

JETRO



日本國駐香港總領事館
Consulate-General of Japan in Hong Kong



The 16th Survey of the Business Environment in Hong Kong

Consulate-General of Japan in Hong Kong
JETRO Hong Kong
The Hong Kong Japanese Chamber of Commerce & Industry

March, 2026

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Concept of the survey

1. Purpose of the survey

The purpose of this survey is to understand the business environment surrounding Japanese companies in Hong Kong, including the rising cost of doing business, the shortage of human resources that companies are facing, the decline in trade and logistics due to the economic downturn, the entrenchment of trade bypassing Hong Kong etc. and to consider possible measures to be taken.

2. Coverage

Total: 568 companies / 222 individuals

breakdown :

- The Hong Kong Japanese Chamber of Commerce & Industry (HKJCCI) : 442 companies
- Hong Kong Japanese Restaurant Association : 126 companies
- NPO Hong Kong Wakyokai Ltd : 222 persons

*Some companies belong to multiple organisations.

3. Survey period

2nd February — 15th February 2026

4. The number of respondents

Out of the total number of 568 companies /222 individuals from the affiliated organisations, responses from 213 companies were received.

Including the 18 companies not affiliated with the organisations, the total number of valid responses is 231 companies.

5. Affiliated organisations

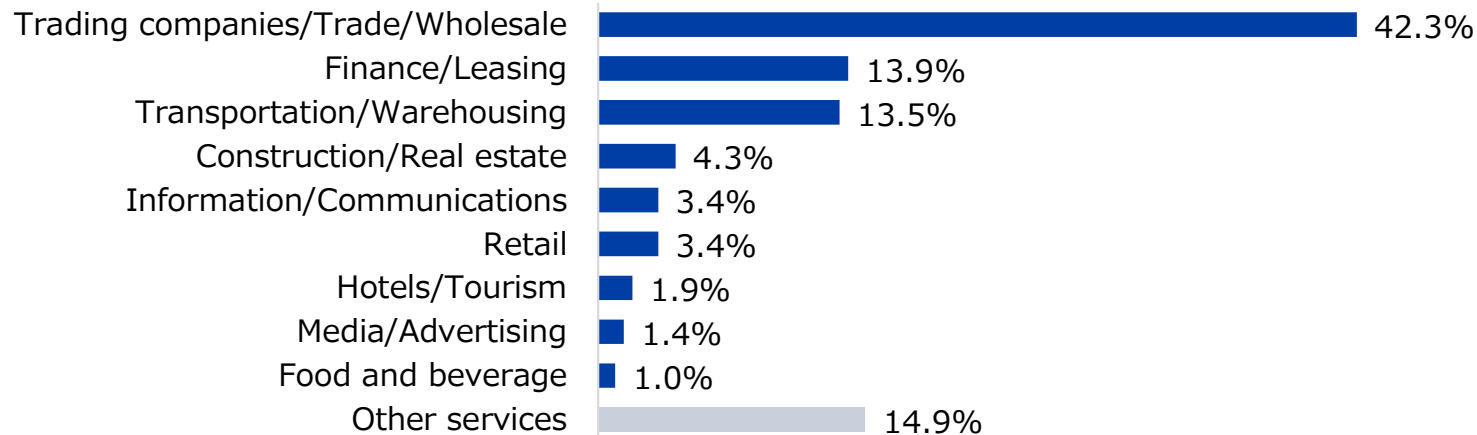
Organisations	Numbers
HKJCCI	206
Hong Kong Japanese Restaurant Association	13
Wakyokai	8

*Due to the reason that some companies belong to multiple organisations, the sum of the number of companies in each organisation does not match the total number of respondent companies (213 companies).

Overview of responding companies

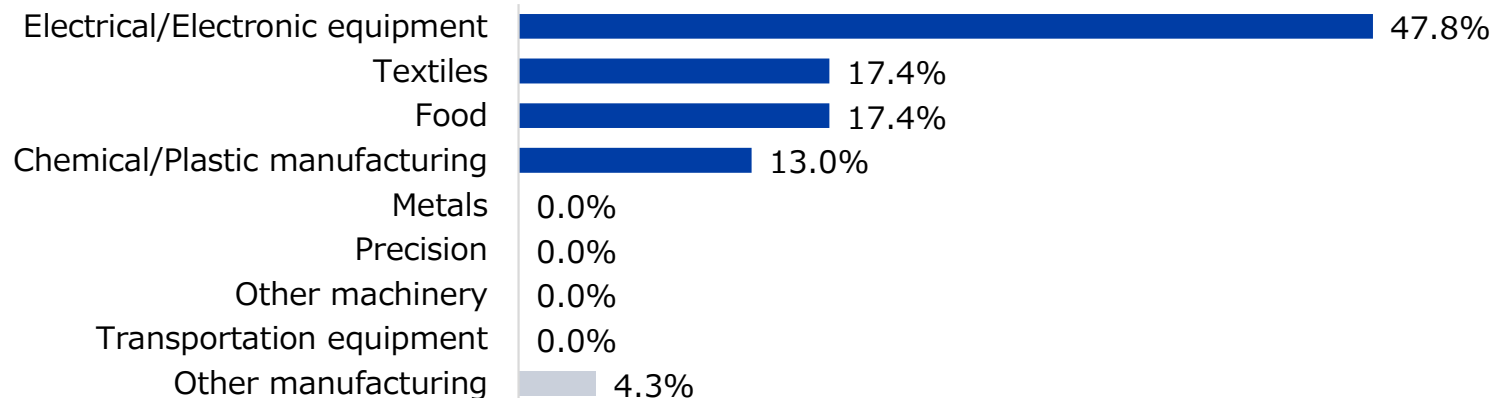
Non-manufacturing (n=208)

The breakdown of non-manufacturing companies by industry was: trading companies/trade/wholesale (42.3%), finance/leasing (13.9%), transportation/warehousing (13.5%), construction/real estate (4.3%), information/communications (3.4%), retail (3.4%), hotels/tourism (1.9%), media/advertising (1.4%), food and beverage (1.0%), and other services (14.9%).



Manufacturing (n=23)

The breakdown of manufacturing companies by industry was: electrical/electronic equipment (47.8%), textiles (17.4%), food (17.4%), chemical/plastic manufacturing (13.0%), and other manufacturing (4.3%).



Survey points

1. The DI value turned positive for the first time since the second half of 2021. The outlook is improving, but there are variations by industry.

- The DI value for the full year 2025 recovered to 5.0, turning positive for the first time since it turned negative in 2022. The outlook for the full year 2026 (estimate) is a significant improvement at 12.7. This is driven by finance and leasing. Trading companies/trade/wholesale are expected to improve in 2026. However, the overall response distribution shows "unchanged" at 50.9%, indicating a cautious recovery trend.

2. Difficulty in replacing employees after resignation remains, but the impact of human resource shortages on operations is the lowest since the survey began.

- The impact of human resource shortages on operations is at its lowest level, at 4.8% (11 companies). Approximately half of the companies experienced employee resignations in the past year, indicating continued human resource fluidity. Among these, 27.4% of companies that conducted recruitment for replacement still have unmet needs for alternative personnel. The main reason is "no applicants meeting the recruitment conditions" (84.4%).

3. Logistics: Handling volume decreased year-on-year. The sluggish Chinese market and supply chain reorganisation continue to have an impact.

- Among the item-specific evaluations for logistics companies, the proportion of deterioration was relatively high for transportation costs, warehousing costs and labour costs (over 40% each). The main reason for deterioration was "cost and labour shortages within Hong Kong" (68.0%). Export volume decreased by 57.9% and import volume by 58.9%. The main reasons were "stagnation of the Chinese market" and "supply chain reorganisation," both at 65.5%.

4. The policy for Hong Kong bases is mostly to maintain the status quo. Expansion is slightly increasing, while reduction/withdrawal is decreasing.

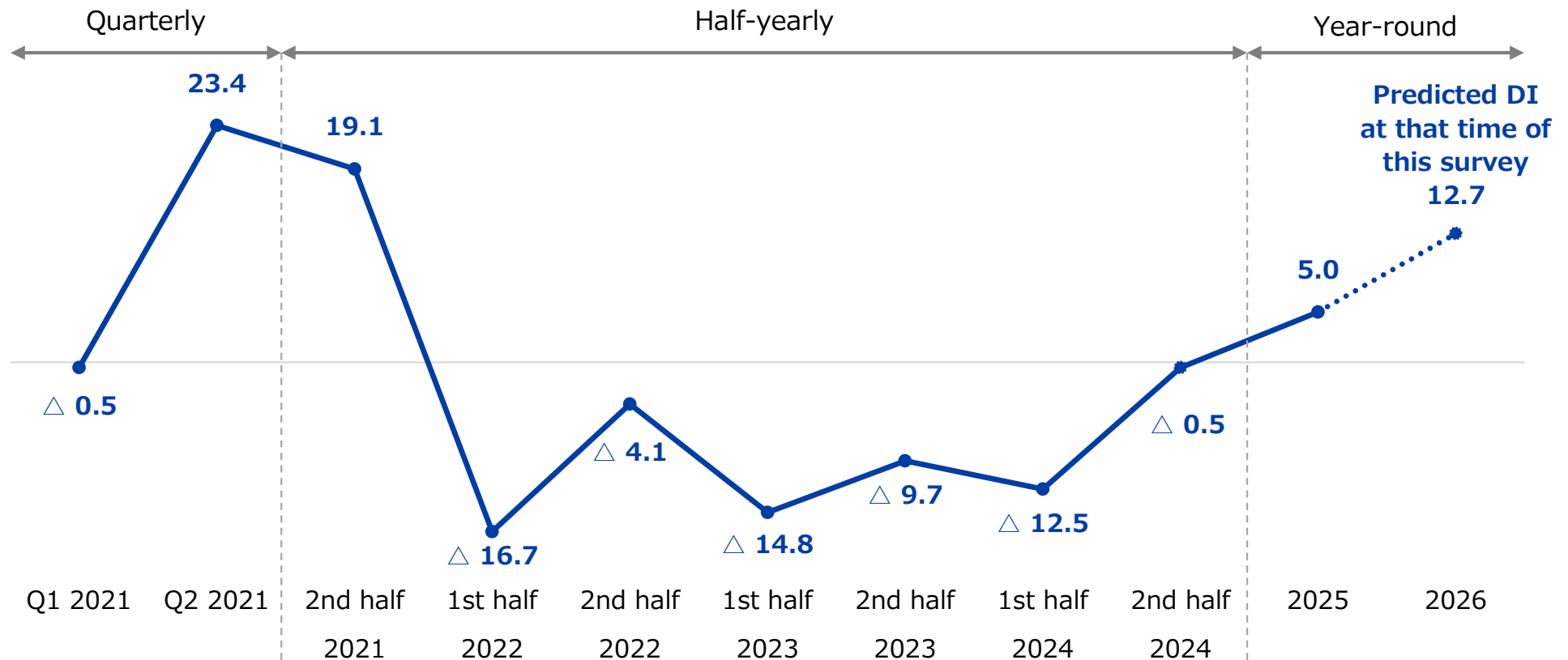
- The future of the Hong Kong base is "unchanged" for the majority (62.3%). "Scale expansion" is 7.8% (previous survey: 3.3%) and "reduction/withdrawal/functional review" is 10.3% (previous survey: 17.7%). In addition, over 80% of companies had visits from executives from their Japanese headquarters in the past year. For 36.4% of these companies, the executives' expectations improved due to the visits.

5. Approximately half of the companies have expectations for the GBA and Northern Metropolis development. Expectations are high among trading companies, trade, and finance etc.

- For "expectations," GBA is 50.0% and Northern Metropolis is 48.0%. There are high expectations for market expansion, business environment and innovation.
- On the other hand, for both regions, challenges include the decline in Hong Kong's relative superiority and overcoming the feasibility of regulations. Some of the same reasons are also cited for "reasons for not expecting."

1 | Diffusion Index (All Industries)

- **DI value for the 2025 (n=221) is 5.0 points**, which rose by 5.5 points from that of the last survey (2nd half of 2024) and turning positive for the first time since turning negative in the 1st half of 2022.
- **The forecast for the 2026 (n=220) is 12.7 points**, which rose by 7.7 points from the DI value of 2025, indicating a significant increase in the number of companies expecting improvement.



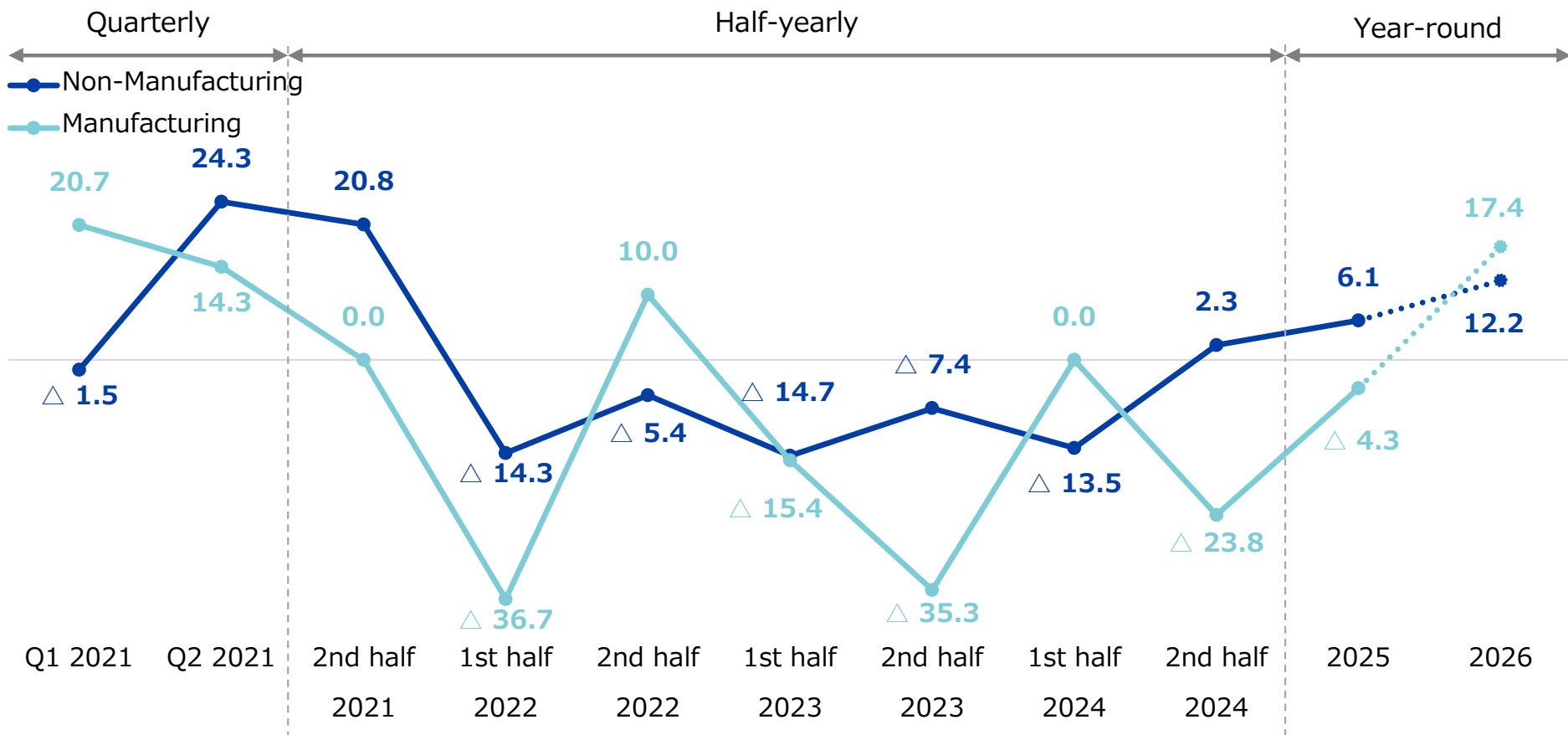
(NOTE1) DI stands for Diffusion Index and is calculated by subtracting the proportion of companies that responded 'deteriorated' and 'significantly deteriorated' from the proportion of companies that responded 'improved'.

(NOTE2) Surveys were conducted quarterly until the Q2 2021 quarter, half yearly from the 2nd half 2021 to the 2nd half 2024 and annually from 2025 onwards.

(NOTE3) 2026 is predicted DI at that time of this survey.

2 | Diffusion Index (Non-Manufacturing · Manufacturing)

- Regarding non-manufacturing and manufacturing industries separately, the DI value for **non-manufacturing companies (n=198)** for the full year of 2025 **increased by 3.8 points** from the 2nd half of 2024 to 6.1 points. **The DI value for manufacturing companies (n=23)** for the full year of 2025 also **increased by 19.5 points** from the 2nd half of 2024 to **△4.3 points**.
- The DI value (estimated value) for 2026 is expected to remain positive, with **non-manufacturing companies (n=197)** at **12.2 points** and **manufacturing companies (n=23)** at **17.4 points**.



(NOTE1) Surveys were conducted quarterly until the Q2 2021 quarter, half yearly from the 2nd half 2021 to the 2nd half 2024 and annually from 2025 onwards.

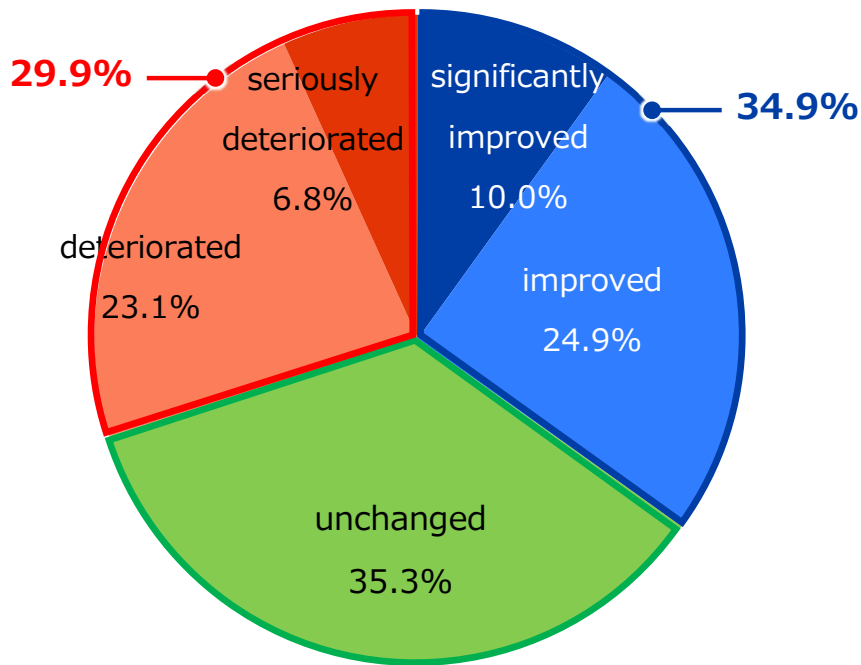
(NOTE2) 2026 is predicted DI at that time of this survey.

3 | Business Performance in 2025

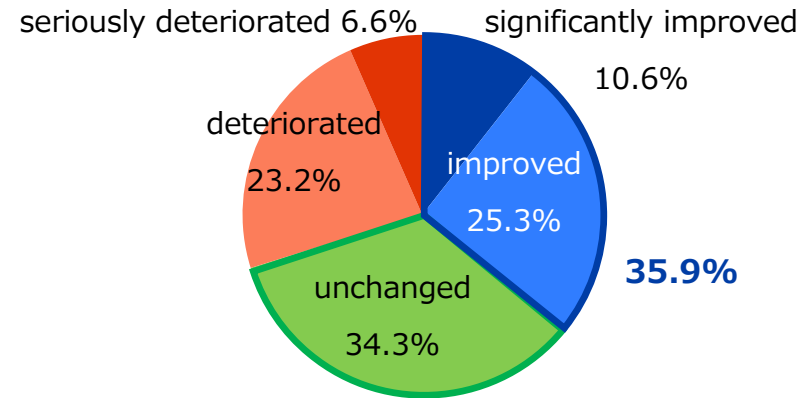
- The ratio "unchanged" in 2025 compared with last year (January-December 2024) was **35.3%**, the highest, while "significantly improved/improved" was **34.9%** and "deteriorated/significantly deteriorated" was **29.9%**.

*For this survey, the target period has been changed to the full year (January-December). Also, the item "significant improvement" has been added and the same applies to the following.

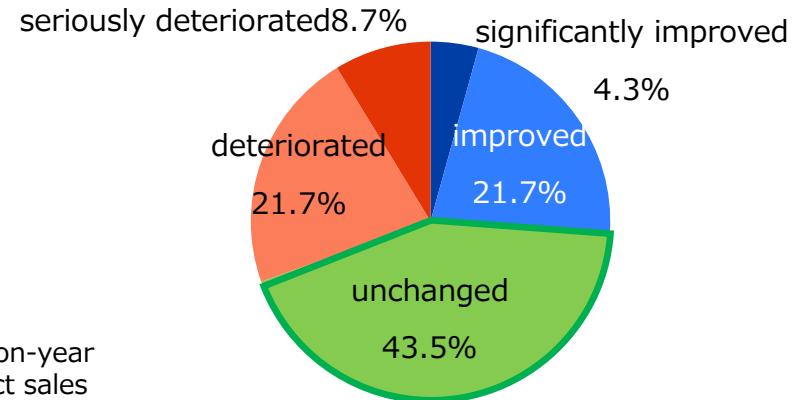
All industries (n=221)



Non-Manufacturing (n=198)



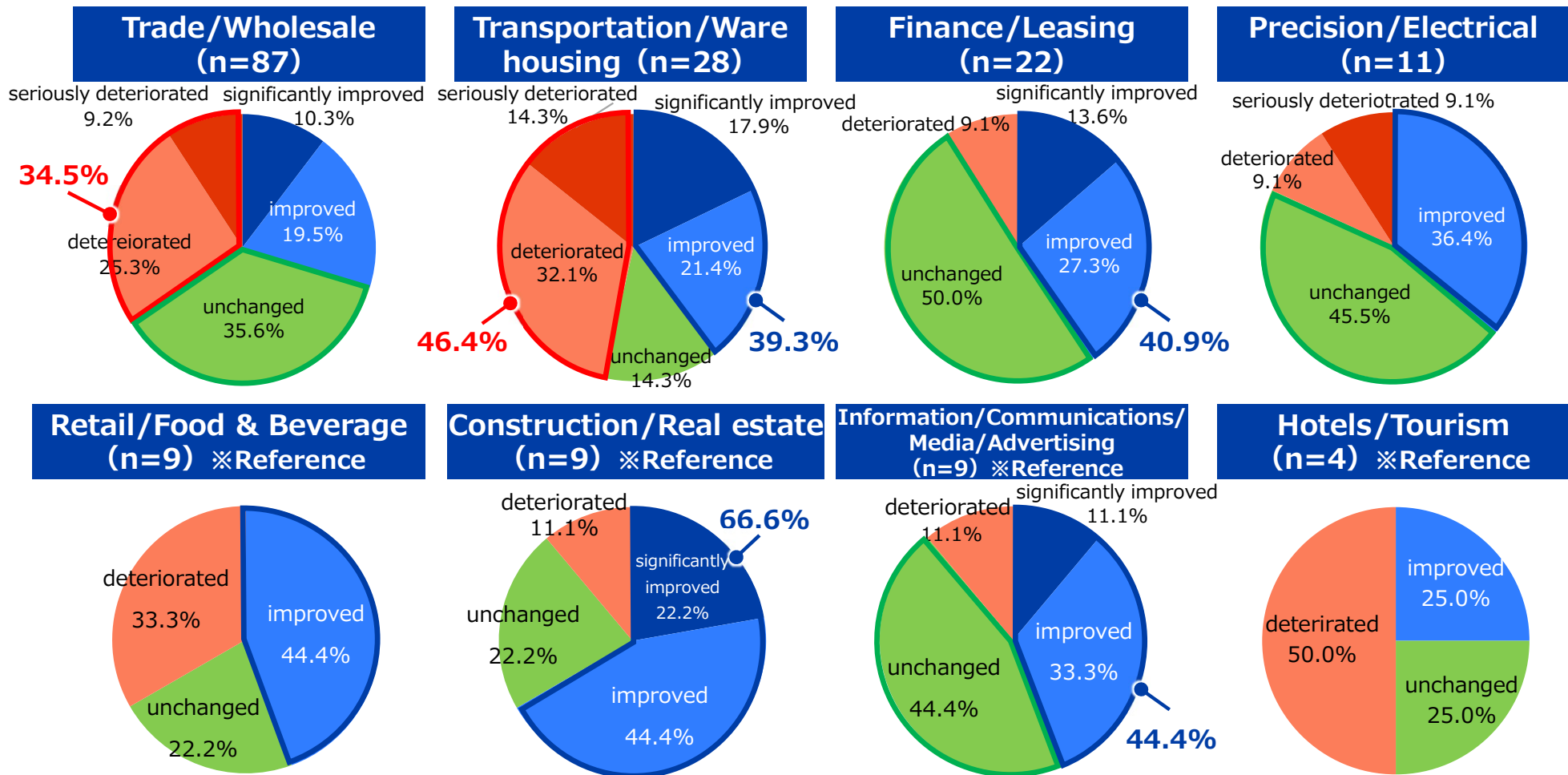
Manufacturing (n=23)



(NOTE1) "significantly improved" and "significantly deteriorated": Means a year-on-year change of plus or minus 20% or more. (NOTE2) Organisations that do not conduct sales activities, such as representative offices and local government offices, are not subject to this question.

4 | Business Performance in 2025 (by major industry)

- Regarding the performance of each industry in 2025, the sectors where the proportion of "significantly improved/improved" exceeded the proportion of "deteriorated/seriously deteriorated", which included "Finance and leasing" and "Precision/Electrical".
- On the other hand, sectors where the proportion of "deteriorated/seriously deteriorated" exceeded the proportion of "significantly improved/improved", which included "Trade/Wholesale" and "Transportation/Warehousing".



(NOTE1) "significantly improved" and "significantly deteriorated": Means a year-on-year change of plus or minus 20% or more.

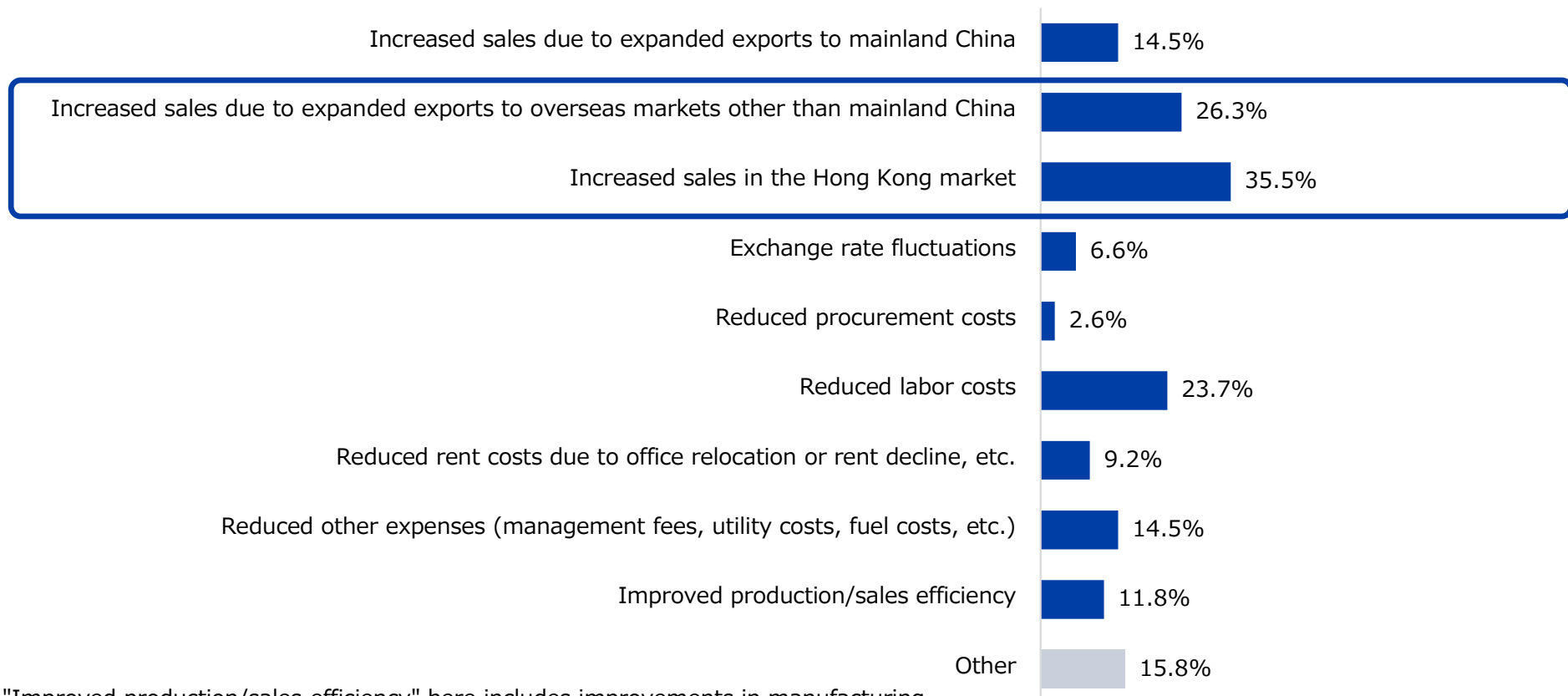
(NOTE2) Please note that the industries in the bottom row are for reference only, with fewer than 10 responses.

5 | Reasons for Business Performance Improvement in Jan-Dec 2025

- Among companies (76 companies) that responded "significant improvement/improvement" for their business performance in the full year 2025, **"increased sales in the Hong Kong market"** was the most common at 35.5%, followed by **"increased sales due to expanded exports to overseas markets other than mainland China"** at 26.3%.
- Increased sales due to **expanded exports to mainland China was 14.5%, ranking the 5th.**

Overall (n=76)

【Multiple answers】



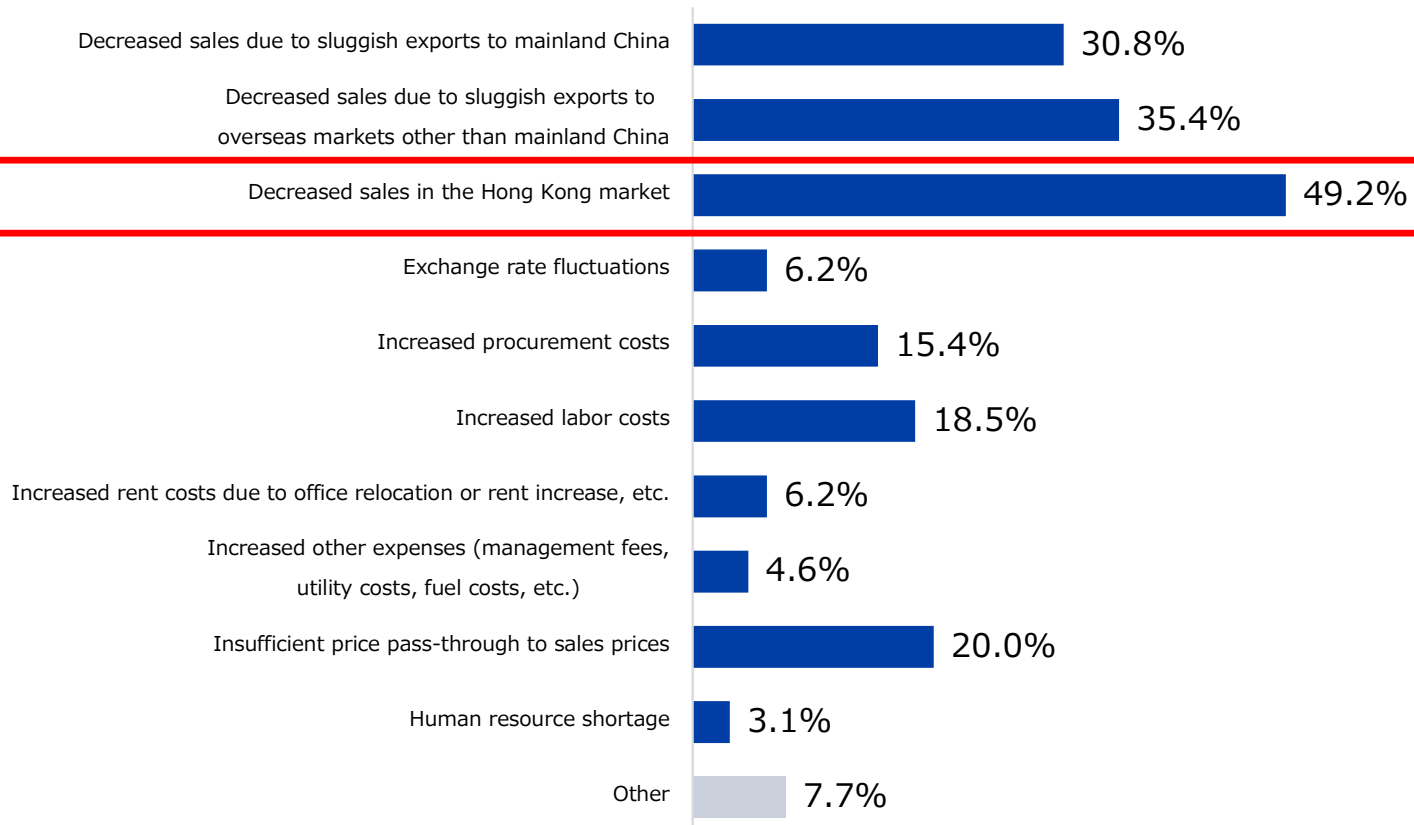
(Note) "Improved production/sales efficiency" here includes improvements in manufacturing processes such as cell production, digitalisation in production management, efficiency in product logistics and inventory reduction.

6 | Reasons for Business Performance Deterioration in Jan-Dec 2025

- Among companies (65 companies) that responded "deterioration/significant deterioration" for their business performance in the full year 2025, **almost half, 49.2%, responded "decreased sales in the Hong Kong market," which was the most common reason.**
- Other reasons included **"decreased sales due to sluggish exports to overseas markets other than mainland China" (35.4%)** and **"decreased sales due to sluggish exports to mainland China" (30.8%).**

Overall (n=65)

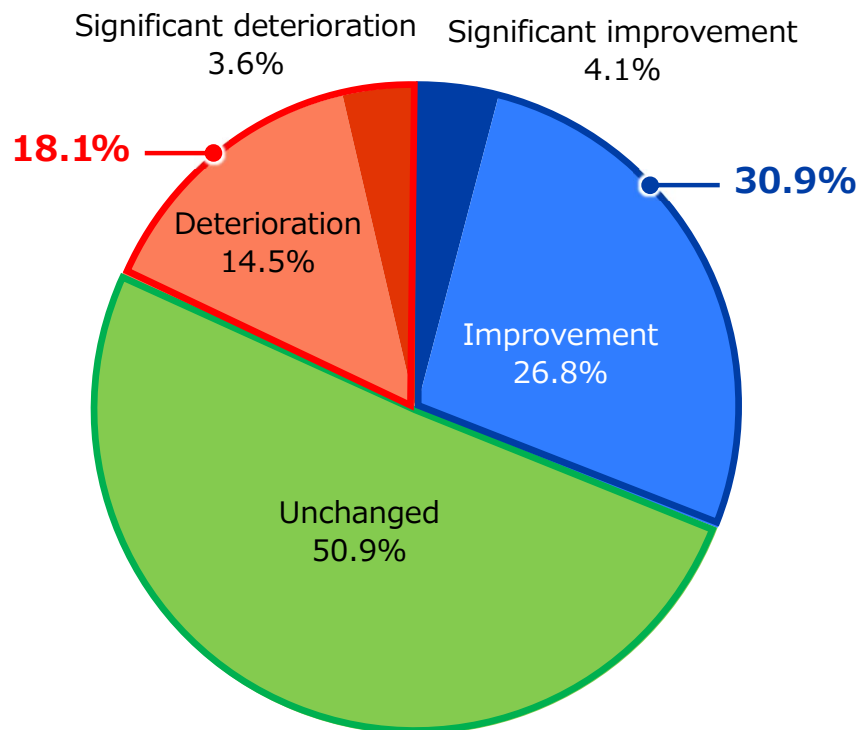
【Multiple answers】



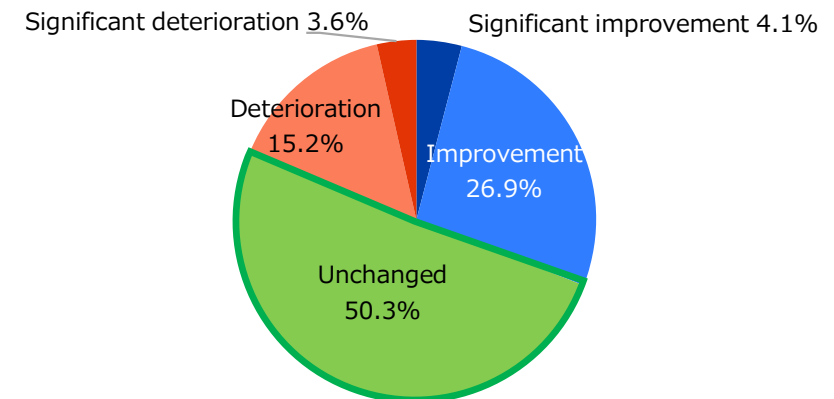
7 | Business Performance Outlook for Jan-Dec 2026

- For the business performance outlook for the full year 2026, **the proportion of companies that responded "unchanged" was half at 50.9%, an increase of 15.6 points compared to the actual results for the full year 2025** (previous period: 35.3%).
- On the other hand, **the proportion of companies that responded "significant improvement/improvement" was 30.9%** (previous period: 34.9%) and **the proportion of companies that responded "deterioration/significant deterioration" was 18.1%** (previous period: 29.9%).

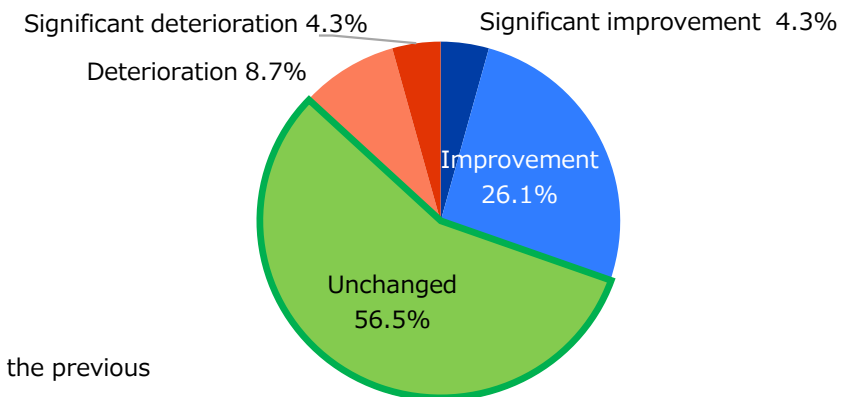
Overall (n=220)



Non-manufacturing (n=197)



Manufacturing (n=23)

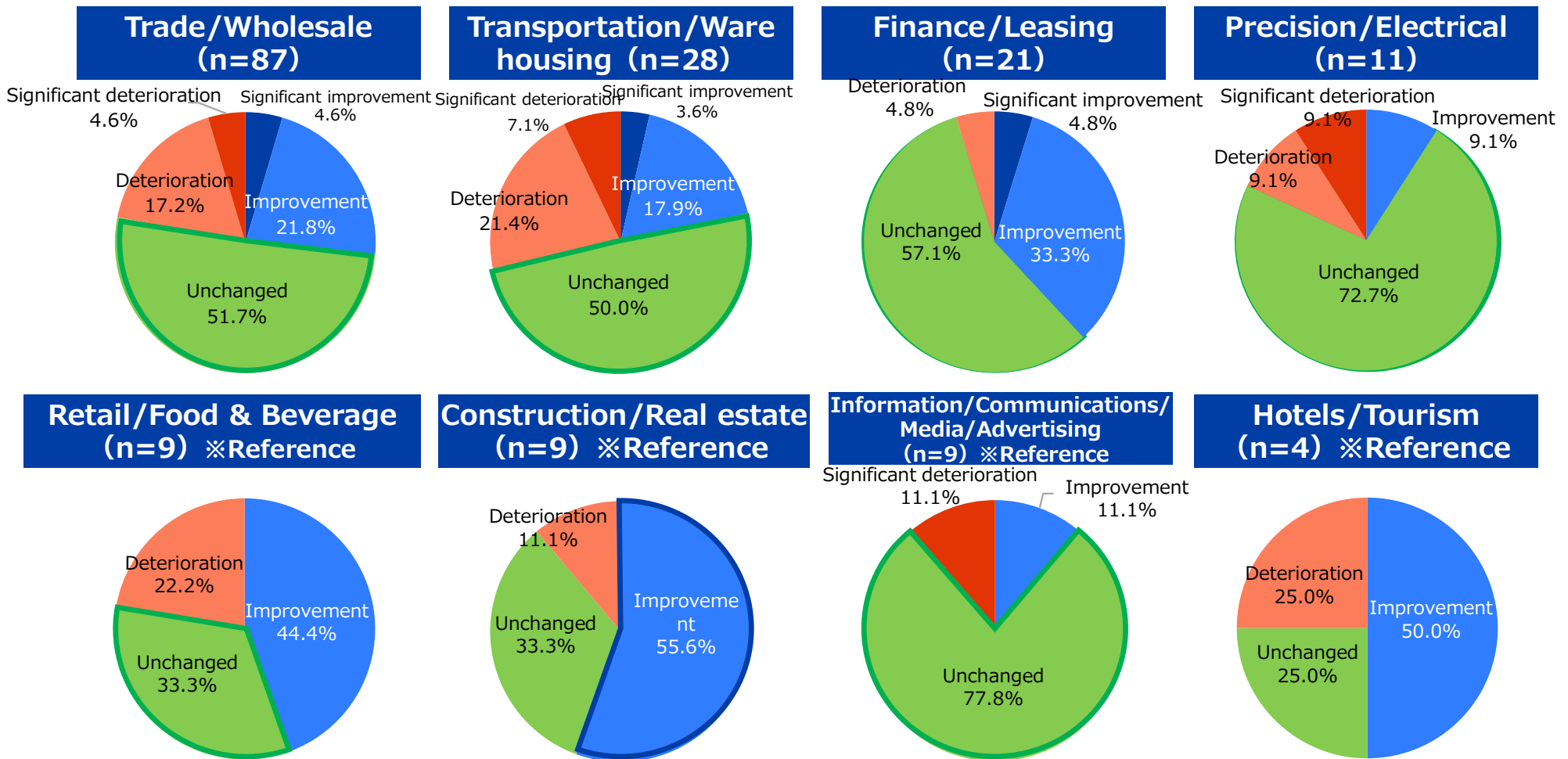


(Note 1) "Significant improvement" and "significant deterioration": $\pm 20\%$ or more compared to the previous year.

(Note 2) Companies that do not conduct business activities, such as representative offices and local government offices, are excluded from the survey.

8 | Business Performance Outlook for Jan-Dec 2026 (By Major Industry)

- For the full year 2026 (current period) outlook, there were no industries where the total value of "deterioration" and "significant deterioration" increased compared to the previous period (Jan-Dec 2025). Specifically, for **finance/leasing** (previous period → current period: 9.1% → 4.8%), **trade/wholesale** (previous period → current period: 34.5% → 21.8%), **transportation/warehousing** (previous period → current period: 46.4% → 28.5%), **hotels/tourism** (previous period → current period: 50.0% → 25.0%), and **retail and food & beverage** (previous period → current period: 33.3% → 22.2%), the rates were the same for other industries.



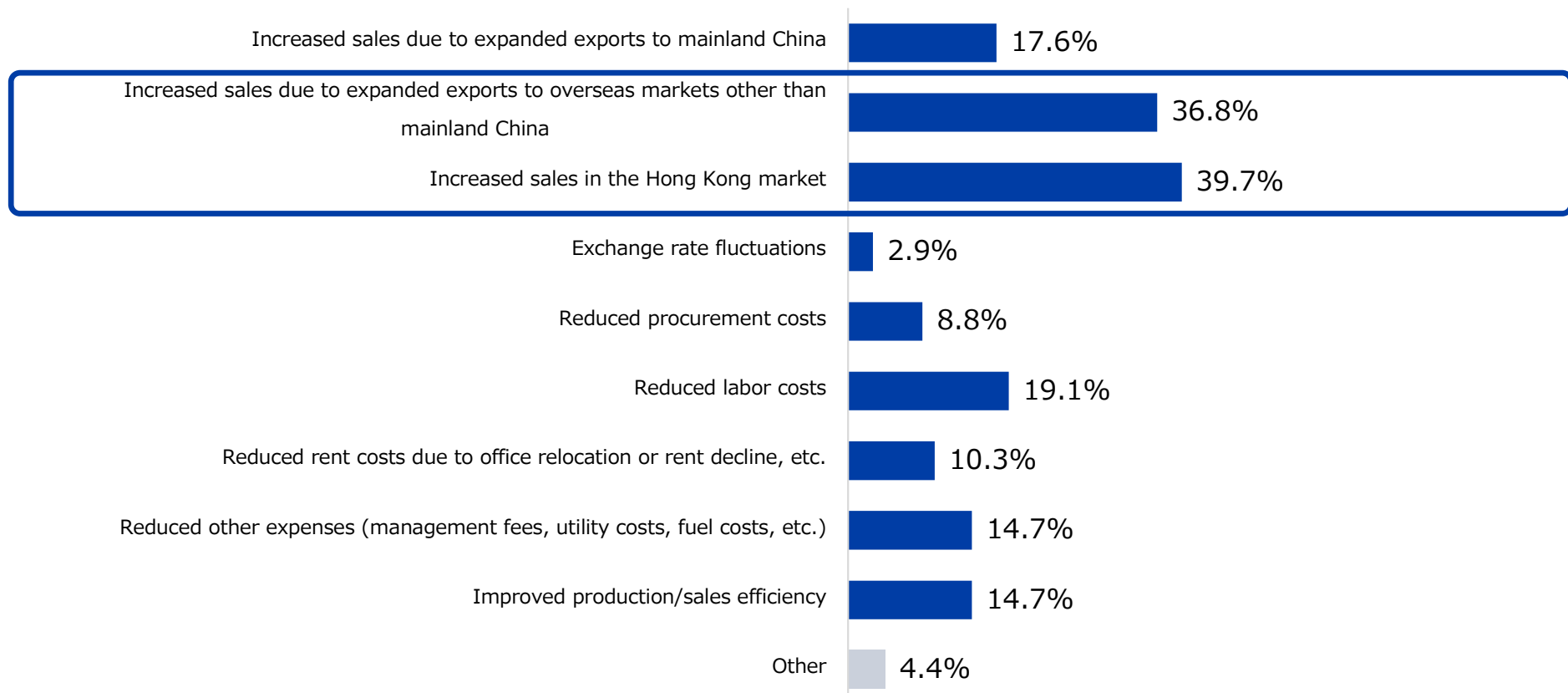
(Note 1) "Significant improvement" and "significant deterioration": ±20% or more compared to the previous year.
 (Note 2) Note that the industries in the lower row are reference information with fewer than 10 responses.

9 | Reasons for Business Performance Improvement Outlook in Jan-Dec 2026

- Among companies (68 companies) that responded "significant improvement/improvement" for their business performance outlook for the full year 2026, 39.7% responded **"increased sales in the Hong Kong market"** and 36.8% responded **"increased sales due to expanded exports to overseas markets other than mainland China,"** indicating high expectations for regions other than mainland China, similar to previous surveys.

Overall (n=68)

【Multiple answers】



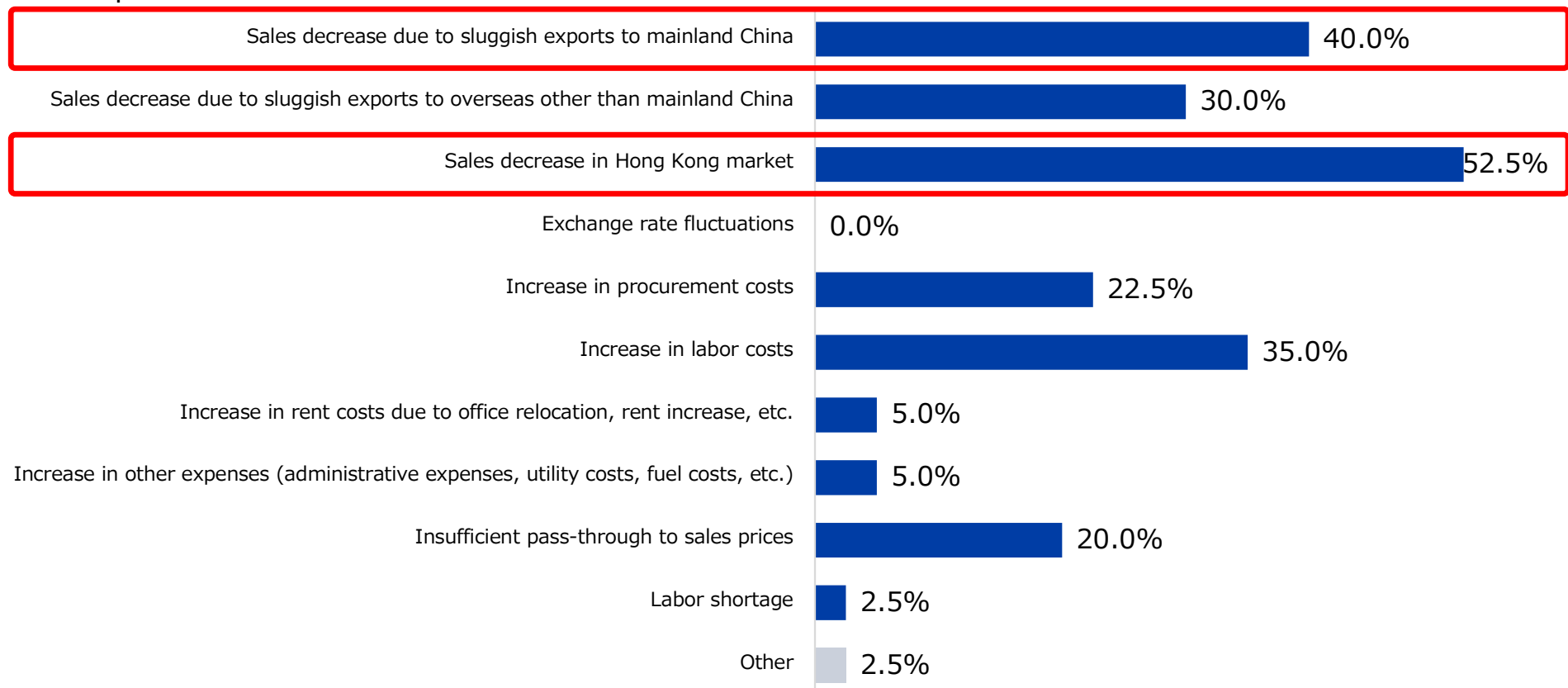
(Note) "Improved production/sales efficiency" here includes improvements in manufacturing processes such as cell production, digitalisation in production management, efficiency in product logistics and inventory reduction.

10 | Reasons for Business Performance Deterioration Outlook in Jan-Dec 2026

- Among companies (40 companies) that responded with "deterioration/significant deterioration" for their full-year 2026 performance outlook, the most common responses were **"decrease in sales in the Hong Kong market"** (52.5%), followed by **"decrease in sales due to sluggish exports to mainland China"** (40.0%).

Overall (n=40)

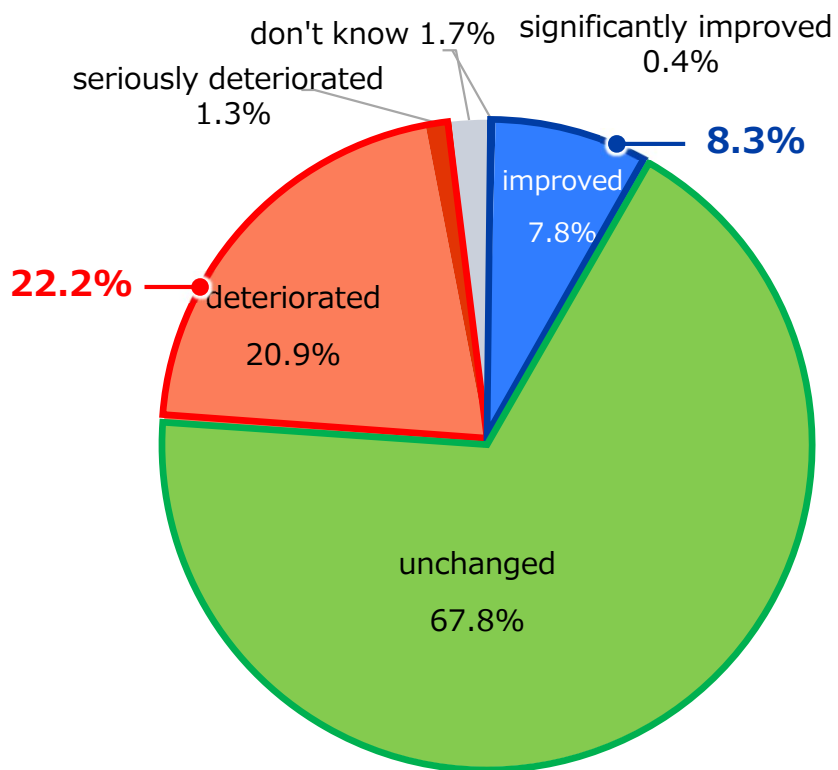
【Multiple answers】



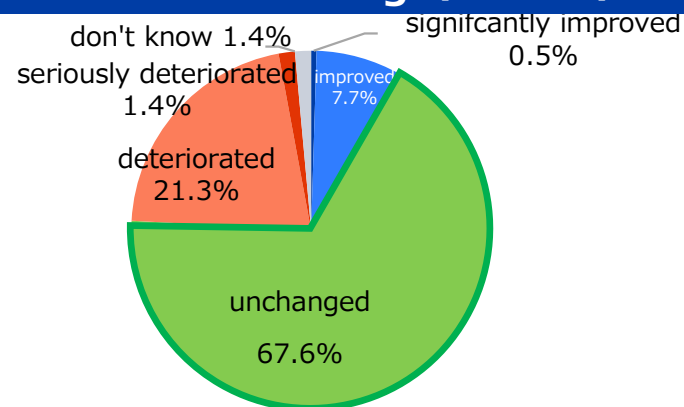
1 Evaluation of Hong Kong's business environment (Compared with January 2025)

- **67.8% of companies responded** that the business environment (ease of doing business) in Hong Kong **remained "unchanged"** compared to one year ago (previous survey: 62.3%).
- Responses of **"Significantly improved/Improved"** accounted for **8.3%** (6.3%), while **"Seriously deteriorated/Seriously deteriorated"** accounted for **22.2%** (29.5%), indicating a **7.3 point decrease** in the proportion of **"Seriously deteriorated/Seriously deteriorated"** responses.

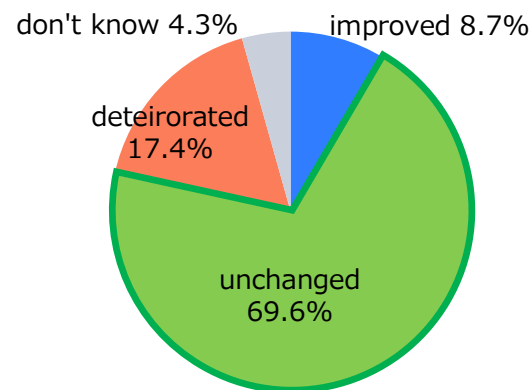
Overall (n=230)



Non-manufacturing (n=207)



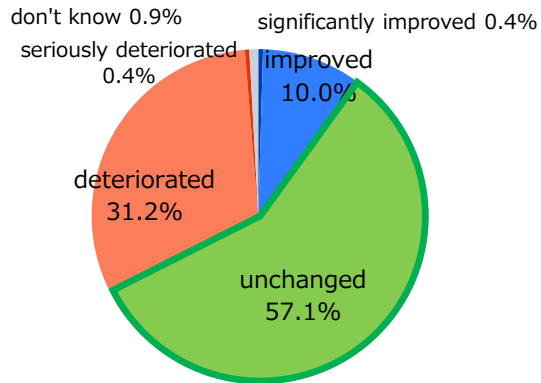
Manufacturing (n=23)



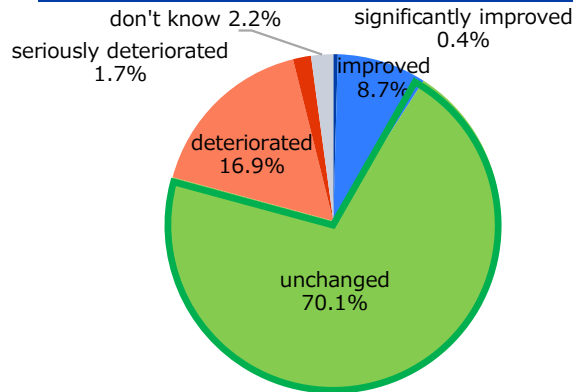
2 | Evaluation of Hong Kong's business environment (Compared with January 2025, by item)

- In the item-by-item assessment, **"Unchanged"** accounted for the largest proportion in all items.
- Responses of **"Improved/Significantly improved"** for **"Business costs"** and **"Human resources"** were 10.4% and 9.1% respectively, **increasing by 4.2 and 3.9 points** respectively from the previous survey (6.2% and 5.2%).
- On the other hand, responses of **"deteriorated/Seriously deteriorated"** for **"Political stability"** were 20.4%, an **increase of 14.7 points** from the previous survey (5.7%).

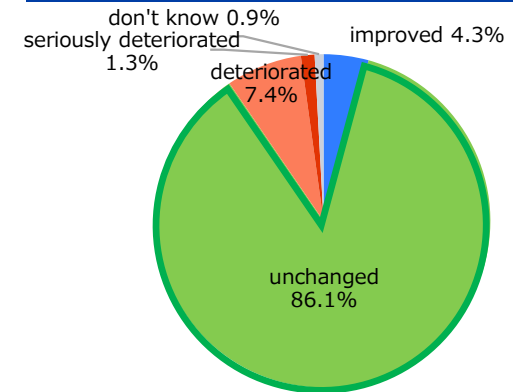
Business costs (n=231)



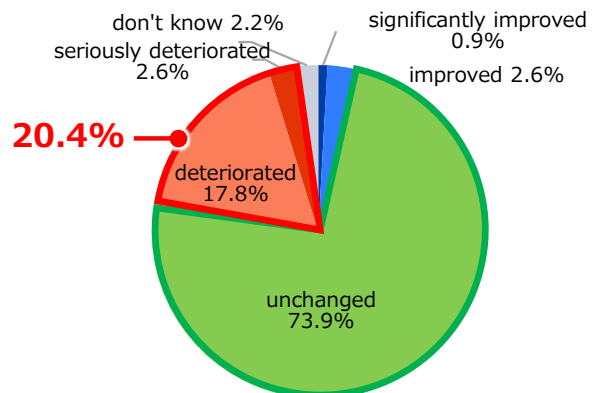
Human resources (n=231)



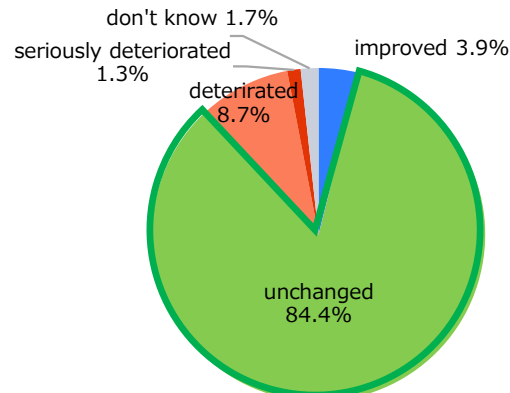
Free flow of information (n=230)



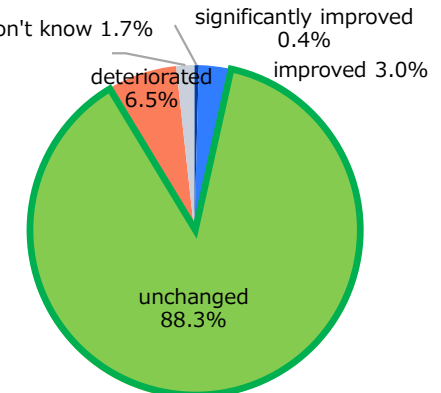
Political stability (n=230)



Law enforcement (n=231)



Safety (Public order) (n=230)



3 | Challenges in Securing Human Resources in Hong Kong office

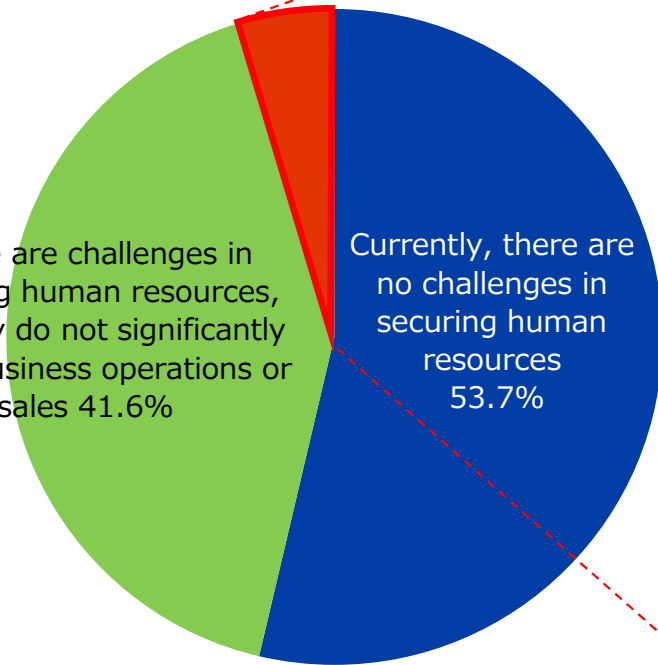
- The percentage of companies that responded, **"There are challenges in securing human resources, affecting business operations and sales,"** was **4.8% (11 companies)**, showing a decreasing trend (previous survey: 7.7% (16 companies)). This is **the lowest level** since the survey for this question began in January 2023, when the issue of labour shortages due to emigration became apparent.

Overall (n=231)

There are challenges in securing human resources, affecting business operations and sales 4.8%

There are challenges in securing human resources, but they do not significantly affect business operations or sales 41.6%

Currently, there are no challenges in securing human resources 53.7%



Major opinions (n=9)

[Free description]

Specific impacts of difficulty in securing human resources

- Soaring labour costs
- Hindrance to sales expansion

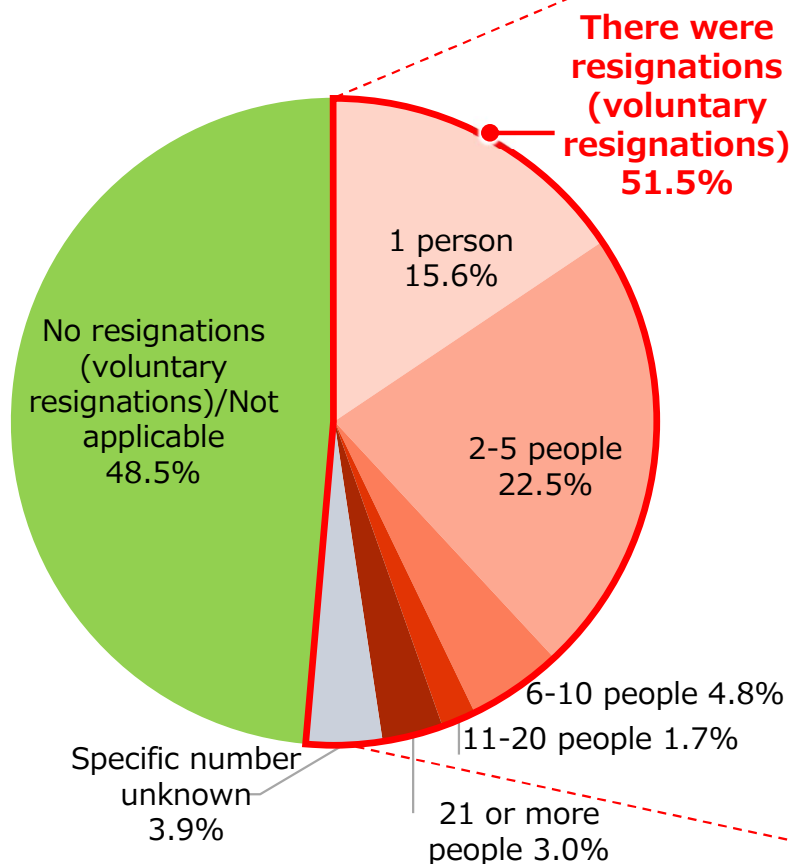
Solutions and initiatives for difficulty in securing human resources

- Increase/start new hiring of personnel from outside the region (mainland China, Japan, etc.)

4 | Personnel Trends (January to December 2025)

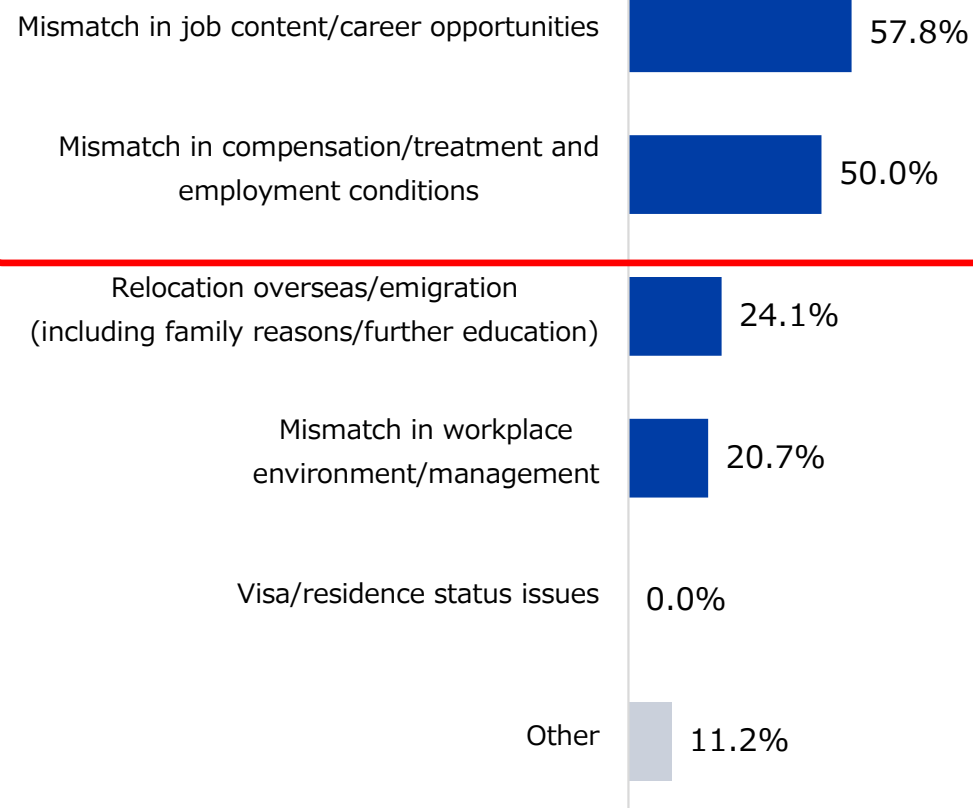
- 51.5% of companies responded that there were "resignations (voluntary resignations)" in the past year, with the majority of these resignations being "2-5 people" and "1 person."
- The main reasons for resignation cited were "mismatch in job content/career opportunities" (57.8%) and "mismatch in compensation/treatment and employment conditions" (50.5%).

Number of Resignations (n=231)



Main Reasons for Resignation (n=116)

【Multiple answers, select up to 3】

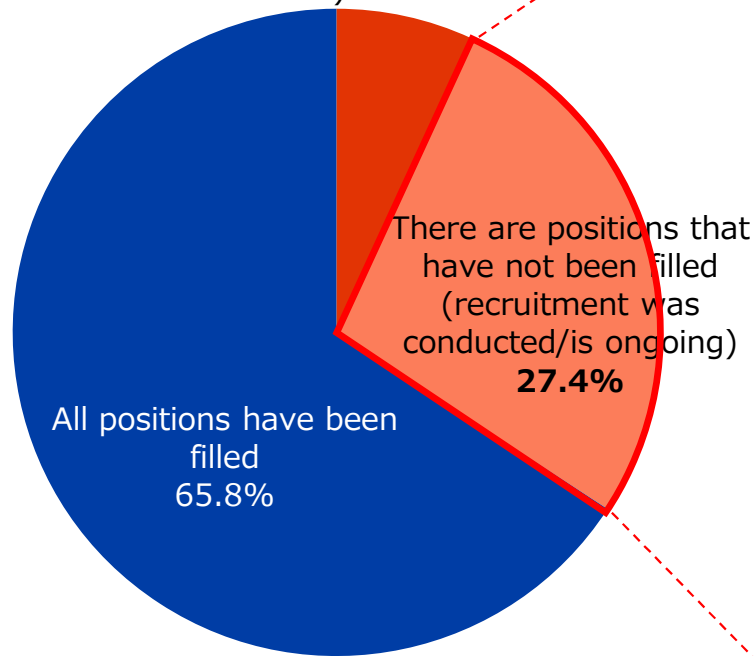


5 | Securing Replacement Personnel (January to December 2025)

- When companies that reported resignations were asked about the status of securing replacement personnel, **27.4% (32 companies) responded, "We recruited, but there are still positions that have not been filled"** (previous survey: 40.4%).
- When companies that had not secured replacement personnel were asked for the reasons, **over 80% (84.4%) responded, "There are no applicants who meet the recruitment criteria."**

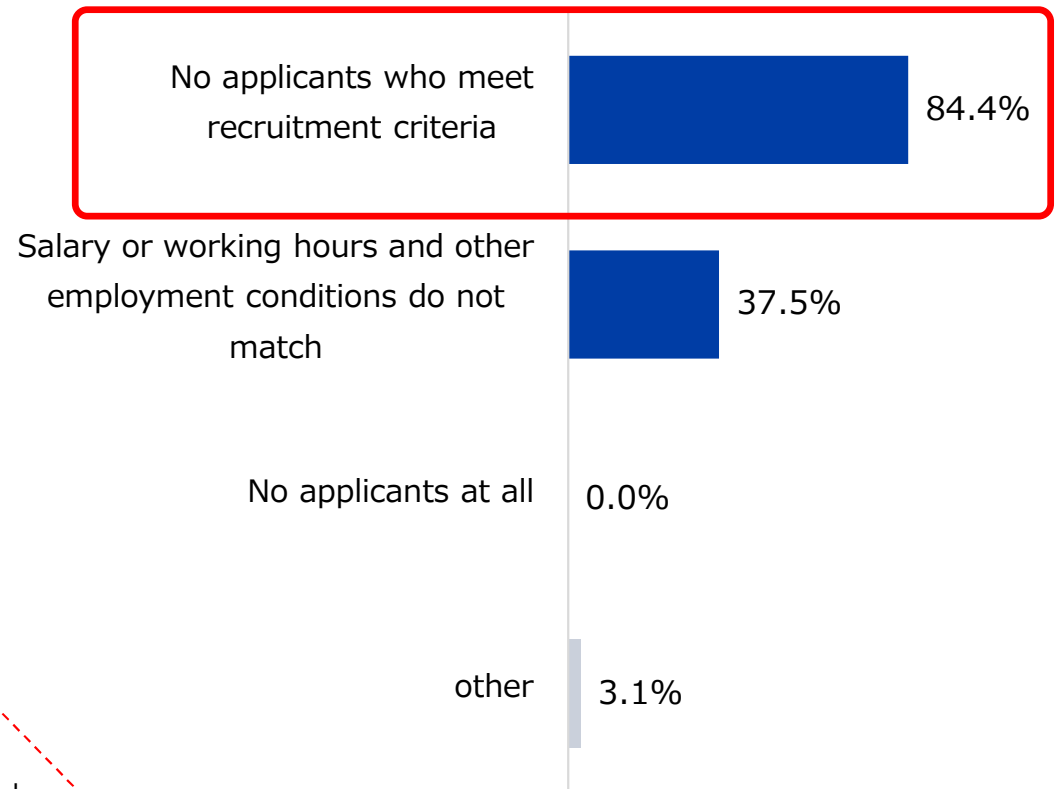
Status of Securing Replacement Personnel (n=117)

There are positions that have not been filled (recruitment was not conducted) 6.8%



Reasons for not securing replacement personnel (n=32)

【Multiple answers】



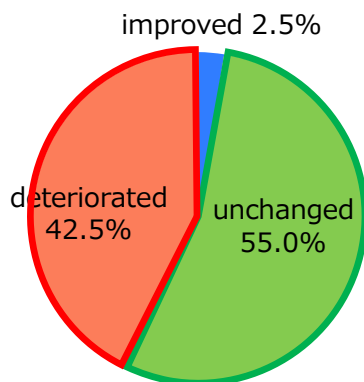
(Note) "Secured" replacement personnel includes cases where personnel were secured through internal reassignments or adjustments to job responsibilities.

6 | Evaluation of Logistics Environment (January to December 2025, year-on-year)

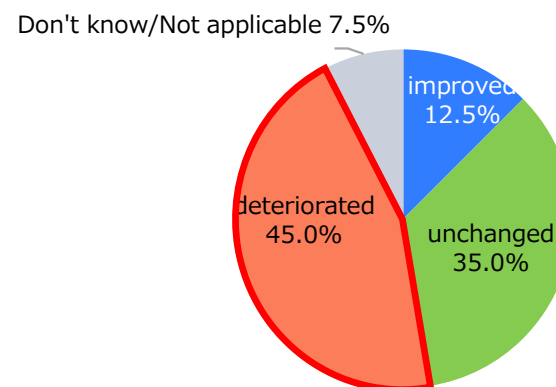
- In the item-by-item evaluation of the logistics environment for logistics companies, the percentage of companies that responded "deteriorated" was relatively high for **"warehouse costs" at 45.0%**, **"transportation costs" at 42.5%**, and **"labour costs" at 42.5%** (zero selections for "significantly improved" and "significantly deteriorated").

*This section's survey questions have been changed to cover the full year and be year-on-year evaluations from this survey.

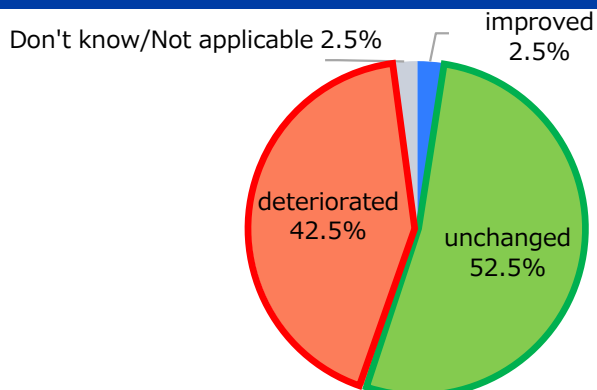
Transportation Costs (n=40)



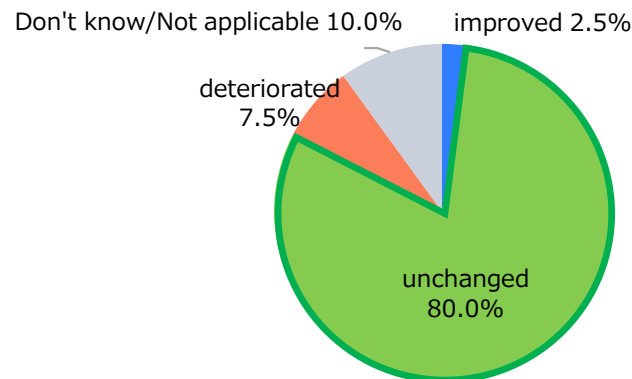
Warehouse Costs (n=40)



Labour Costs (n=40)



Customs Procedures (n=40)



(Note 1) This question targets companies engaged in the logistics industry in Hong Kong and surrounding areas and does not include shippers such as manufacturers.

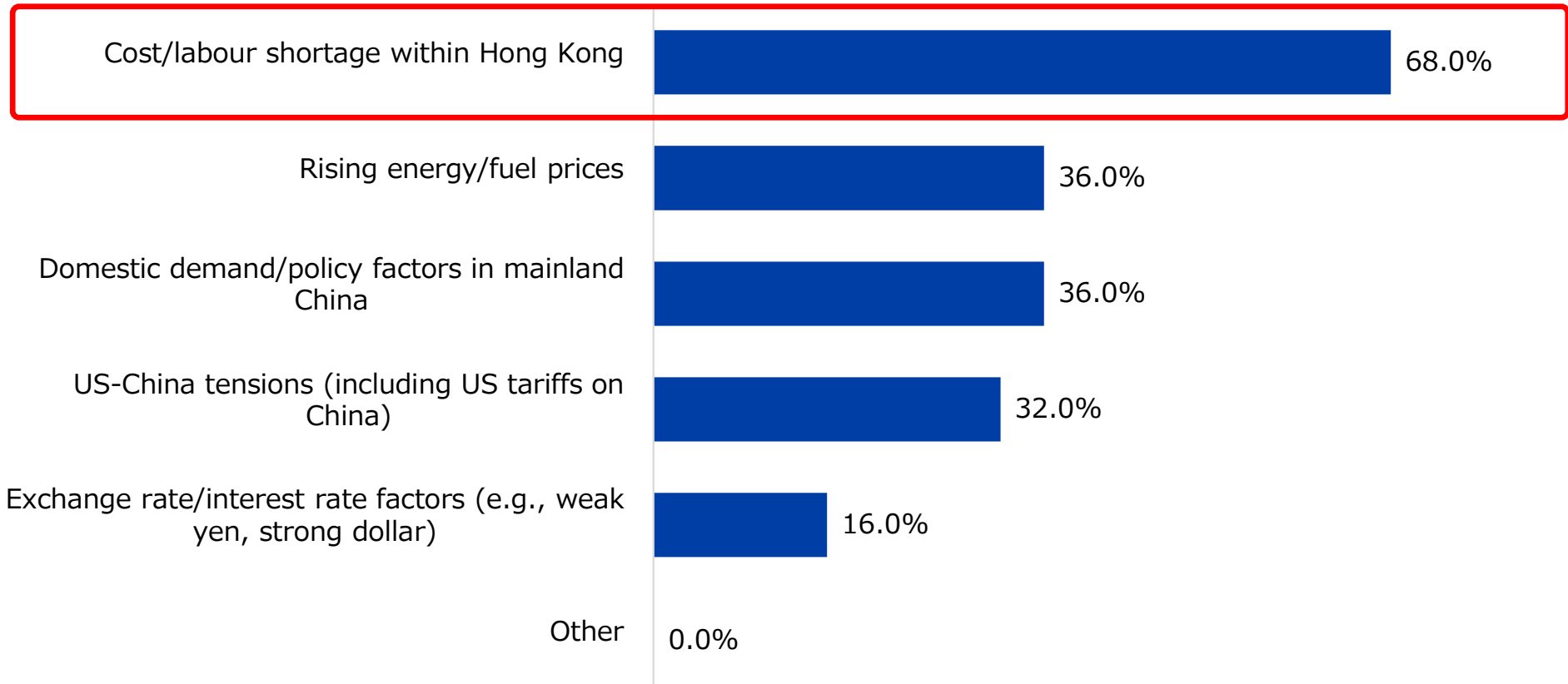
(Note 2) "Significantly improved" and "significantly deteriorated" for "transportation costs," "warehouse costs" and "labour costs" refer to a year-on-year change of $\pm 20\%$ or more.

7 Factors Contributing to Deterioration of Logistics Environment (January to December 2025, year-on-year) [Newly established question]

- Among the 25 companies that selected "deteriorated/significantly deteriorated" for any item in the logistics environment, over 60% (68.0%) responded **"cost/labour shortage within Hong Kong."**
- Other factors cited included **"rising energy/fuel prices"** and **"domestic demand/policy factors in mainland China."**

Factors Contributing to Deterioration of Logistics Environment (n=25)

[Multiple answers, select up to 3]

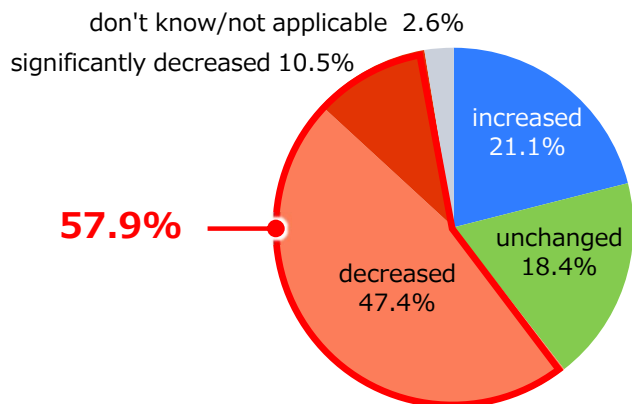


(Note) This question targets companies engaged in the logistics industry in Hong Kong and surrounding areas and does not include shippers such as manufacturers.

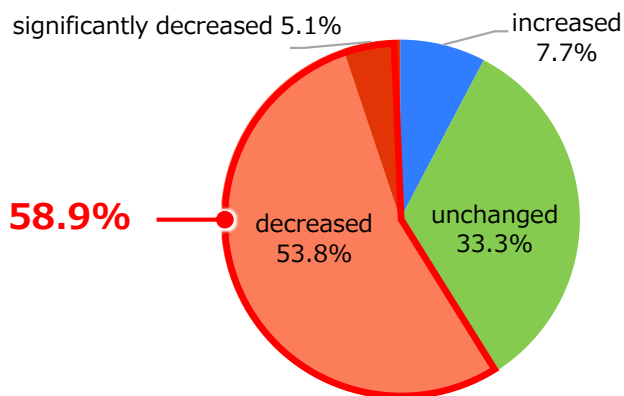
8 | Changes in Logistics Volume (January to December 2025, year-on-year)

- Regarding the volume of exports and imports in Hong Kong for logistics companies, the percentage of companies that responded **"decreased/significantly decreased"** was **57.9%** for **"exports from Hong Kong"** and **58.9%** for **"imports to Hong Kong,"** indicating that more than half of the companies reported a decrease in logistics volume for both exports and imports.
- The main reasons for the decrease in export and import volumes were **"impact of stagnation in the Chinese market"** and **"impact of supply chain restructuring,"** both at **65.5%**.

Exports from Hong Kong (n=38)

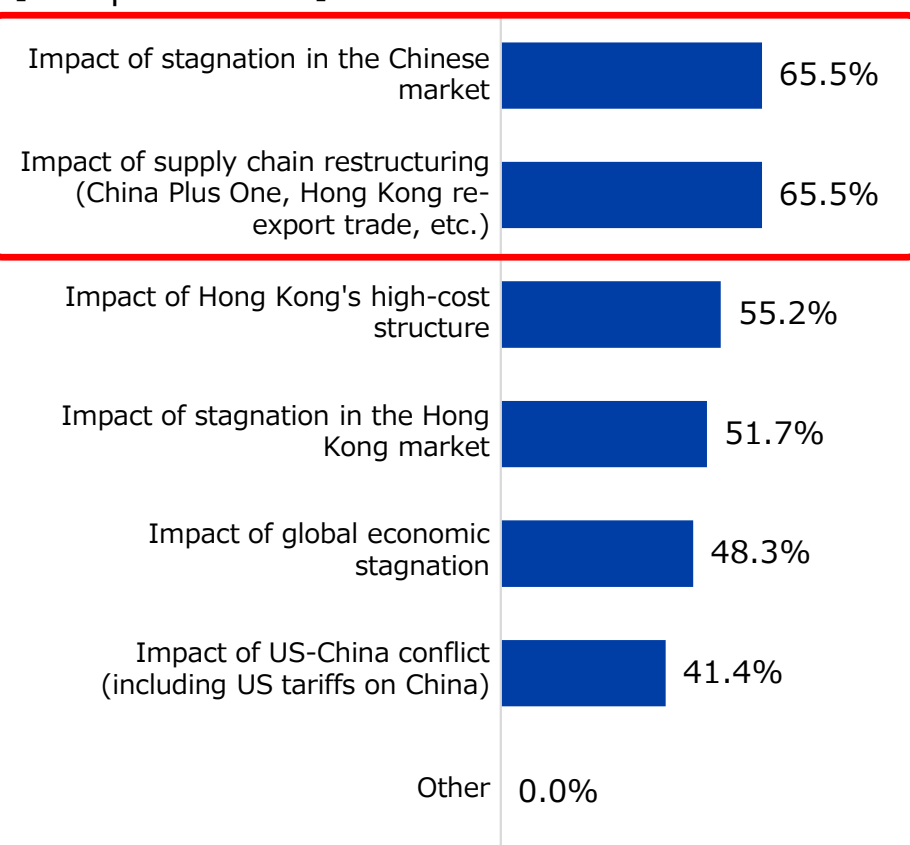


Imports to Hong Kong (n=39)



Reasons for decrease in export/import volume (n=29)

[Multiple answers]



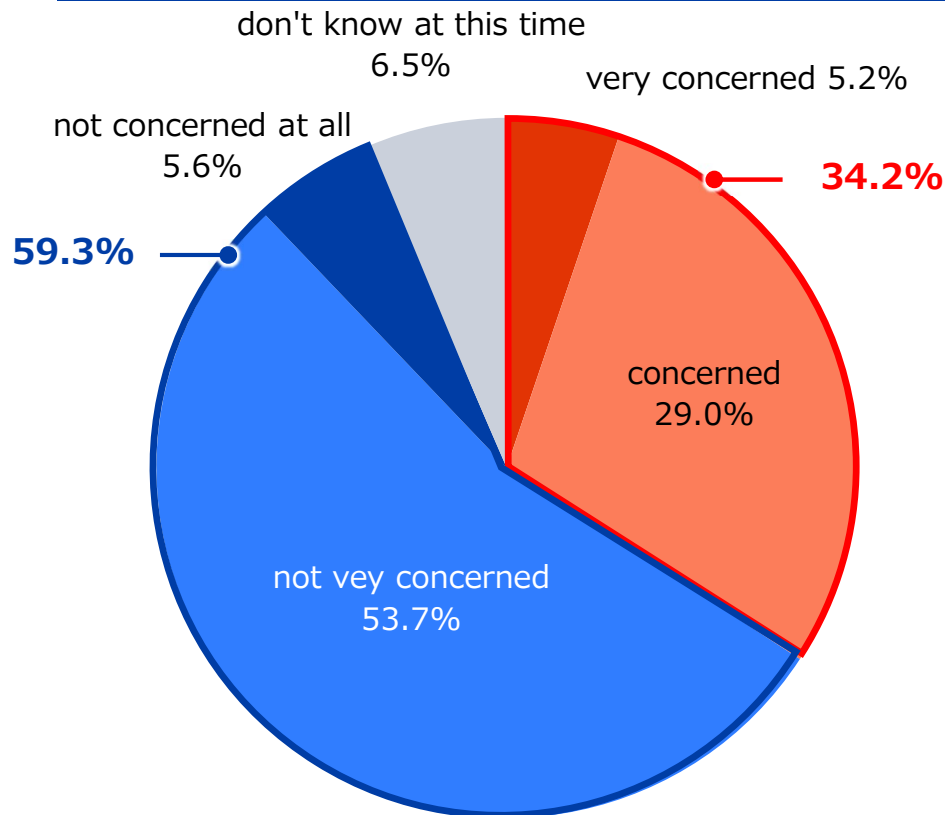
(Note 1) This question targets companies engaged in the logistics industry in Hong Kong and surrounding regions and does not include shippers such as manufacturers.

(Note 2) "Significant increase" and "significant decrease" here refer to a year-on-year change of $\pm 20\%$ or more. 65.5%

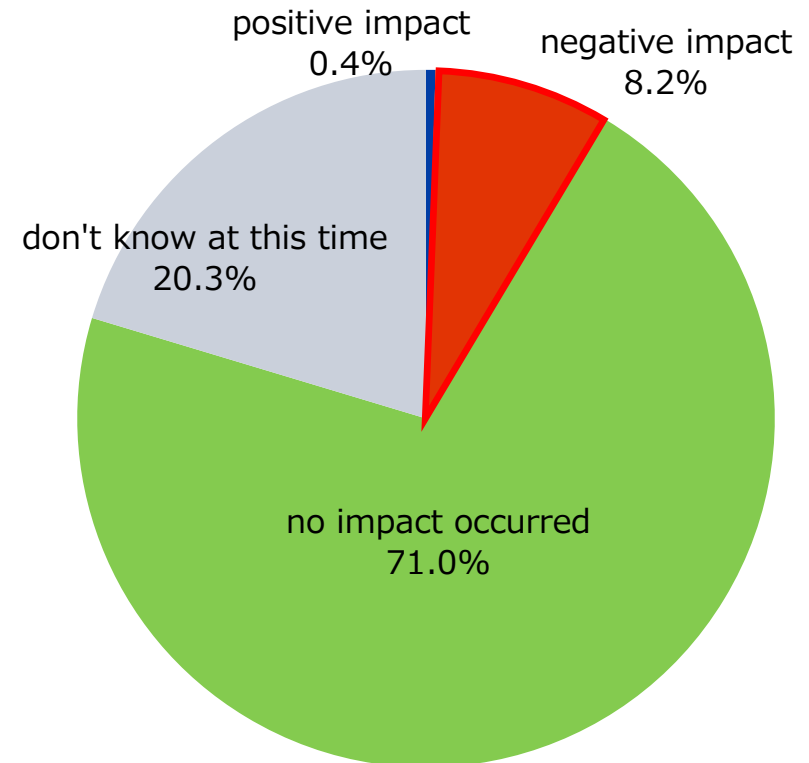
1 | Concerns and Impact of the Hong Kong National Security Law and the National Security Ordinance

- Regarding the Hong Kong National Security Law and the National Security Ordinance (hereinafter, "national security-related laws"), **the total of "very concerned" (5.2%) and "concerned" (29.0%) was 34.2%**, a **decrease of 7.7 points (3.8 points)** from the previous survey (National Security Law 41.9%, Ordinance 38%).
- Regarding the impact of the law's enforcement, 70% of companies responded that **"no impact has occurred."** The **response "negative impact has occurred" was 8.2% (19 companies)**, a **slight decrease of 4.0 points (1.4 points)** from the previous survey (National Security Law 12.2%, Ordinance 9.6%).

Concerns about national security-related laws (n=231)



Impact of law enforcement (n=231)



2 | Reasons for concern about national security-related laws

- The most common reasons for concern were **"fear that Hong Kong's 'rule of law' and 'judicial independence' will be lost" (73.4%)**, followed by **"fear that information will be restricted" (70.9%)**, and **"fear that increased interference from the Chinese government will weaken Hong Kong's autonomy (Hong Kong people governing Hong Kong)" (68.4%)**.

Overall (n=79)

【Multiple answers】



3 | Impact of National Security Laws

- When 16 companies that responded that "negative impact has occurred" due to the enforcement of the National Security Laws were asked about the specific impact, the most common responses were **"resignation due to overseas relocation"** and **"deterioration of Hong Kong's image."**

Specific content of negative impact (n=16)

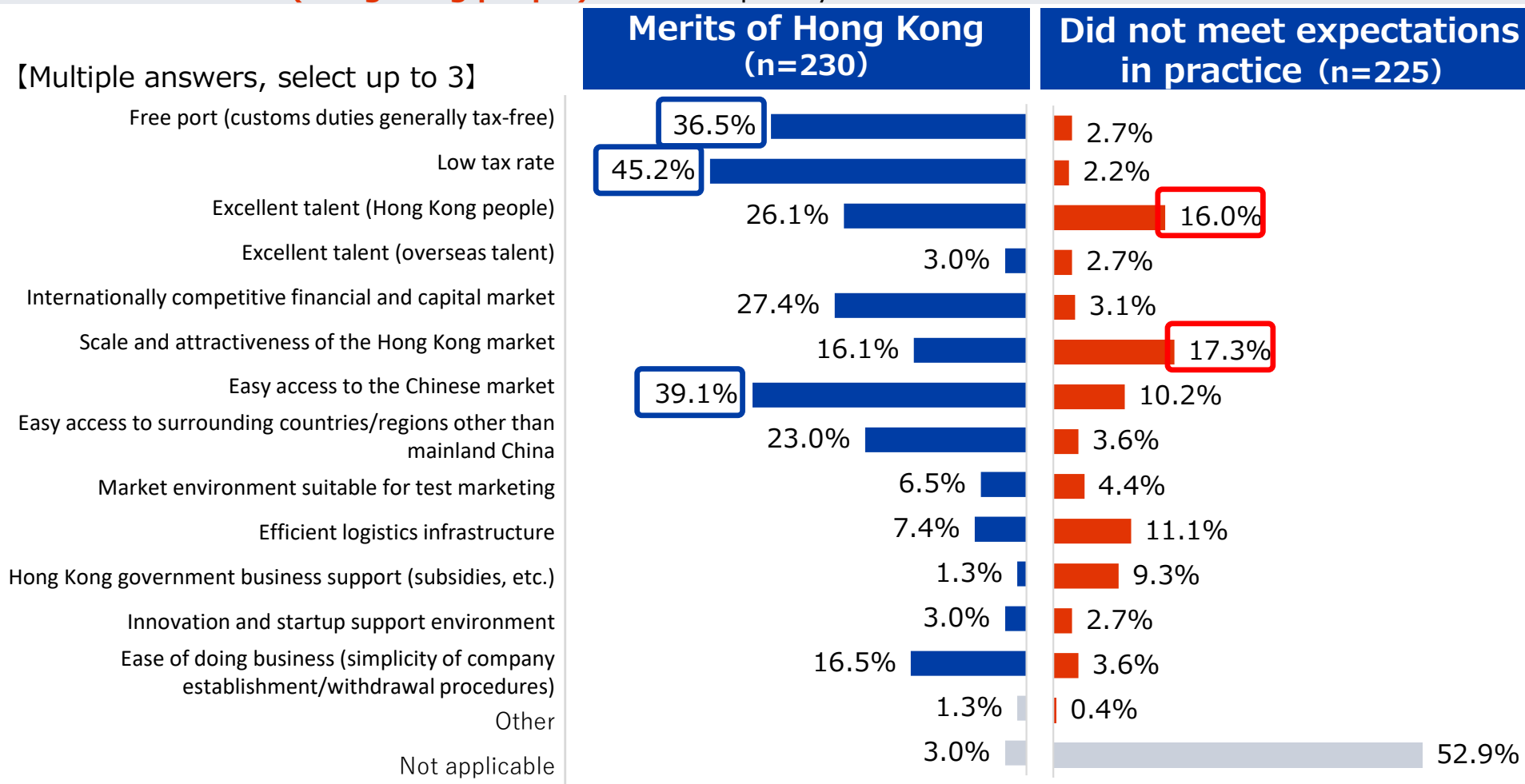
【Free description】

- Resignation due to overseas relocation, outflow of excellent human resources
- Deterioration of Hong Kong's image
- Concerns from headquarters about Hong Kong's advantages, concerns from customers
- Hesitation to invest in Hong Kong

1 | Positioning of Hong Kong Base (Advantages and Evaluation) [New question]

- The top merits of Hong Kong are "low tax rate," "free port" and "easy access to the Chinese market" with institutional and geographical strengths. In addition, financial capital markets and excellent Hong Kong talent follow.
- Regarding aspects where **the actual benefits of Hong Kong did not meet expectations**, "nothing in particular" accounted for the majority, while "scale and attractiveness of the Hong Kong market" and "excellent talent (Hong Kong people)" were frequently cited.

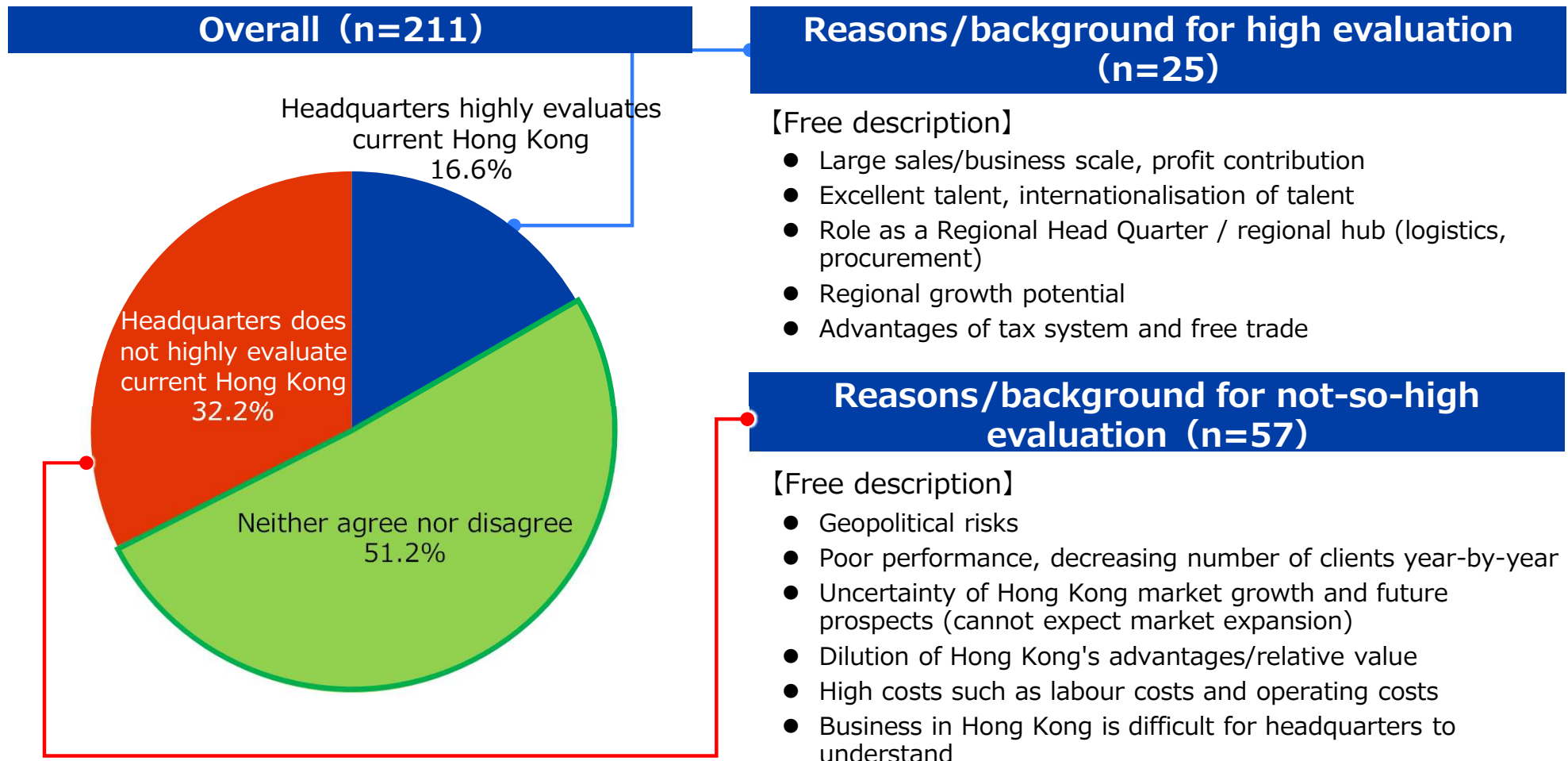
【Multiple answers, select up to 3】



(Note) "Innovation and startup support environment" refers to the existence of incubation facilities such as Science Park and Cyberport. All rights reserved

2 | Evaluation of Hong Kong by Japanese Headquarters 【New Question】

- Regarding the evaluation of Hong Kong by headquarters, **approximately half (51.2%) held the view of "neither agree nor disagree."** Of the remainder, **32.2% "do not highly evaluate current Hong Kong,"** and **16.6% "highly evaluate Hong Kong."**

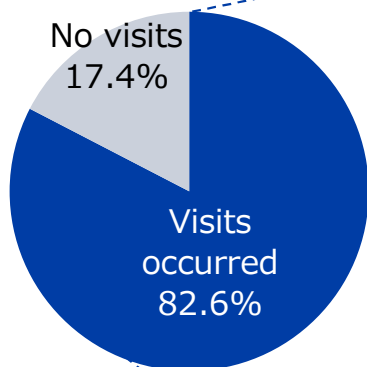


(Note 1) Companies without a headquarters in Japan are excluded from the survey.
 (Note 2) "Evaluation" here refers to the comprehensive view/impression of the senior decision-making layer at the Japanese headquarters.

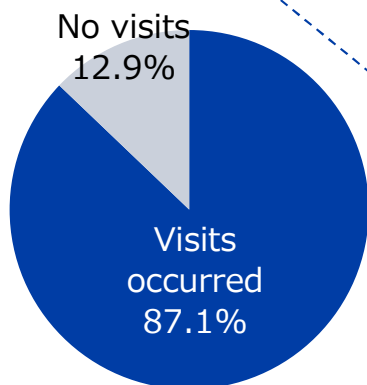
3 | Visits from Japanese Headquarters (January-December 2025) [New Question]

- In **over 80%** of the responding companies, **there were visits** from executives and other employees from Japanese headquarters. This suggests that **face-to-face exchanges are widely established**.
- Regarding changes in expectations for executives, **there was little change for many (60.8%)** and among companies with changes, **2.9% saw a decrease**. On the other hand, **36.4% saw an improvement**.

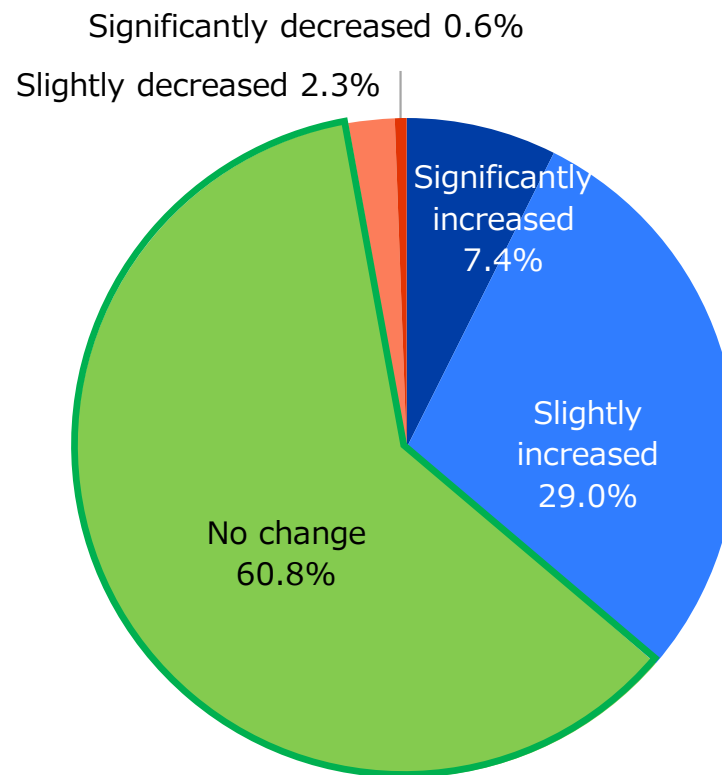
Visits by executives (n=207)



Visits by other employees (n=202)



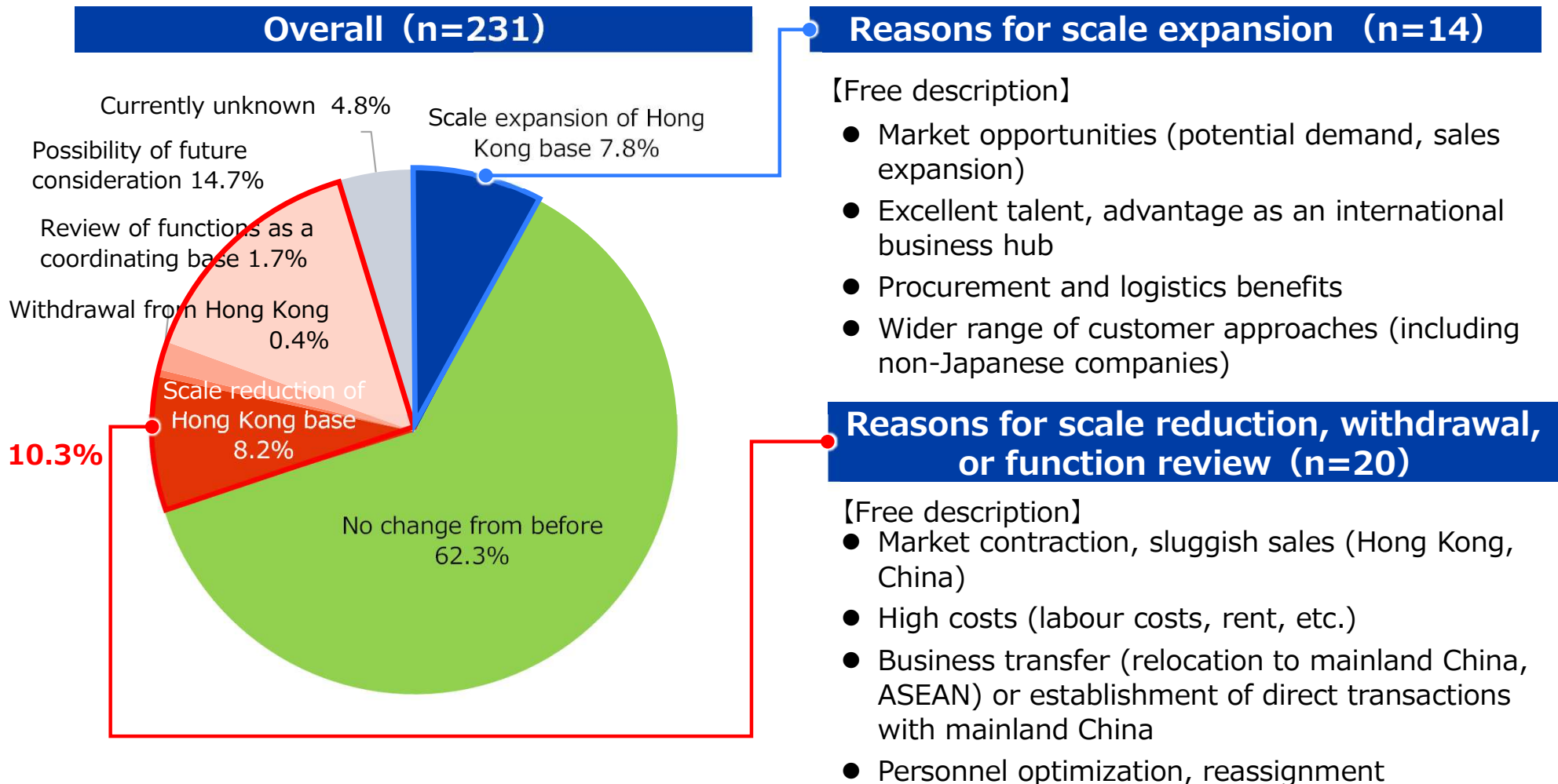
Expectation changes for executives (n=176)



(Note) "Executives" here refers to individuals who fall under the senior decision-making layer of the Japanese headquarters, regardless of their formal job title.

4 | Future Utilisation Policy for Hong Kong Base

- The majority (62.3%) responded "no change" regarding the future utilisation of each company's Hong Kong base (previous survey: 59.8%).
- 7.8% of companies responded "scale expansion" (previous survey: 3.3%), while 10.3% responded "scale reduction," "withdrawal" or "review of functions" (previous survey: 17.7%).



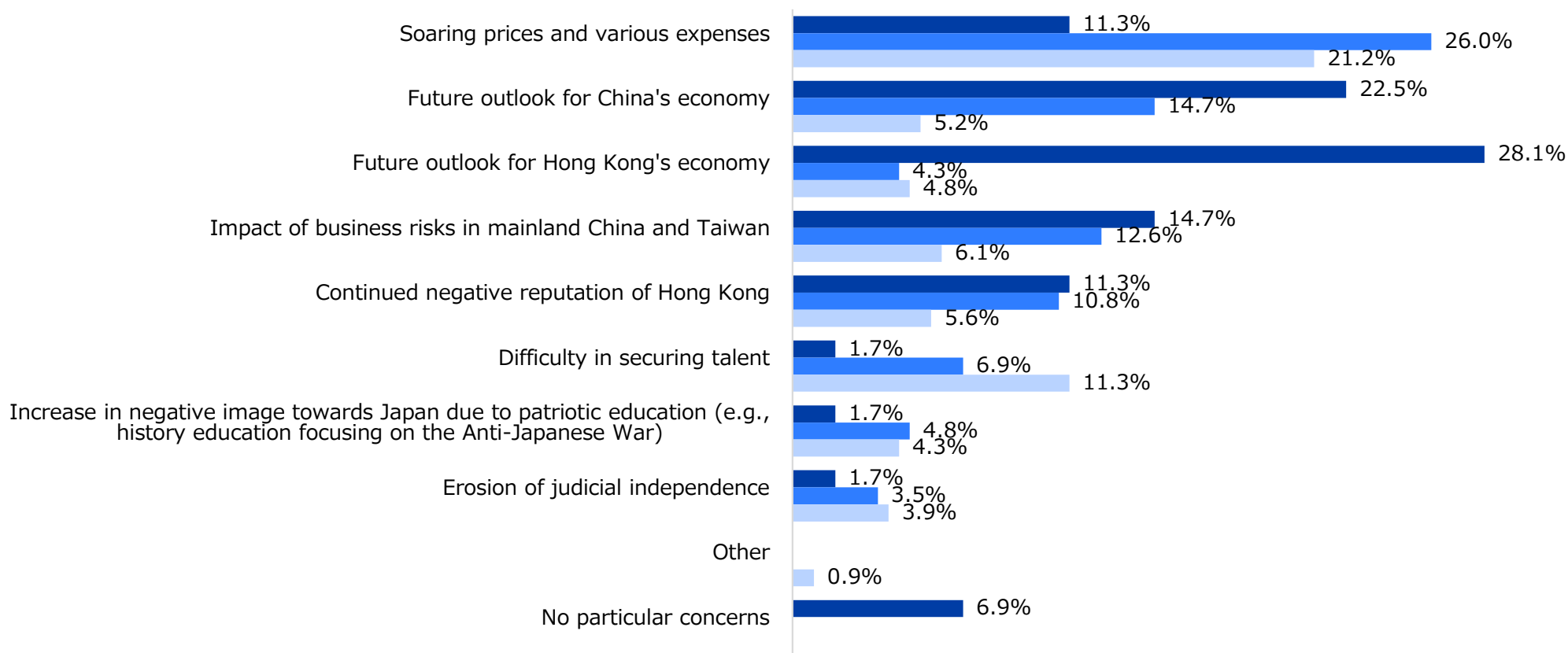
5 | Concerns about business development in Hong Kong

- The top concern for future business development was **"Future outlook for Hong Kong's economy"** (previous survey: 41.8%). However, when combining the top 3 concerns, **"Soaring prices and various expenses"** was the most common.
- Both immediate cost pressures from rising prices and expenses, and medium-term demand uncertainty from the future economic outlook of Hong Kong/China, are recognised simultaneously.

Overall (n=231)

【Multiple answers, select up to top 3】

■ 1st place ■ 2nd place ■ 3rd place

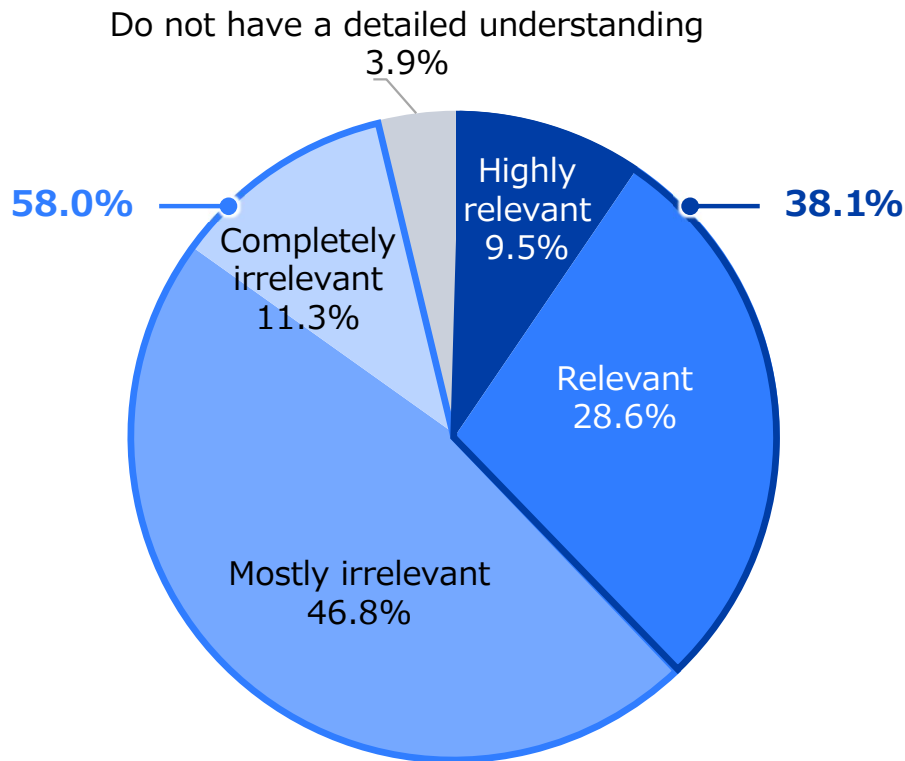


(Note) Since multiple answers are allowed for this question, the sum of the response rates for each answer may not match the total percentage.

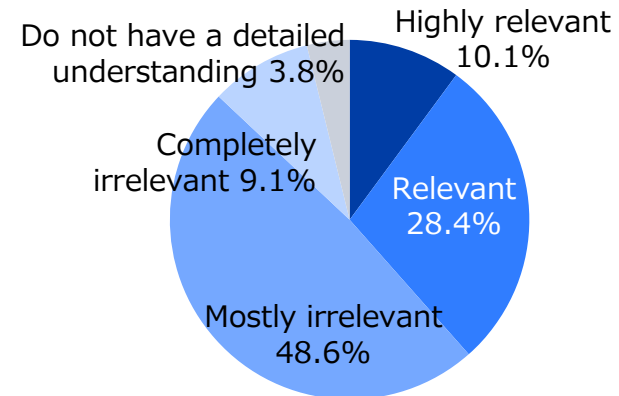
1 | Relevance of GBA Development to respective business [New section]

- **38.1% of respondents indicated that the GBA is "relevant" to their respective business, while 58.0% said it was "not relevant."**
- **On the other hand, only 3.9% "do not have a detailed understanding," indicating a high level of awareness (96.1%).**

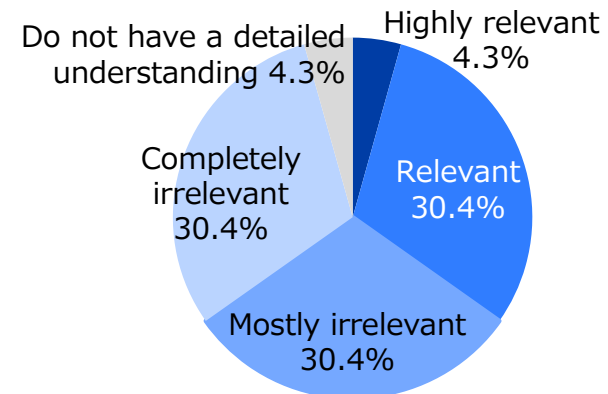
Overall (n=231)



Non-manufacturing (n=208)



Manufacturing (n=23)

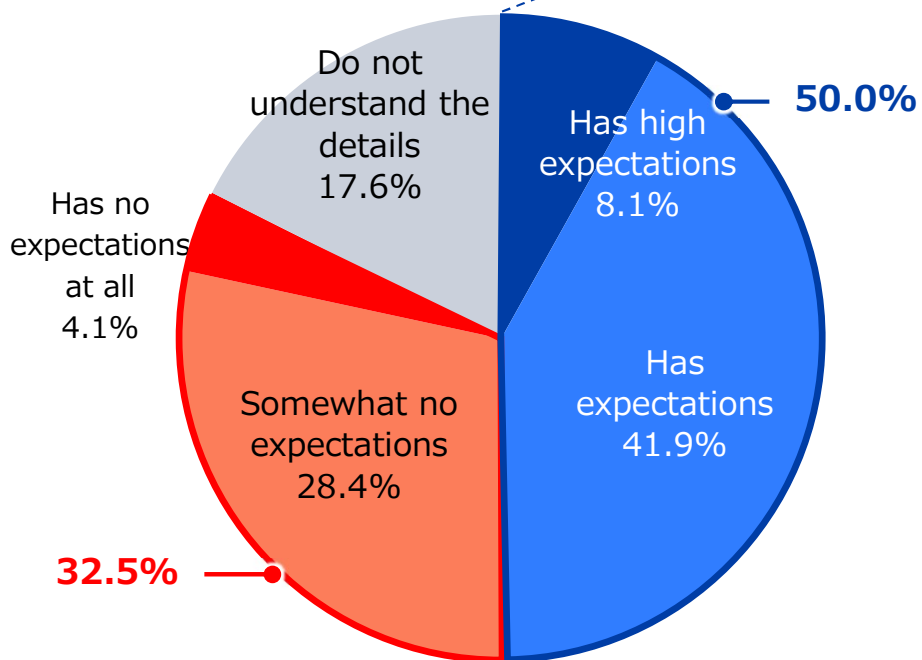


(Note) The Guangdong-Hong Kong-Macao Greater Bay Area (GBA) is a wide-ranging economic zone comprising 9 cities in Guangdong Province + Hong Kong + Macao, established as a national strategy of China. Its purpose is to strengthen cooperation in innovation, finance, logistics, etc., and to form a world-class cluster of cities.

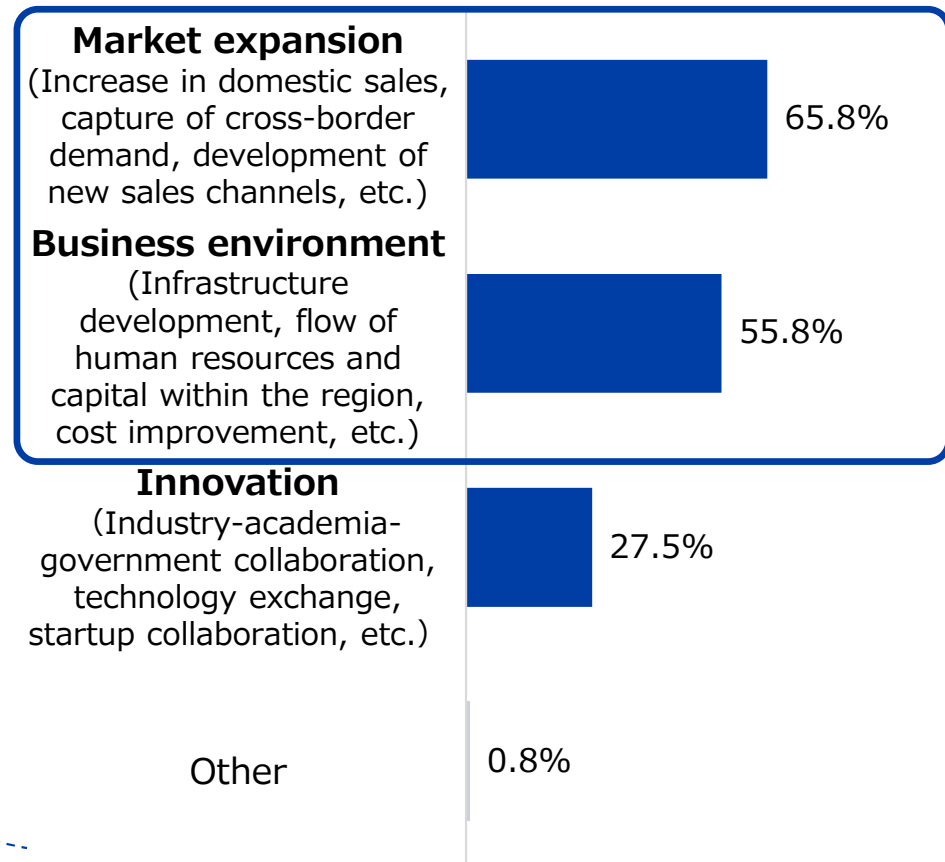
2 | Expectations for GBA-related policies

- **"Having expectations"** account for half, **50.0%** (has high expectations 8.1% + has expectations 41.9%), **"has no expectations"** account for **32.5%** (somewhat 28.4% + none at all 4.1%), and **"do not understand the details"** account for **17.6%**.
- The most common expectation was **"market expansion"** (**65.8%**), followed by **"business environment"** (**55.8%**), and **"innovation"** (**27.5%**).

Expectations for the GBA (n=222)



Content of expectations for the GBA (n=111)



3 | Reasons for not having expectations in the Greater Bay Area (GBA) or not understanding the details

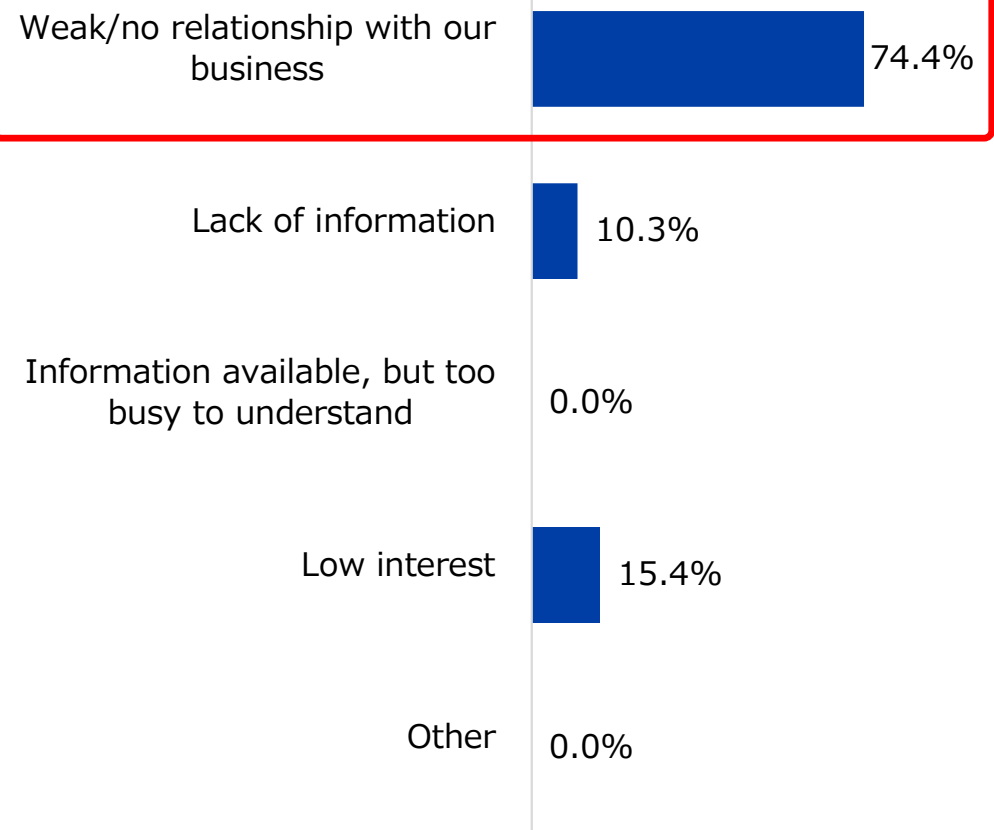
- **The most common reason for not expecting GBA was "irrelevant to our company/out of scope, small impact"** (25 out of 48 companies). Other reasons included a decline in Hong Kong's characteristics and not understanding the specific benefits.
- The main reason for not understanding detailed information was also **"weak/no relationship with our company" at 74.4%**, followed by "low interest" at 15.4% and "lack of information" at 10.3%.

Factors for not having expectations in the GBA

[Free description]

- **Irrelevant or small/unclear impact to our business**
- Do not understand specific benefits or how to utilise it
- Mainland companies have an advantage, Hong Kong's relative advantage is declining
- Low feasibility, declining momentum
- Concerns about being affected by political trends
- Production infrastructure is in other Asian countries
- Since the system is different from Hong Kong, there are not many beneficial points and it seems to be part of a trend of systemic integration.

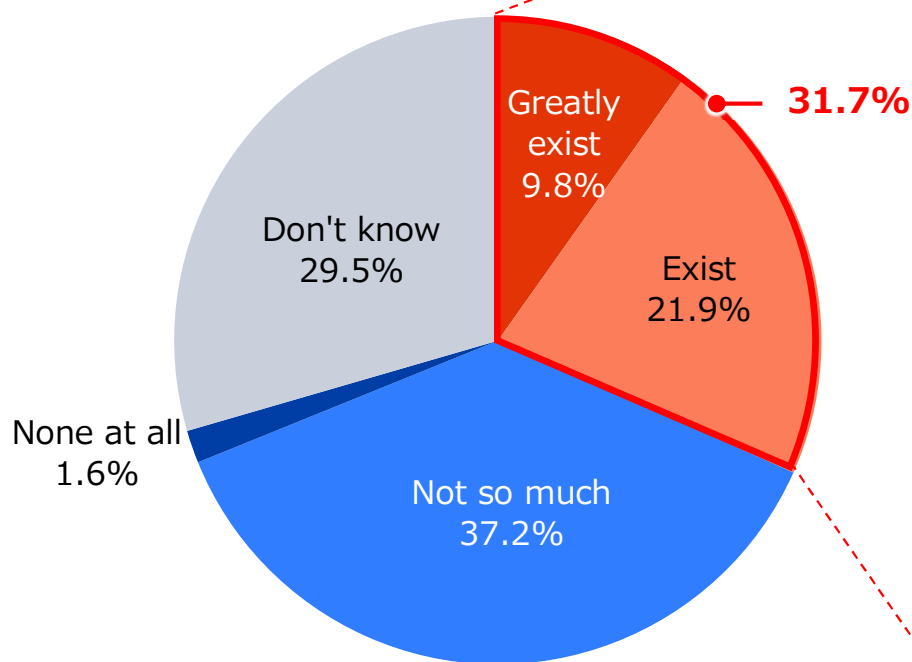
Factors for not understanding the details (n=39)



4 | Challenges of the Greater Bay Area (GBA)

- Regarding the recognition of GBA challenges, **"challenges exist"** is 31.7%, **"no challenges"** is 38.8%, and **"don't know"** is 29.5%, which are divided into three categories.
- Issues raised **include cross-border systems, decline in Hong Kong's advantages, deterioration of demand environment, doubts about feasibility, logistics and human resource constraints and entry barriers.**

Recognition of challenges related to the GBA (n=183)



Details of challenges related to the GBA (n=43)

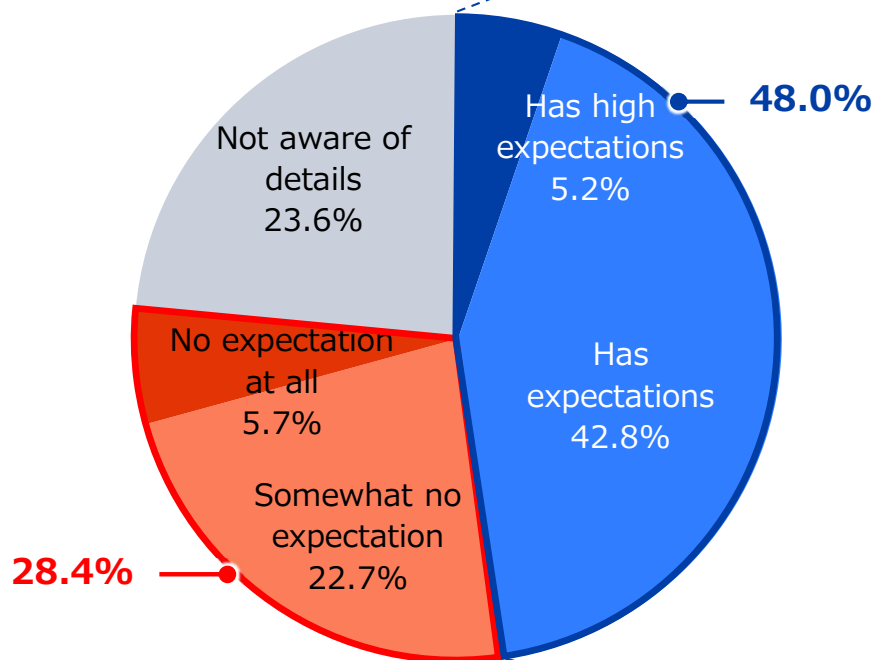
【Free description】

- Differences in legal systems, cross-border movement of funds and data, RMB and foreign currency management
- Decline in Hong Kong's relative advantage and dilution of Hong Kong's uniqueness (status/function)
- Risks that negatively affect Hong Kong's economy, such as market contraction, real estate recession and northward consumption
- Feasibility of the plan and return on investment (discrepancy with reality)
- Restrictions on logistics and movement of goods (half-hearted free trade)
- Securing human resource mobility
- Difficulty for Japanese and foreign companies to enter
- Governance and division of roles between bases

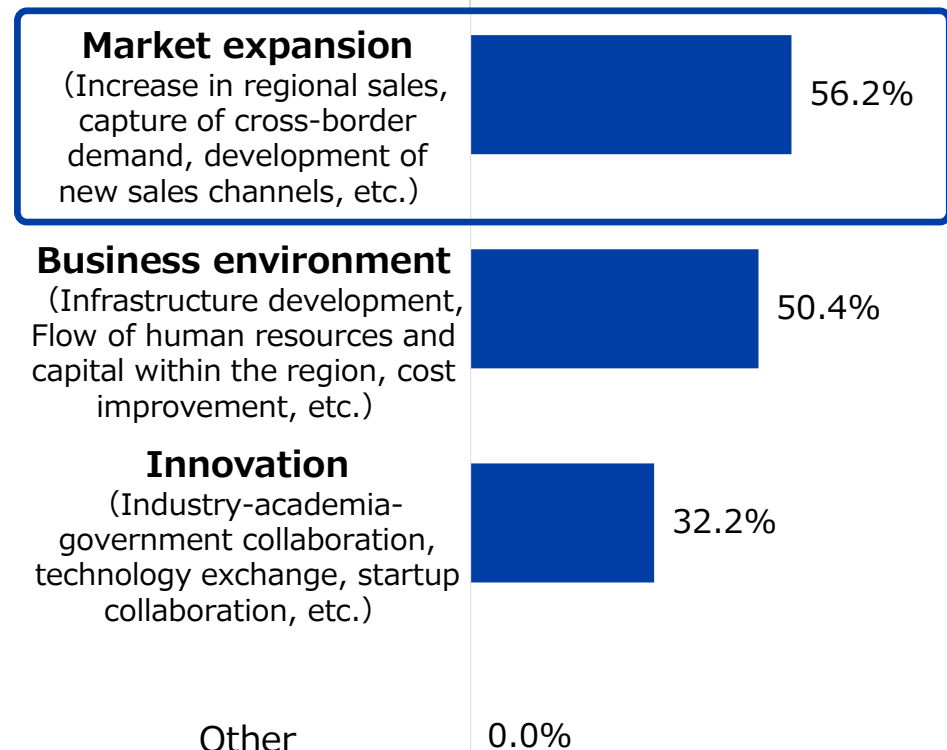
5 | Expectations for Northern Metropolis related policies

- **"Having expectations"** accounts for just under half at **48.0%** (has high expectations 5.2% + has expectations 42.8%), while **"no expectation" is 28.4%** (somewhat 22.7% + not at all 5.7%). "Not aware of details" was 23.6% (54 companies).
- Similar to GBA, the content of expectations was **most frequently "market expansion,"** followed by **"business environment"** and **"innovation."**

Expectations for Northern Metropolis (n=229)



Content of expectations for Northern Metropolis (n=110)



(Note) "Northern Metropolis" is an urban development plan announced by the Hong Kong government in 2021 to extensively develop the northern part of Hong Kong. It aims to intensively develop housing supply, innovation, commercial and trade activities, logistics, etc., mainly in the areas facing Shenzhen, and accelerate "Shenzhen-Hong Kong integration."

6 | Reasons for not having expectations or not being aware of details regarding the Northern Metropolis

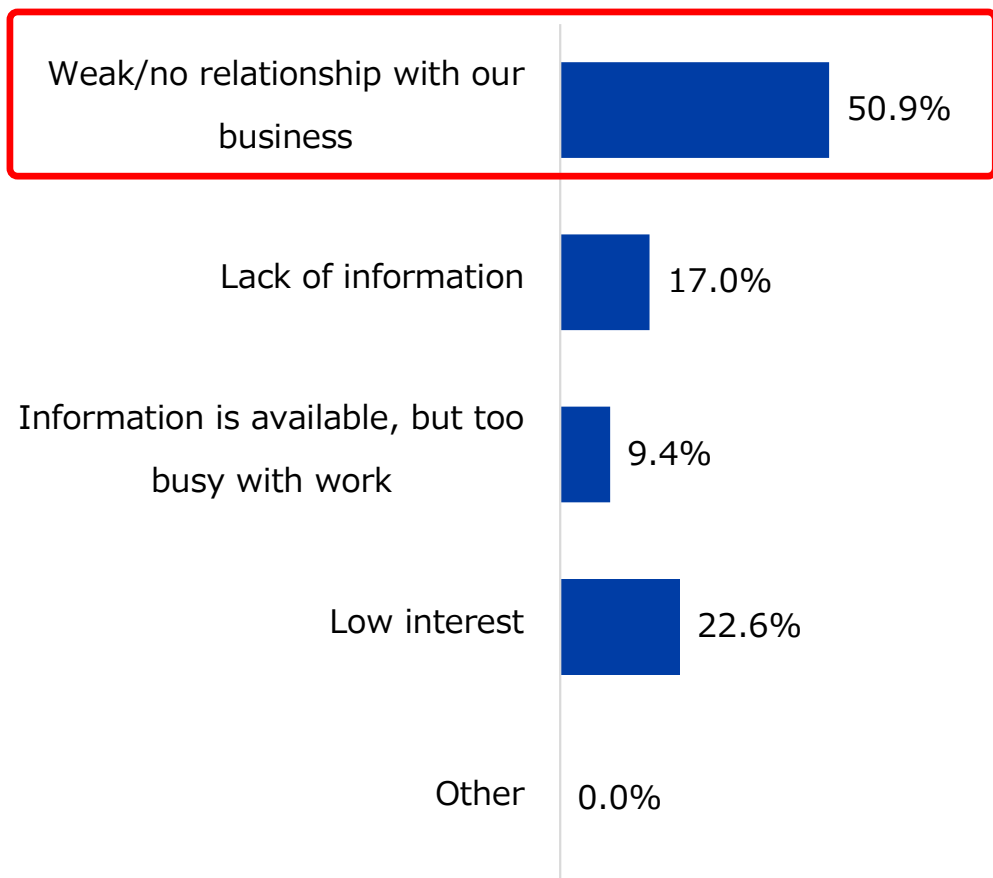
- The most common reason for **not having expectations** was, similar to GBA, that more than half cited **"irrelevant or small impact to our company"** (25 out of 44 companies).
- The main reason for not understanding the details was also **"weak/no relationship with our company's business,"** but for the Northern Metropolis, the proportion of **"low interest"** and **"too busy with work"** was slightly higher than for GBA.

Factors for not having expectations for the Northern Metropolis (n=44)

【Free description】

- **Irrelevant or small impact to our company**
- Cannot see specific benefits, economic effects, or feasibility
- Decline in Hong Kong's functions due to Shenzhen-Hong Kong integration, advantage of mainland companies
- Difficulty in new entry, image of few Japanese companies expanding
- Poor marketability, low market expectations
- Negative impact, such as soaring rents and warehouse relocation

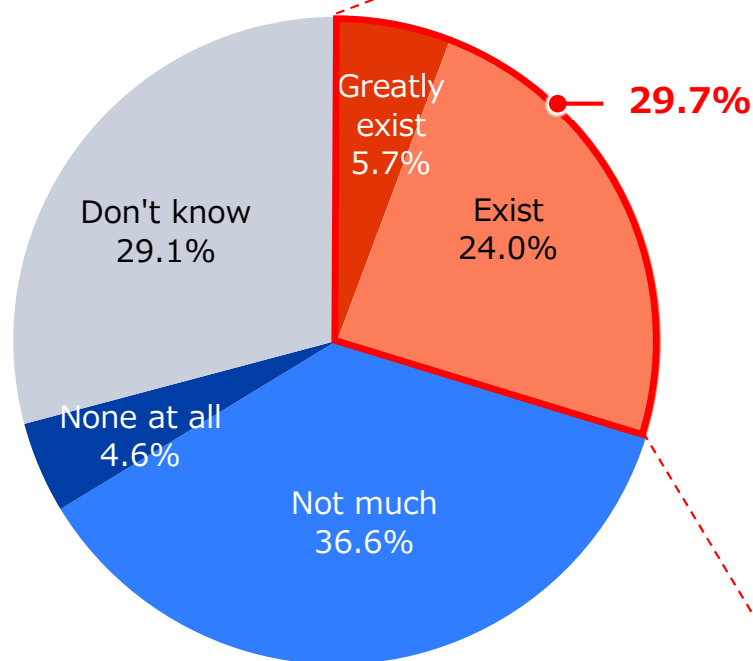
Factors for not understanding the details about the Northern Metropolis (n=53)



7 | Challenges of the Northern Metropolis

- Regarding the recognition of challenges in the Northern Metropolis, **"challenges exist"** is 29.7%, **"no challenges"** is 41.2%, and **"don't know"** is 29.1%. Similar to GBA, it is divided into three, but for the Northern Metropolis, **"no challenges"** was slightly higher (GBA: 38.8%).
- Issues raised include **the dilution of Hong Kong's significance, operational aspects of systems and cross-border practices, how to involve the private sector with government leadership, and doubts about feasibility.**

Recognition of challenges related to the Northern Metropolis (n=175)



Details of challenges related to the Northern Metropolis (n=37)

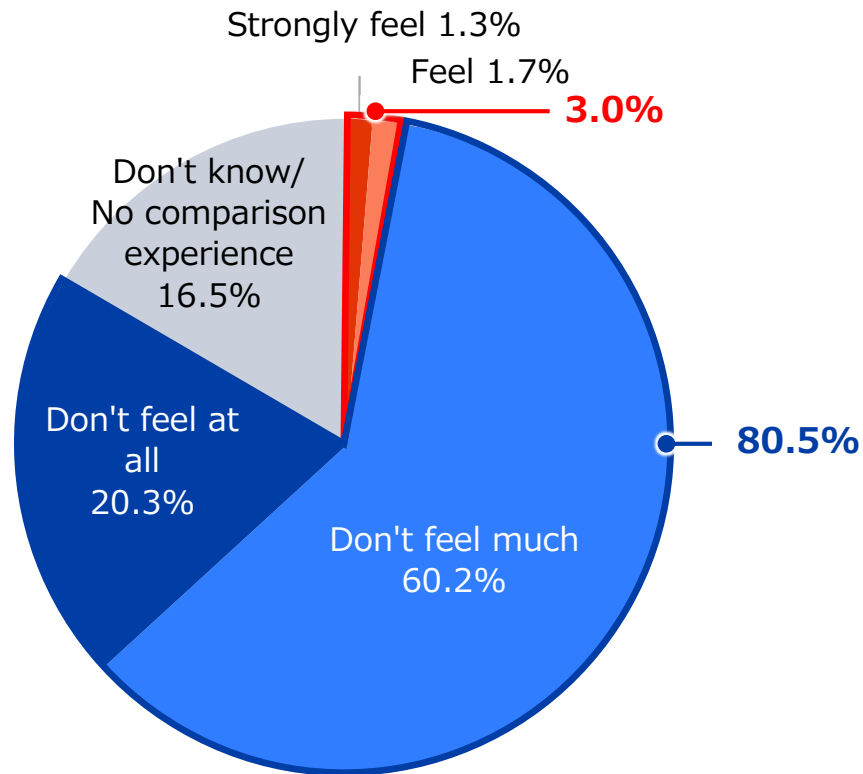
[Free description]

- Feasibility (discrepancy between plan and reality), securing financial resources
- Development of transportation and living infrastructure
- Development of schemes such as legal systems and guidelines for cross-border practical operations
- Collaboration and governance (government leadership × private sector involvement)
- Concerns about the dilution of Hong Kong's significance and advantages
- Supply and demand balance of real estate development, impact on land prices
- Effectiveness of human resource securing

1 | Evaluation of the operational status of Hong Kong business procedures [New question]

- **Only 3.0% (7 companies)** of companies responded that they "strongly feel" or "feel" unfairness or inefficiency in Hong Kong's administrative procedures compared to mainland Chinese companies or Hong Kong companies.
- On the other hand, **approximately 80% responded that they "do not feel much" (60.2%) or "do not feel at all" (20.3%)**, indicating that transparency, fairness, and efficiency are generally ensured.

Unfairness/inefficiency of procedures (n=231)



1 | Difficulties in performing duties

- When asked about difficulties in performing duties in a free-form description, 25 companies responded.
- It is clear that **cost pressure, market contraction, decline in logistics hub advantages** and **difficulty in securing human resources** are having a complex impact.

Major opinions (n=25)

[Free description]

- High costs (prices, labour costs, rents)
- Weak demand/orders, market contraction
- Decline in logistics hub advantages, worsening logistics costs and conditions
- Difficulty in securing human resources (decrease in skilled employees as before)
- Decrease in Japanese residents, reduction in business scale of Japanese companies
- Lack of understanding from the Japanese side/Japanese headquarters, gap with reality
- Uncertainty of the macro environment (especially the Chinese economy)

2

Requests to the Consulate-General of Japan in Hong Kong, JETRO and Japanese Chamber of Commerce and Industry in Hong Kong

- Among the companies that submitted requests (32 companies), the most common was **"information dissemination/seminar implementation" regarding economic trends and practical information.**

Major opinions (n=32)

[Free description]

- Further enhancement of information dissemination (economic, government policies/guidelines, subsidies)
- Promotion of business matching/exchanges, introduction of customers/projects
- Increase opportunities for seminars and information gathering
- Maintenance and development of relations between Japan and Hong Kong
- Increase opportunities for dialogue with the government
- Regular information updates on the Northern Metropolis development

3 | Expectations for the Hong Kong Government

- Among the 20 responding companies, **the most common request was for "strengthening economic stimulus measures and expanding subsidies."**

Major opinions (n=20)

【Free description】

- Strengthening economic stimulus measures
- Expansion of subsidies
- Exhibitions and promotional plans that would encourage more Japanese companies to consider expanding into Hong Kong
- Maintaining and strengthening the differentiation of the business environment with mainland China, making the most of "One Country, Two Systems"
- Promoting imports of food and marine products, lifting import restrictions on aquatic products from the 10 prefectures
- Promoting easier access to information on the northern development

Thank you very much.

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