> • Vietnamese persons • Locally hired foreign nationals • Internally transferred foreigners 	<ul style="list-style-type: none"> • Healthcare 	<ul style="list-style-type: none"> • Applicable to Foreigners since October 2009
Unemployment Insurance	1% of salary	1% of salary	<ul style="list-style-type: none"> • Vietnamese persons 	<ul style="list-style-type: none"> • Unemployment 	<ul style="list-style-type: none"> • Applicable for companies with 10 or more employees

II-2. Tax-related Information (4): Dividend Payments

- Dividends can be repatriated to overseas if accumulated losses have been cleared.
- No tax on dividend is levied in Vietnam (no further tax on profits after deduction of corporate income tax)

Requirements for dividend distribution	<ul style="list-style-type: none"> • Retained earnings must be positive (if there is a deficit, dividends cannot be distributed) • Filing of the corporate tax finalization must be completed
Dividend amount limit	<ul style="list-style-type: none"> • After-tax income based on audited financial statements + Retained earnings (prior year earnings) - Reinvestment amount (if any)
Documents submitted to the tax office	<ul style="list-style-type: none"> • Audit report (approved financial statements) • Corporate income tax finalization form • Minutes of dividend decisions of foreign investors • Minutes of dividend decisions of Vietnamese subsidiaries • Investment Registration Certificate (IRC) / Enterprise Registration Certificate (ERC) • Notification of dividend payment to tax office
Dividend remittance	<ul style="list-style-type: none"> • Remittance possible after 7 business days since all above documents are submitted to tax office
Other	<ul style="list-style-type: none"> • There is no rules on interim dividends (in practice, many companies pay dividends once a year) • The process usually takes half a month or more, including preparation of documents, etc. • For tax office communication, in practice, foreign companies tends to utilize accounting firms supporting services.

II-2. Tax-related Information (5): Foreign Contractor Tax

□ What is the foreign contractor tax?

The foreign contractor tax (FCT) is a tax on incomes derived by foreign companies or individuals from the provision of services to Vietnamese companies or individuals in Vietnam.

□ Composition of the foreign contractor tax

$$\boxed{\text{Foreign contractor tax (FCT)}} = \boxed{\begin{array}{l} \text{(Foreign companies) Corporate income tax (CIT)} \\ \text{(Foreign individuals) Personal income tax (PIT)} \end{array}} + \boxed{\text{Value-added tax (VAT)}}$$

□ Methods of declaring and paying FCT

- ✓ If the foreign contractor has no permanent establishment (PE) and is non-resident of Vietnam, it pays tax under **withholding method**
- ✓ The taxpayer under withholding method is the **domestic Vietnamese company**.

□ Deemed tax rates under withholding method

Taxable transaction type	Deemed tax rate		Taxable transaction type	Deemed tax rate	
	VAT	CIT		VAT	CIT
Sales of goods associated with services	-	1%	Other business	2%	2%
General services, the leasing of machinery or equipment, insurance services	5%	5%	Transfer of securities, overseas re-insurance, commission for re-insurance transfer	-	0.1%
Restaurant, hotel and casino management services	5%	10%	Derivatives transactions	-	2%
Leasing of aircraft, aircraft engines and parts, and shipping	5%	2%	Interest income	-	5%
Construction, installation or transportation with the supply of materials, machinery or equipment	3%	2%	Royalty	-	10%
Construction or installation without the supply of materials, machinery or equipment	5%	2%			

III. Establishing a Local Subsidiary

III-1. Type of Entity (1)

Entity	Outline	Pros/Cons	Account Type
Local subsidiary	This is most popular investment type. Companies can set up fully-owned subsidiaries, except for certain sectors with restrictions on foreign investment. The legal form of subsidiary can be a limited liability company, a joint stock company, a partnership company or a privately-owned company (see next page for details)	<ul style="list-style-type: none"> ✓ Quick decision making. No restrictions on investment in companies, mergers, acquisitions, etc. ✗ Subject to foreign investment regulations 	<ul style="list-style-type: none"> • Capital account • Current account
Representative office	Representative offices can: (1) liaise with the head office, (2) collect information and undertake market research, and (3) maintain/promote business transactions or scientific/technological cooperation with Vietnamese partners	<ul style="list-style-type: none"> ✓ Easier to establish than a local subsidiary ✗ Business activities are not permitted 	<ul style="list-style-type: none"> • Current account
Branch	Capital, assets, and financial statements are shared with the head office. Branch offices are generally opened after the establishment of a local subsidiary.	<ul style="list-style-type: none"> ✓ Business activities are allowed ✗ Establishment of only limited types of business is allowed (e.g., banking and insurance) 	<ul style="list-style-type: none"> • Current account
Projects	By signing a contract with the Vietnamese government, foreign investors can conduct business jointly with government-designated domestic companies without setting up a local subsidiary. There are BOT*·BTO** and BT*** projects, for example, and many of these involve infrastructure construction (mainly roads, ports, airports and bridges).	<ul style="list-style-type: none"> ✓ Less expensive and time-consuming than incorporation 	<ul style="list-style-type: none"> • Current account
M&A, etc.	Companies can invest in, buy stocks in, merge with or buy other companies active in Vietnam.	<ul style="list-style-type: none"> ✗ Foreign investors' investment and acquisition of shares in Vietnamese companies are regulated by sector in accordance with Vietnam's WTO accession commitments 	<ul style="list-style-type: none"> • Non-resident deposit account • Indirect investment account • Escrow account

*BOT (Build-Operate-Transfer): Built and operated by a private company and transferred to the government after the contract period ends

**BTO (Build-Transfer-Operate): Built by a private company and transferred to the government, but operation by the private company continues for a certain period of time

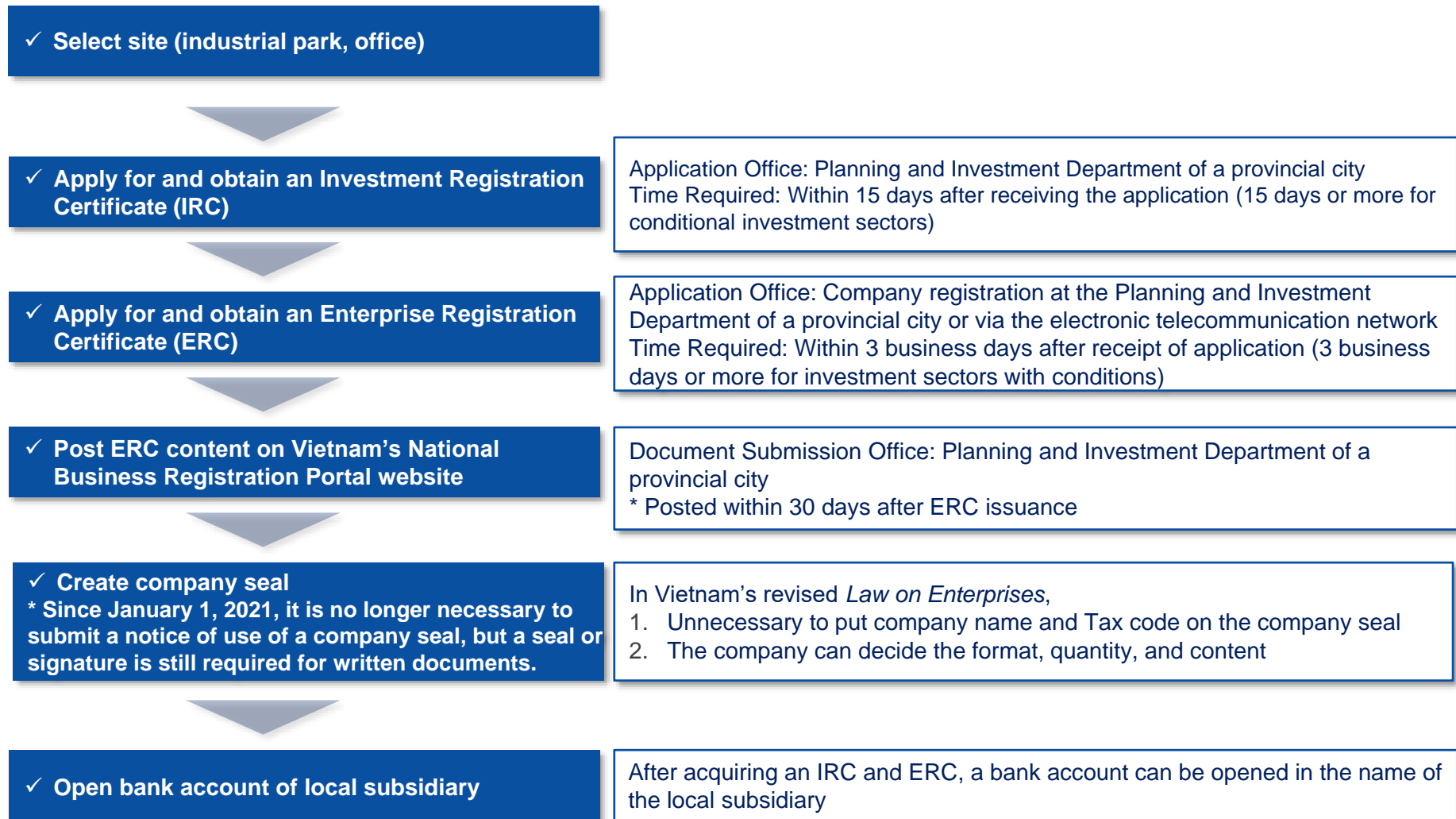
***BT (Build-Transfer): Built by a private company and transferred to the government

III-1. Type of Entity (2)

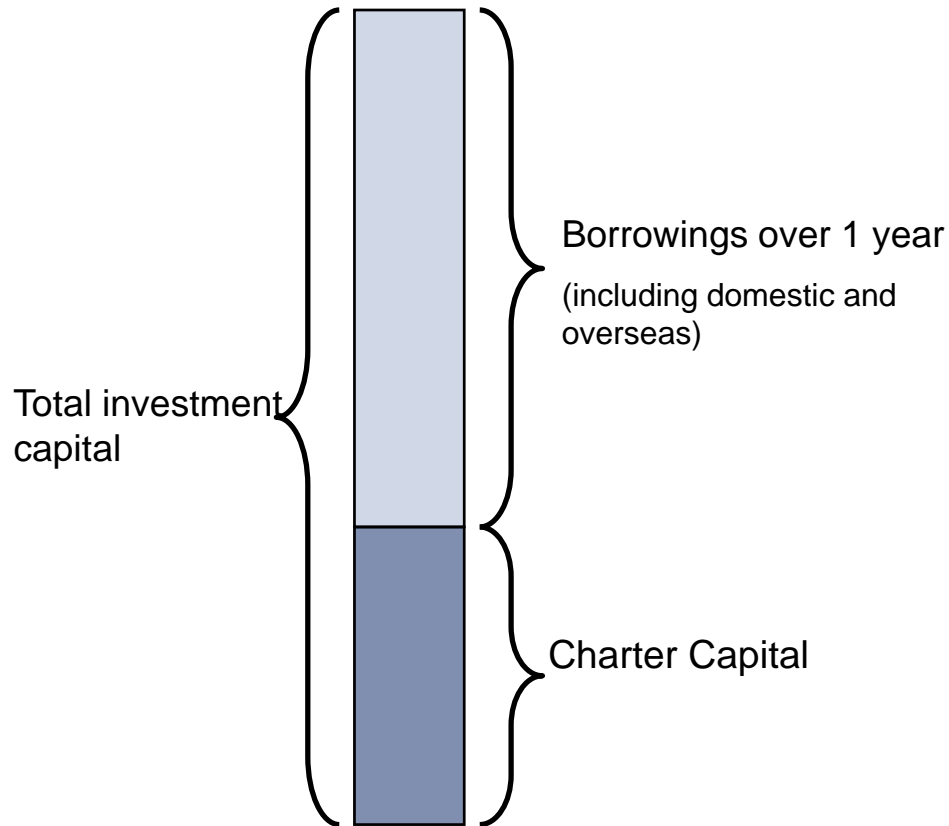
- Approximately 80% of Japanese companies in Vietnam are limited liability companies.
- If a joint stock company is established in Vietnam, there must be 3 or more investors.

	Single-Member LLC	Multi-Member LLC	Joint Stock Company
Number of investors	1 organization or individual	2 to 50 organizations or individuals (50 or fewer)	At least 3 or more organizations or individuals
Management organization	<p>-When the investor is an organization: Chairman, president, corporate auditor (optional)</p> <p>or</p> <p>General meeting of employees, president, corporate auditor (optional)</p> <p>* The general meeting of employees consists of 3 to 7 employees.</p> <p>-When the investor is an individual: Chairman, president (can also serve as chairperson concurrently)</p>	<p>General meeting of members, chairman of general meeting of members (the president can also serve concurrently), President</p> <p>*Board of supervisor is optional</p>	<p>General meeting of shareholders, board of directors, president, board of corporate auditors</p> <p>*If 11 or more shareholders or corporate shareholders own 50% or more of the total number of shares, it is necessary to appoint an auditor.</p> <p>or</p> <p>General meeting of shareholders, board of directors, president</p> <p>* More than 20% of directors are independent directors</p> <p>* Establish an audit committee for internal accounting under the board of directors</p>
Highest decision-making body	Chairman or general meeting of members	General meeting of members	General meeting of shareholders
Quorum for holding an employee (shareholder) general meeting * If there are no other provisions in the Articles of Incorporation	2/3 or more of the total number of employees	<p>Total investment of attending investors: 1st meeting: 65% or more 2nd meeting: 50% or more 3rd meeting: Quorum equal to or higher than the percentage at 2nd meeting</p> <ul style="list-style-type: none"> • Must be held at least once a year 	<p>Total voting shares of attending shareholders: 1st meeting: 50% or more (Article 145.2) 2nd meeting: 33% or more</p> <ul style="list-style-type: none"> • Must be held at least once a year within 4 months from the end of the fiscal year • The venue of the general meeting of shareholders is in Vietnam
Ordinary resolution	50% or more of attendees or 50% or more of the total number of votes held by attendees (Article 80.6)	Percentages other than the following can be set in the Articles of Incorporation	
Special resolution	75% or more of attendees or 75% or more of the total number of votes owned by attendees (Article 80.6)	Total investment of the attendees is 65% or more	Total voting rights of attending shareholders exceeds 50% (Article 148.2)
		Total investment of the attendees is 75% or more	Total voting rights of attending shareholders is 65% or more

III-2. Procedure to Establish a Local Subsidiary



III-3. Setting Total Investment Amount at the Time of Establishment (Borrowings Over 1 Year and Charter Capital)



■ Borrowings

- The upper limit of borrowings over 1 year is “total investment capital” registered on the investment registration certificate (IRC) minus “Charter capital”
- “Total investment capital” and “Charter capital” amounts in the IRC and ERC may be amended at later stage but applications for such amendments must be accompanied by an explanation the investment plan.
- ✓ Short-term borrowings under 1 year (including domestic borrowing in Vietnam or borrowing from overseas) are not subject to limits.
- A 5% withholding tax will be applied to interest paid on loans borrowed from overseas.
- Borrowings over 1 year from overseas will require approval from the State Bank of Vietnam.

■ Charter Capital

- Charter capital must be paid in within 90 days of the issuance of an ERC.

III-4. Bank Accounts

- Different types of accounts are opened depending on the type of entity and the usage.

List of Account Types

Type	Usage
Direct Investment Capital Account (DICA)	An account that serves as a gateway for capital transactions such as deposits of capital and offshore loans , payment of dividends, etc. * An entity can open this type of account at 01 bank only.
Saving Account	An account for deposit and withdrawal for ordinary business activities
Non Resident Account (NRA)	Accounts in the name of a resident outside Vietnam
Foreign Indirect Investment Account (FIIA)	Accounts required by law for non-residents to invest in local businesses * Accounts can be opened only in Vietnam-dong.
Escrow Account	Accounts that can trigger deposits and withdrawals based on contracts (M&A, real estate transactions, etc.)
Individual Account	Accounts in the name of an individual

IV. Regulations, Incentives, Reference Information

IV-1. Investment Regulations (1): Applicable to Both Domestic and Foreign Companies

- As revised in 2021, the following industries are prohibited or restricted from entry into Vietnam.

Prohibited sectors	Conditional sectors
<p>8 sectors starting January 1, 2021</p> <ol style="list-style-type: none"> 1. Business related to the narcotic substances stipulated in Appendix 1 of the new <i>Common Law on Investment</i> 2. Business related to the chemical substances and minerals stipulated in Appendix 2 of the new <i>Common Law on Investment</i> 3. Business related to wild plant and animal specimens specified in Appendix 1 of the Convention on International Trade in Endangered Species of Wild Fauna and Flora, and rare endangered wild plant and animal specimens of Group I specified in Appendix 3 of the Convention 4. Prostitution business 5. Buying and selling of human bodies, human body tissue, or human body parts 6. Business activities related to human asexual reproduction 7. Buying and selling firecrackers 8. Debt collection business 	<p>Reduction to 227 sectors starting January 1, 2021</p> <p>⇒ Includes most service sectors in which foreign companies consider investing</p> <ul style="list-style-type: none"> • Sale and purchase of goods, and activities directly related to sale and purchase of goods, by foreign service suppliers in Vietnam • Alcohol business • Food business under the specialized management of Vietnam's Ministry of Industry and Trade • Service business that dispatches workers abroad • Land transportation business • Harbor development business • Condominium operation and management service business <p style="text-align: right;">etc.</p>

Businesses Prohibited for Foreign Investment (25 businesses)*

Businesses Conditionally Eligible for Foreign Investment (59 businesses)*

Businesses that are neither businesses prohibited from entry using foreign capital nor businesses that are conditionally open to foreign capital

→ Same regulations apply as those for locally-owned businesses

*See next page.

There are some businesses that are included among the 25 or 59 businesses but not among the 227 sectors.

IV-1. Investment Regulations (2): Applicable Only to Foreign Companies

Businesses Prohibited for Foreign Investment (25 businesses)	Businesses Conditionally Eligible for Foreign Investment (59 businesses)
<ul style="list-style-type: none"> • Transactions of goods and services that are handled exclusively by the national government in the commercial sector • Press and news-gathering activities • Fisheries • Public security and investigations • Administration of justice • Employment referrals involving overseas employment contracts • Cemetery development, etc. • Household waste collection • Public opinion polling • Blasting business • Manufacture and trade of arms and explosives • Import and dismantling of used vessels • Public postal services • Transshipment of goods without importation • Temporary import for re-export • Import, export and sale of goods whose handling by foreign investors, etc., is prohibited • Collection, purchase and handling of public goods of the armed forces • Trading in weapons, ammunition, equipment, materials, and supplies used by the armed forces and police, as well as special equipment and technology used in their manufacture • Valuation of intellectual and industrial property • Maintenance and operation, and surveys, etc., of territorial waters and ports • Coast guard, etc. • Inspection and certification of all types of transport, safety certification of vehicles and equipment used for transport, inspection and safety certification for offshore oil and gas exploration and development, etc. • Surveys and development of natural forests, etc. • Study and use of genetic information of livestock that has not been evaluated by the Ministry of Agriculture and Rural Development • Tourism (except for international travelers) 	<ul style="list-style-type: none"> • Production and sale of cultural products (including video recordings) • Production, distribution, and projection of television programs and music, dance, drama and films • Provision of radio and television services • Insurance, banking, securities trading and other related services • Postal and telecommunications services • Advertising services • Printing and publishing services • Measuring and mapping services • Aerial photography services • Educational services • Exploration, development and processing of natural resources, minerals, oil, and gas • Hydro, offshore wind and nuclear energy • Rail, air, road, river, marine, and pipeline transportation of passengers and cargo • Aquaculture • Forestry and hunting • Gaming and casino operations • Security services • Construction, operation, and management of river ports, sea bays, and airports • Real estate business • Legal services • Veterinary services • Technical inspection and analysis services • Sale and purchase of goods, and activities directly related to sale and purchase of goods, by foreign service suppliers in Vietnam • Tourism services • Health and social services • Sports and entertainment services • Paper manufacturing • Manufacture of transportation vehicles with 29 or more seats • Development and operation of traditional markets • Commodity exchange activities • Domestic retail commodity collection services • Audit, accounting, and tax services • Valuation services and business valuation consulting for conversion to equity • Services related to agriculture, forestry and fisheries • Manufacture of aircraft • Manufacture of locomotives and rolling stock • Manufacture and sale of tobacco products, tobacco raw materials, and machinery and equipment for the tobacco industry • Publishing house activities • Shipbuilding and ship repair • Waste collection services and environmental monitoring services • Commercial arbitration services and arbitration mediation • Logistics services • Coastal marine transportation • Manufacture of construction materials • Construction and related engineering services • Cultivation, production and processing of rare crops, breeding of rare wild animals, and processing and handling of these animals or plants (including live animals and their processed products) • Assembly of motorcycles • Services related to sports, fine arts, performing arts, fashion shows, beauty and modeling contests, and other entertainment • Air transportation support services, ground engineering services at airports and airfields, meal service in aircraft, navigation and information monitoring services, aviation weather services • Ship agency services, ship towing services • Services related to cultural heritage, copyrights, photography, video recording, sound recording, art exhibitions, festivals, libraries, and museums • Tourism promotion and public relations services • Agency, recruiting agent, scheduling, and management services for artists and athletes • Family-related services • E-commerce activities • Cemetery business, cemetery and burial services • Seeding and chemical spraying services using aircraft • Maritime pilotage services • Investment industries or sectors under a pilot framework of the National Assembly, the Standing Committee of the National Assembly, the government, or the prime minister

IV-2. Investment Promotion (1)

- Regardless of whether a company is a domestic- or foreign-owned company, investment projects that meet certain requirements are eligible for preferential treatment.
- In principle, the Ministry of Planning and Investment determines the applicability of preferential treatment for investments on a project-by-project basis. When considering preferential treatment for an investment, approval is required from the government authority with jurisdiction over the given industry sector. Consequently, there is concern that the review process may be complicated and that it may take a long time to obtain approval for preferential treatment, depending on the industry sector involved.

(1) Incentive Sectors (Article 16.1 of the revised *Common Law on Investment*)

1	High-tech activities, high-tech auxiliary industrial products, R&D activities, and production of scientific and technological products in accordance with laws and regulations related to science and technology	8	[1] Investment in the development, operation and management of infrastructure structures and [2] development of means of public passenger transport in every city
2	New materials, new energy, clean energy, renewable energy production, products with a recognized value-added of 30% or more, and energy-saving products production	9	Early childhood education, general education, vocational education, university education
3	Electronic products, heavy machinery, agricultural machinery, automobiles, auto parts production, shipbuilding	10	[1] Diagnosis and treatment, [2] production of pharmaceuticals, raw materials for pharmaceuticals, and stored medicines, [3] formulation technology for producing various new drugs, scientific research on biological technology, and [4] production of medical equipment and devices
4	Production of goods on the list of industrial products with incentive support for development	11	[1] Investment in training, gymnastics, and athletic facilities for people with disabilities or professionals and [2] protection and utilization of cultural heritage
5	Production of information technology, software and digital content products	12	[1] Investment in defoliant patient treatment centers, nursing homes, and mental care centers and [2] care centers for the elderly, disabled, orphans, and vagrant children with no relatives
6	[1] Processing of agricultural, forest, and marine aquaculture products, [2] direct planting and protection of forests, [3] salt production, [4] harvesting of marine products and logistics services for the fishing industry, and [5] plant seeds, animal semen, and production of production engineering technology (biotechnology) products	13	People's Credit Funds and small financial institutions, etc.
7	Waste collection, waste treatment, recycling, or reuse	14	Goods production and service provision that create or participate in value chains and industry clusters

(2) Incentive Areas (Article 16.2 of the revised *Common Law on Investment*)

1. Regions with difficult economic and social conditions, regions with particularly difficult economic and social conditions
2. Industrial parks, export processing zones, hi-tech parks, special economic zones

IV-2. Investment Promotion (2)

(iii) Investment projects (Article 15 of the *Law on Investment*)

1	<ul style="list-style-type: none">• Has projects with a total investment of more than VND6 trillion and expenditures of more than VND6 trillion within 3 years from the date of issuance or approval of the investment registration certificate, and at the same time, one of the following:<ul style="list-style-type: none">✓ Posts annual gross sales of more than VND10 trillion within 3 years from the year in which the sales were first generated✓ Employs more than 3,000 workers
2	<ul style="list-style-type: none">• Investments in the construction of social housing, or• Employment of at least 500 workers in rural areas, or• Employment of persons with disabilities in accordance with the provisions of the law on persons with disabilities
3	<ul style="list-style-type: none">• High-tech companies, scientific and technological companies, and scientific and technological organizations• Projects for the transfer of technologies that are on the list of technologies encouraged for transfer in accordance with the laws and regulations on technology transfer• Projects for fostering technology and projects for fostering scientific and technological companies• Projects that provide technology, equipment, product production, and services to meet environmental protection requirements in accordance with the laws and regulations related to environmental protection
4	<ul style="list-style-type: none">• Startups• Centers for creative renewal• Research and development centers
5	<ul style="list-style-type: none">• SME goods distribution chain• SME support and training facilities• Startup development

Notes:

- The above-mentioned preferential treatment does not apply to the following investment projects:
 - ◆ Investment projects for the development of mineral products
 - ◆ Investment projects for production of goods and provision of services subject to special consumption tax; however, the production of automobiles, airplanes, and ships is excluded
 - ◆ Investment projects for commercial housing construction
- There is concern that the timeline from application to receiving preferential treatment may be extended due to the need for the Ministry of Planning and Investment to verify the documents submitted by the applicant company to certify that the requirements for application have been met.
- An applicant company applies to the management committee of the SEZ or industrial park in the province where the company is located. After the management committee reviews and approves the application, the central government (Ministry of Finance and Prime Minister's Office) will further review the application for approval or disapproval. Applicants are encouraged to follow up directly with the departments of the Ministry of Finance, etc., to confirm the status of their application.

IV-3. Foreign Exchange Controls/Regulations for Foreign Investors

- Vietnam adopts “managed float system” for its exchange rate, in which that the central bank might intervene to maintain the exchange rate at its predetermined level or within a desired range. USD/VND exchange rate was pegged to USD and tended to devalue previously, however, since January 2016, the central bank started to announce the USD/VND central rate on a daily basis. Sellers and buyers are allowed to trade the pair within +/-5% trading band. There is no restriction for trading rate of currency pairs other than USD/VND.
- Despite steady depreciation of Vietnam dong in the past, abrupt devaluation is no longer seen. In 2021, Vietnam dong appreciated amongst pressure from the U.S. Treasury investigation on currency manipulation. Nevertheless, the currency moved back to depreciation trend in line with recent U.S. interest rates hikes.
- In December 2020, the U.S. Treasury labelled Vietnam as a currency manipulator, but removed shortly in April 2021. However, there are concerns that Vietnam will be declared a currency manipulator again due to its increasing trade surplus with the U.S. and excessive intervention towards dong depreciation. If declared a currency manipulator, there are fears over costs increase due to higher tariffs imposed.

Long-term Trends in the USD/VND Exchange Rate



*As of April 19, 2023

Overview of Foreign Currency Regulations

- Domestic Remittances in Vietnam
 - Generally, remittances are denominated in Vietnamese dong
 - Remittances denominated in foreign currency are limited to certain transactions for export processing enterprises (EPEs) and salaries paid to foreigners (expats from Head Quarter, etc.) (Evidence of remittance in foreign currency must be submitted to the bank at the time of remittance)
- Foreign Remittances
 - As Vietnamese dong is not an internationally convertible currency, remittances to overseas are executed in foreign currency in principle.
 - Documents that evidencing the actual demand for the transaction, such as trade, service etc., must be submitted to banks (e.g., sales contract, invoice, customs declaration, etc.)

IV-4. Trade Regulations

- The competent authority for trade management is Vietnam's Ministry of Industry and Trade, but detailed regulations are set by each ministry through guidelines and notifications.
- Certain items require quarantine, pre-shipment inspection, and import permits.

Examples of Items with Import Restrictions

- Items Prohibited from Import
 - ✓ Used consumer goods (home appliances, medical equipment, clothing, etc.)
 - ✓ Used products (bicycles, motorbikes, and engines, tires, and accessories for transportation vehicles), etc.
 - Only left-hand drive cars can be imported as used cars. They must conform to standards, and a high tariff and special consumption tax are levied.
- Items Requiring Permission to Import
 - ✓ Cultural products (books and CDs/DVDs), cosmetics, personal computers, mobile phones
 - ✓ Consumer goods
 - ✓ Pharmaceuticals, etc.

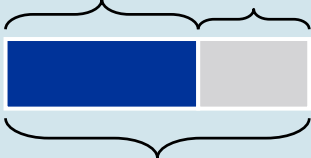
Import Restrictions on Used Machinery and Equipment

The Prime Minister's Decision No. 18 (18/2019/QĐ-TTg), which stipulates the import of used machinery, equipment, and production lines, eased the restrictions on the number of years after manufacture in some sectors starting on June 15, 2019. However, a designated appraisal agency must appraise whether items meet import standards and the standards for safety, energy saving, and environmental protection. As a general rule, used machinery and equipment manufactured more than 10 years ago cannot be imported if they are not subject to the relaxation of the age limit.

* The HS codes of used machinery and equipment subject to the relaxation of the age limit are as follow.

Sector	Targeted HS Code	Age Limit
Machinery	84.20, 84.54, 84.55, 84.56, 84.57, 84.58, 84.59, 84.60, 84.61, 84.62, 84.63, 84.79	20 years
Wood production and processing	84.19.32*, 84.65, 84.79.30	20 years (*15 years)
Paper and pulp manufacturing	84.39, 84.40, 84.41	20 years

IV-5. Financing (1)

	Payment cycle adjustment (in case commercial trades exist)	Capital Increase	Funding inside Vietnam (Onshore loan)	Funding from overseas (Offshore loan)
Regulations	None	None	<p>Drawdown should be made in VND in principle and must be linked with payment directly</p> <p>Foreign-owned enterprises can borrow upto the "borrowing limit" for medium- to long-term loans over 1 year</p> <p>Medium- to long-term borrowing exceed borrowing limit and borrowing beyond the license expiration require license revision*</p> <p>In case multiple IRCs are issued for separate project or branches, it is possible to borrow within the borrowing limit of each IRCs.</p>	<p>Drawdown in Foreign currency</p> <p>Executed as per mutual agreements between Lenders and Borrowers</p> <p>*Confirmed items in licenses (IRC and ERC)</p> 
Permits and Licenses	If remittance is conducted after 90 days from B/L date, online report to the central bank (SBV) required	License amendment (IRC, ERC)	Not required	<p>Monthly online report to the SBV required</p> <p>Prior registration with SBV for new mid-long term loan required (online application)</p>
Withholding Tax	None	No tax applicable on dividend payment	<p>None</p> <p>Interest as deductible expenses cannot excess of 30% of EBITDA</p>	5% Foreign contractor tax applicable on interest (withholding tax)
Notes	Effect to local subsidiary: Extension of payable period for import contracts or, Shortening account receivable period under export contracts	Dividend allowed after accumulated losses clearance Capital reduction is possible, yet subject to authority approval and it might take time to complete required procedures	Relatively high VND interest rate	<p>Currency and interest rate as per mutual agreed by the Lenders and Borrowers</p> <p>Interest rate should be consider in light of Transfer Price regulations</p>

IV-5. Financing (2)

■ Financing (onshore loan) in Vietnam is as follows.

Currency	VND, in principle* (Foreign currency borrowing is possible if borrowers have sufficient foreign currency income from exporting activities for repayment)
Fund usage	<ul style="list-style-type: none"> • Short-term: Operating expenses such as working capital and SG&A (borrowing period is within the business cycle**) • Medium- to long-term: Equipment funds <div style="border: 1px solid #ccc; padding: 5px; margin-top: 10px;"> <p>Domestic and foreign currency borrowing: Regulated by Circular 42/2018/TT-NHNN (entered into force January 2, 2019)</p> <ul style="list-style-type: none"> • Foreign currency borrowing is possible for domestic settlement and import settlement for exports (excluding sales to EPEs). However, foreign currency income sufficient for repayment is required. *Sales to EPEs are not permitted as exports. • Long-term foreign currency borrowing is not possible after September 2019. </div>
Evidence	<ul style="list-style-type: none"> • VND borrowing: Invoice • Foreign currency borrowing: Sales contract, invoice, customs clearance certificate (after-the-fact presentation is also possible) <p>Remittance required on the same day as the loan execution; 100% tied to remittance</p>
Points to note	<ul style="list-style-type: none"> • Refinancing is not possible; loan for working capital can be rolled over within the business cycle. • VND interest rates are higher while Foreign currency interest rates are at the same level as other countries. • A current account is used for loans and repayments.

Other lending restrictions: **Single Lending limit**

The total loan amount from a single bank able to provide to a company is regulated up to 15% of the capital of the bank.

*Sales denominated in foreign currencies must be confirmed on financial statements, etc., and in principle, the use of funds is limited to foreign currency remittances only.

**The period from the occurrence of payment for the purchase of raw materials and products until the production, sale, and collection of sales. Typically close to cash conversion cycle.

IV-5. Financing (3): Offshore loan (including intercompany Loans)

	Short term	Medium to Long Term
Currency	Foreign currency, in principle	
Lender	No rules; lenders can be parent companies, financial institutions, and companies with no capital relationship	
Period	1 year or less (In case the loan cannot be repaid within one year, if it is repaid in full within one year and 30 business days from the date of borrowing, no registration with the central bank is required. However, interest calculations are only allowed up to one year.)	More than 1 year
Use of funds	Working capital; Refinance existing offshore loan Borrowing period is generally within the business cycle, roll-over within one year of the initial drawdown is possible	Plant and equipment funds* Refinance existing offshore loan
Bank confirmation documents at the time of implementation and repayment	<ul style="list-style-type: none"> Parent company-subsiary loan agreement and interest rate calculations Plan for use of borrowed funds A screenshot of online report of the borrowing to the central bank 	Parent company-subsiary loan agreement and interest rate calculations Plan for use of borrowed funds A screenshot of online report of the borrowing to the central bank Copy of medium- to long-term loan registration/approval notice from the central bank
	No need to use up the entire amount at the time of borrowing, and no evidence checks on the drawdown funds	
Central bank registration	<ul style="list-style-type: none"> Online reporting of borrowing status for the previous month by the fifth business day of each month 	Online reporting of borrowing status for the previous month by the fifth business day of each month Online application before new borrowing drawdown and within 30 business days after signing the contract —Required documents— Central bank registration application form Parent-subsiary loan agreement (Vietnamese translation required) Copy of investment license with notarized seal of Vietnamese authorities, etc.
Notes	<ul style="list-style-type: none"> Refinancing is subject to the condition that the new loan does not increase the all-in cost and that the new loan must be registered with the central bank if it has been more than one year since the original loan, provided that careful attention is paid to the use of funds.* Borrowing and repayment of the loan must be made through a capital account (in the short term, a specialized loan account for repayment may be used). 	*Penalty for use of funds A certain company used a short-term parent-subsiary loan to finance the construction of a factory. Because it was difficult for the company to repay the loan within one year, it applied to the central bank to register the loan for more than one year. The company was penalized for using the short-term parent-subsiary loan for facilities. (The case occurred at the Binh Duong Branch of the central bank). On the other hand, there are similar cases where a change from short-term to long-term was allowed. So, please consult with a specialist or your banker.

(Other Lending Restrictions: Restrictions on banks lending to a single): Not applicable

V. Other

V-1. Mizuho Bank's Vietnam Offices

Hanoi Branch



Access from the airport
Approximately 40 minutes by taxi

■ Features

- Celebration of 25th anniversary of presence in Vietnam in 2021, being the first Japanese mega bank to start business in Vietnam
- Transactions with Japanese and major Vietnamese state-owned, private enterprises particularly in the manufacturing industry
- Strong relationship with the governments of Japan and Vietnam

■ Address

4th Floor, 63 LTT Building, 63 Ly Thai To Street, Hanoi, Socialist Republic of Vietnam
Tel: 84-24-3936-3123/3124

Ho Chi Minh City Branch



Access from the airport
Approximately 30 minutes by taxi

■ Features

- Transactions with Japanese companies and multinational companies, especially those focused on domestic market demand

■ Address

18th Floor, Sun Wah Tower, 115 Nguyen Hue Boulevard, District 1, Ho Chi Minh City, Socialist Republic of Vietnam
Tel: 84-28-3827-8260/8292

History

- 1996 Opened the first branch of a Japanese bank in Hanoi
- 2006 Opened Ho Chi Minh Branch
 - Signed a business cooperation agreement for the purpose of supporting Japanese companies' foreign direct investment projects with Vietnam's Ministry of Planning and Investment, which provides foreign investment licensing/permits and consultation services
- 2010
 - Signed a business cooperation agreement to support large-scale infrastructure projects from a financial perspective with **PetroVietnam**, a government-run oil and gas corporation that has control over oil and gas upstream development and downstream sectors
 - Signed a business cooperation agreement to support large-scale infrastructure projects from a financial perspective with Vietnamese National Coal and Mineral Industries Holding Limited (**Vinacomin**)
 - Increased capital by a total of US\$237 million at both the Hanoi and Ho Chi Minh branches to comply with the new *Law on Credit Institutions*
- 2011 Signed **capital and business alliance with Vietnam's leading state-owned commercial bank, Vietcombank**, to improve services for Japanese and non-Japanese customers in Vietnam as part of measures to strengthen the Asian region
- 2014
 - Concluded a business cooperation memorandum to provide useful information to Japanese companies operating in **Ba Ria-Vung Tau Province**, which is one of the leading export bases in the south with a deep seaport
 - Became the first Japanese bank to conclude a business cooperation agreement with **a state-owned fund, State Capital Investment Corporation**, which was established for the purpose of restructuring state-owned enterprises and fostering industries, for the purpose of providing investment information to customers seeking alliances with Vietnamese companies
- 2015
 - Signed a business cooperation agreement with **Hanoi Investment, Trade and Tourism Promotion Center**, an investment promotion organization of Hanoi City, to enhance the support system for Japanese companies considering investment in Hanoi City
- 2018
 - Concluded a business cooperation memorandum with **Vinh Phuc Province in northern Vietnam**, on attracting Japanese companies
- 2021
 - Concluded a business cooperation memorandum with the **Foreign Trade University in Hanoi** on offering a course on corporate collaboration
 - Concluded a capital and business alliance with **M Service**, the largest local mobile payment company in Vietnam

V-2. Alliance with Vietcombank — Mizuho Bank being strategic partner since 2011 —

Outline of capital tie-up

- Acquired stock: VCB (Vietcombank, listed) common stock
- Investment ratio: 15% (after dilution)
 - After this investment, shareholding ratio of State Bank of Vietnam changed from 90.7% to 74.8%
- Acquisition method: Capital increase through third-party allotment
- Investment amount: Initially 45 billion yen (approx.), and additional 4 billion yen (approx.) as capital increase in January 2019

Mizuho Bank and Vietcombank concluded the following two agreements

Stock underwriting agreement

- To elect one director from Mizuho Bank (who simultaneously participates in management meetings as deputy president)
- To prohibit stock sales for the first five years (lifted in 2016)
- To avoid competition between Mizuho Bank and VCB to acquire business partners
- To comply with Mizuho Bank's business management rules

Technical support agreement

- Provision of technical assistance as required by Vietnamese regulations in order to become a foreign strategic investor (holding more than 10% equity (up to 20%) in a Vietnamese bank)
- Mizuho Bank committed to provide technical assistance in 14 areas, including corporate governance, corporate banking, retail banking, etc.

V-3. Outline of Vietcombank

History

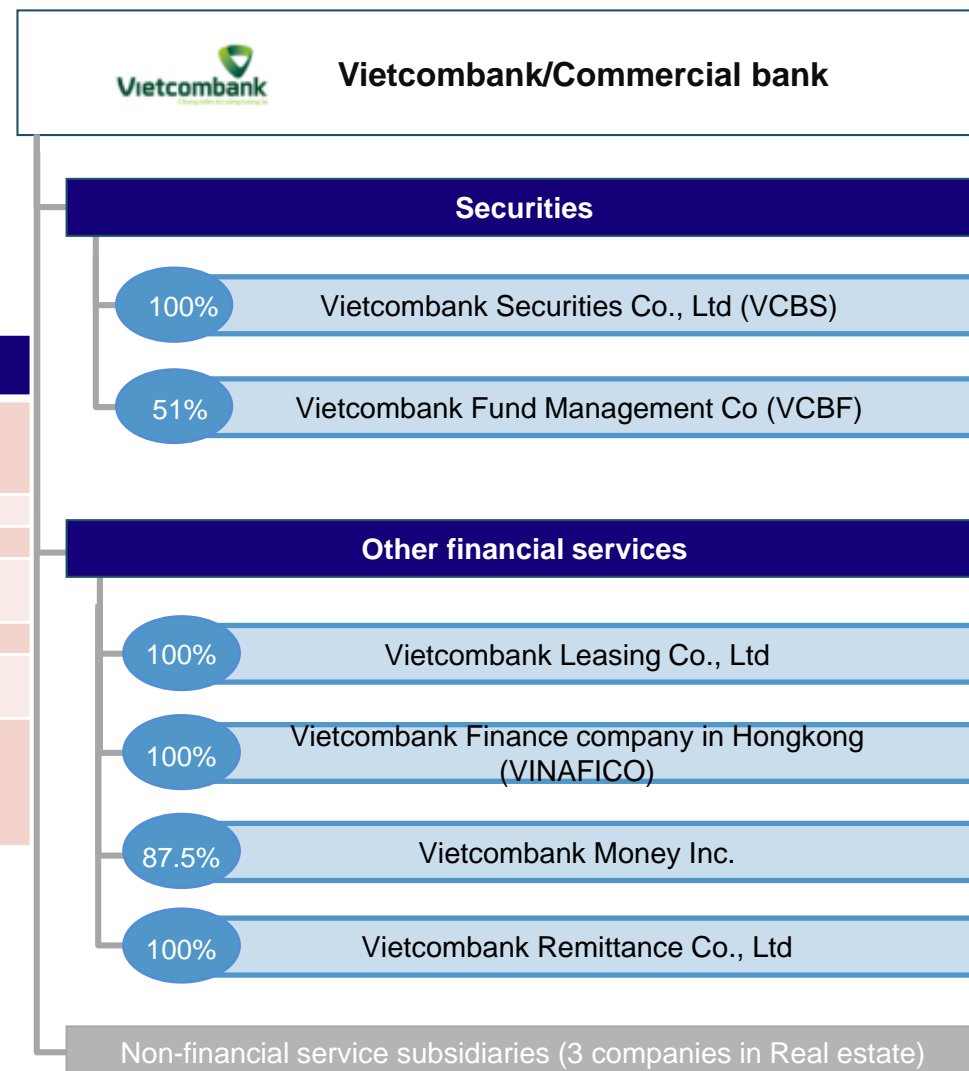
1963	Spin off from the Foreign Exchange Bureau of the State Bank of Vietnam as exclusive bank for foreign trade
1990	Diversified services towards becoming mass market commercial bank
2007-2008	Conduct IPO for privatization
2009	Listed on Ho Chi Minh Stock Exchange (HOSE)
2011	Singed up Strategic partnership agreement with Mizuho Bank
Present	Being Top rated commercial bank in Vietnam

	Item	Credentials	Domestic Ranking
Creditworthiness · Financial stability	Rating	Moody's: Ba3 S&P: BB- Fitch: BB-	#1
	FX	USD53.6 Bio	#1
Payment and other services	International payment	USD83 Bio	#1
	Card handling amount	USD7.6 Bio	#1
	Corporate customers	24,000 companies	-
Customer profile	SME customers	400,000 companies	-
	Individual customers (No of digital banking users)	approx 20 mio accounts approx 6 mio users	-

Financial highlights (as of Dec 2022)	
Total assets	USD76.387 Bio
Loan	USD48.213 Bio
Deposit	USD52.357 Bio
Net profit ratio	USD1.259 Bio
CAR*	9.56%
NPL ratio	0.68%
Branch · offices	598
Market capitalization	18,706 米ドル/百万

*CAR disclosed as at 2022 June

Vietcombank Group companies



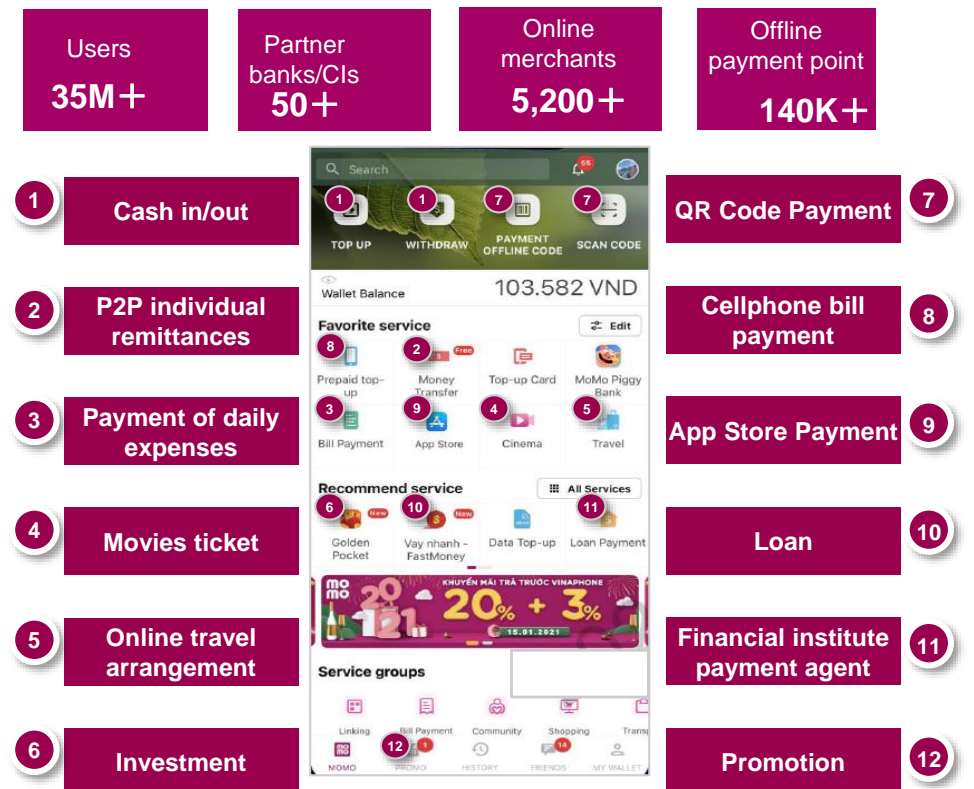
V-4. Outline of M Service

- In December 2021, Mizuho Bank partially invested in Online Mobile Services Joint Stock Company (M Service), Vietnam's largest digital payment company with a market share of over 50% in Vietnam's mobile payment market.
- M Service is a Vietnamese digital payment company founded in 2007. It operates a payment app called MoMo that expands digital payments to various payments, payment agent services, movie tickets and travel arrangements, etc., based around e-wallet.
- M Service established an extensive affiliated store network in Vietnam by leveraging its long business history, and its Momo app is positioned as the best-known super-app in Vietnam.

Outlines

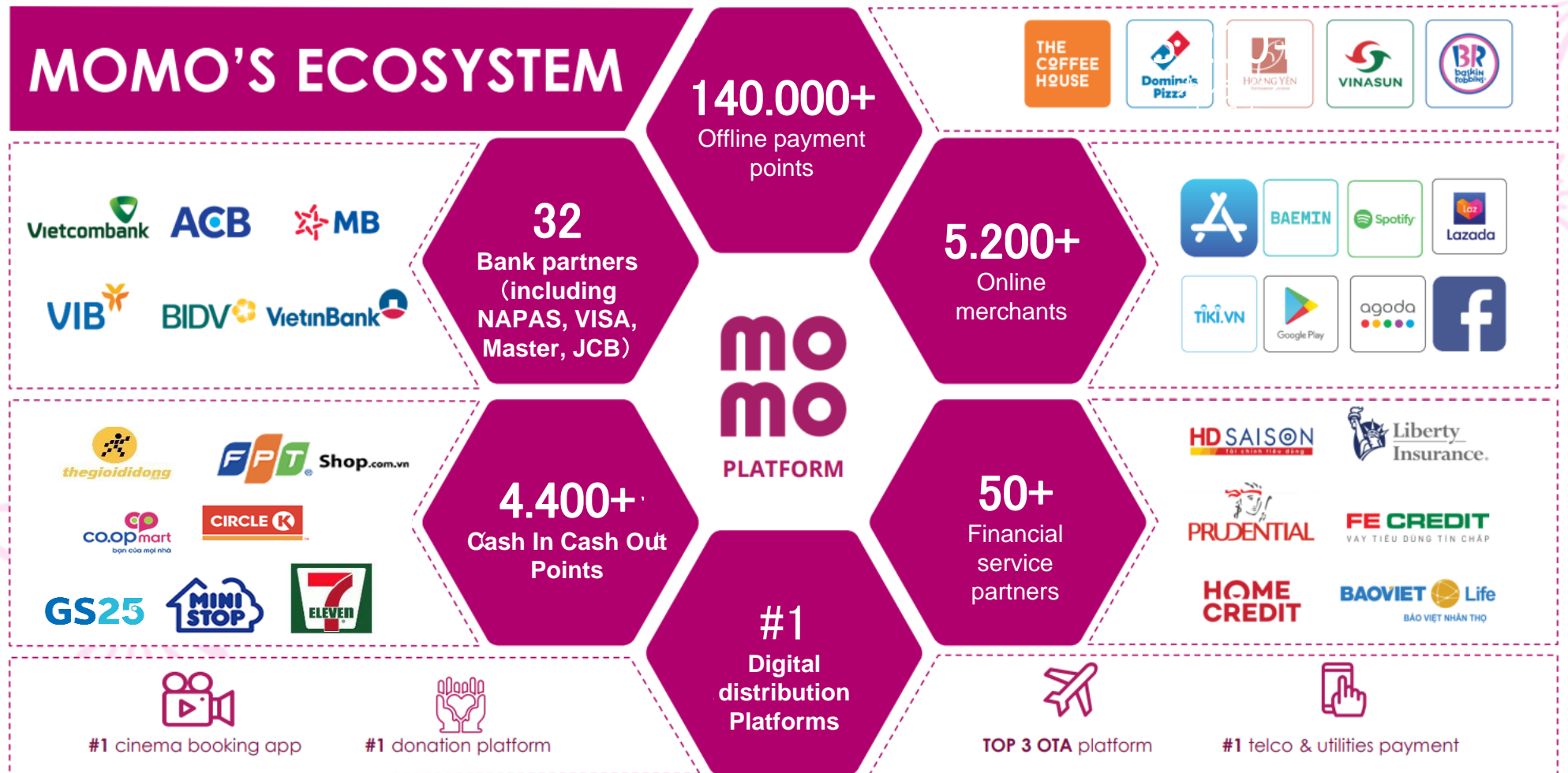
Company name	MoMo (service brand, Abbreviation) Online Mobile Services Joint Stock Company
Address/Offices	HCMC: District 7, Phu My Hung Tower Hanoi: Tay Ho District, Mercury Building Da Nang: Hai Chau District
Employees	Approx 1,900 (Average age: 25~26) Inclusive of 2 Mizuho expats (from April 2022)
Management	President Anthony Thomas Co-President Phạm Thành Đức CEO Nguyễn Mạnh Tường CFO Shah Manisha Satish
Financing history (Lead)	2007 Establishment 2013 Series A (Goldman Sachs) 2016 Series B (StanChart PE) 2018 Series C (Warburg Pincus) 2020 Series D (Goodwater/WP) 2021 Series E (Mizuho Bank, Ltd ~7.5%)

Multi-utility super-app



V-4. Service Ecosystem

- Operating and expanding the platform by developing services for payment scenes in all aspects of daily life
- Build a unique economic sphere both toB and toC through digitization of procedures, UI/UX, and cashless promotion.



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