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Japan's International Investment Position at Year-End 2008

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International Department
Bank of Japan

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Japan's international investment position (IIP) statistics were made public in Japanese on May 26, 2009, by the Ministry of Finance and the Bank of Japan as the *Report on External Assets and Liabilities as of Year-End 2008*. The regional breakdown is available on the Bank of Japan's web site (<http://www.boj.or.jp/en/index.htm>).

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I. Summary

Japan's international investment position (IIP) recorded net assets -- i.e., external financial assets of residents in Japan minus external financial liabilities of residents in Japan -- of 225.5 trillion yen at year-end 2008. This represents a decrease of 24.7 trillion yen or 9.9 percent from the previous year-end, marking the first decrease in three years. The decrease was mainly due to a large decline in the yen value of foreign currency-denominated assets resulting from the significant appreciation of the yen.

The major trends for each component were as follows.

(1) "Direct investment" (assets: 61.7 trillion yen; liabilities: 18.5 trillion yen)

Direct investment assets decreased for the first time in five years, declining by 0.1 trillion yen or 0.2 percent from year-end 2007. Direct investment liabilities marked a new record high for the tenth consecutive year, rising by 3.3 trillion yen or 21.9 percent from year-end 2007.

(2) "Portfolio investment" (assets: 215.7 trillion yen; liabilities: 140.3 trillion yen)

Portfolio investment assets decreased by 72.0 trillion yen or 25.0 percent from year-end 2007, marking the largest decrease on record. Portfolio investment liabilities decreased by 81.2 trillion yen or 36.7 percent from year-end 2007, also marking the largest decrease on record.

(3) "Financial derivatives" (assets: 7.0 trillion yen; liabilities 7.8 trillion yen)

Financial derivative assets increased by 2.6 trillion yen or 58.1 percent from year-end 2007. Financial derivative liabilities also increased, by 2.8 trillion yen or 56.3 percent, from year-end 2007.

(4) "Other investment" (assets: 141.8 trillion yen; liabilities: 127.1 trillion yen)

Other investment assets decreased by 4.5 trillion yen or 3.1 percent from year-end 2007. Other investment liabilities increased by 8.5 trillion yen or 7.1 percent from year-end 2007.

(5) "Reserve assets" (assets: 93.0 trillion yen)

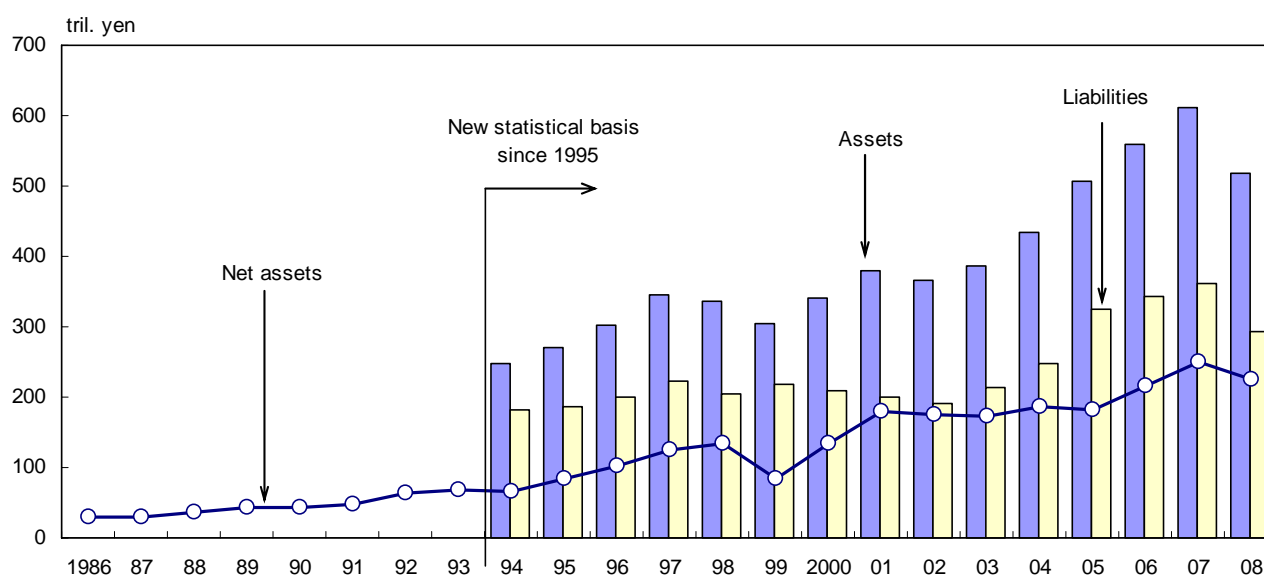
Reserve assets decreased by 17.3 trillion yen or 15.7 percent from year-end 2007, registering the first decrease in ten years.

II. Developments in Japan's IIP

Japan's external assets and liabilities at year-end 2008 were both down from the previous year-end for the first time in six years. The net asset position amounted to 225.5 trillion yen at year-end 2008. This represents a decrease of 24.7 trillion yen or 9.9 percent from the previous year-end (250.2 trillion yen), a decline for the first time in three years.

Japan's net asset position at year-end 2008 was the second highest on record, following the record set at year-end 2007.

Figure 1: International Investment Position (IIP)



Note: Figures for 1995 and after are calculated in accordance with the *Balance of Payments Manual* (Fifth Edition) issued by the International Monetary Fund (IMF). Figures for years through 1994 are compatible with the *Balance of Payments Manual* (Fourth Edition).

A. Factors Accounting for the Change in Net Assets¹

An analysis of factors underlying the decrease in Japan's net asset position by 24.7 trillion yen in 2008 shows the following.

1. Assets

The transaction factor accounted for a net increase in assets of 33.5 trillion yen, owing mainly to increases in direct investment assets and portfolio investment assets. However, this was more than offset by the exchange rate change factor, which lowered the yen value of net

¹ The following three factors account for changes in the asset and liability position. The "transaction factor" indicates changes in financial assets and liabilities as a result of transactions between residents and nonresidents. This factor is equivalent to the sum of the financial and capital account and changes in the foreign reserves recorded in the balance of payments for the year. The "exchange rate change factor" indicates changes in the yen value of assets and liabilities resulting from fluctuations in exchange rates. Finally, "other factors," comprises factors other than the above two, such as changes in the value of assets and liabilities resulting from fluctuations in stock and bond prices.

assets by 103.0 trillion yen, as a result of the significant appreciation of the yen against the U.S. dollar, the euro, and other major currencies. Other factors were responsible for a decrease of 21.8 trillion yen, reflecting the fall in global equity prices. As a result, Japan's total external assets decreased by 91.3 trillion yen, the largest fall on record.

2. Liabilities

The transaction factor accounted for a net increase in liabilities of 9.9 trillion yen. While portfolio investment liabilities decreased as foreign investors disposed of their holdings of Japanese equity securities, other investment pushed liabilities upward, mainly due to the increase in "currency and deposits," leading to the increase overall. The exchange rate change factor decreased the net liabilities by 15.0 trillion yen, reflecting the decrease in the yen value of foreign currency-denominated borrowing due to the appreciation of the yen. Other factors accounted for a decrease of 61.5 trillion yen, due to the decrease in the value of Japanese equity securities. As a result, Japan's total external liabilities fell by 66.6 trillion yen, the largest decline on record.

Figure 2: Factors Underlying Changes in Net Assets

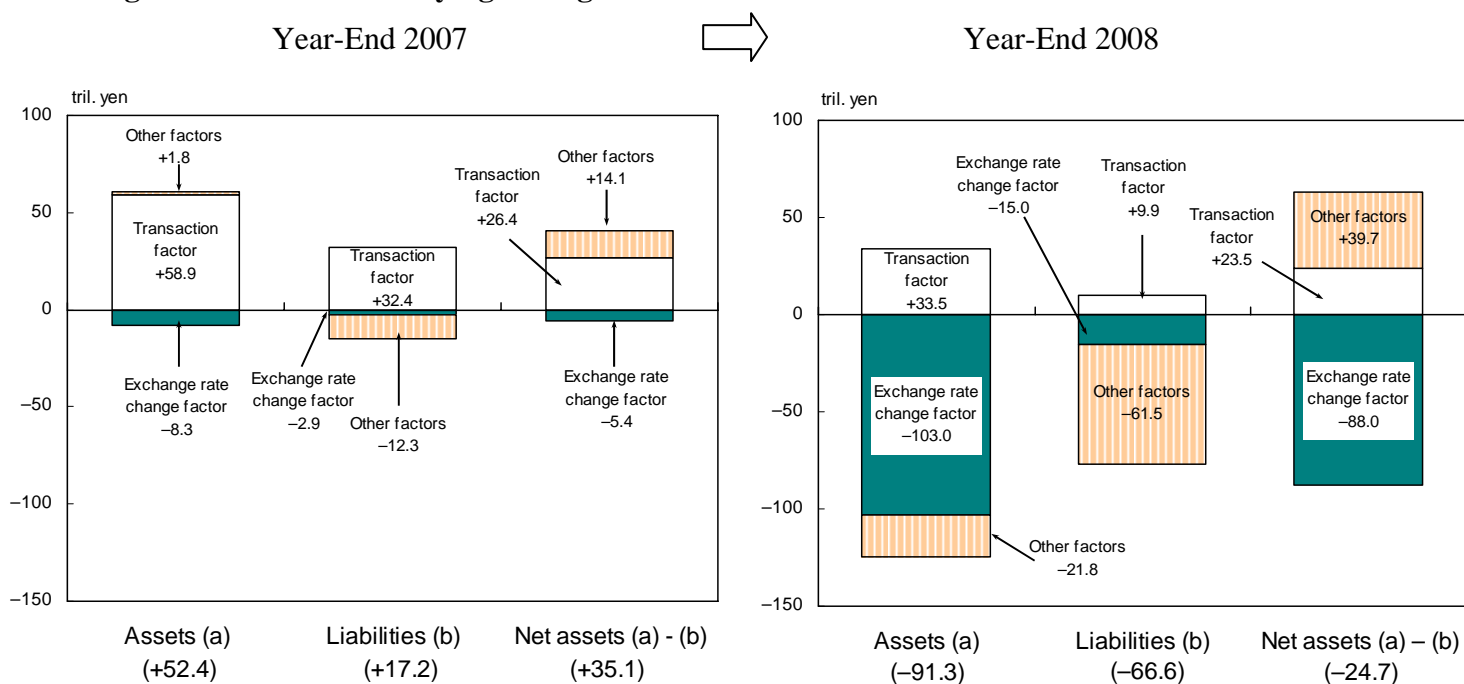


Table 1: Yen's Exchange Rates at Year-End

	2005	06	07	08
U.S. dollar/yen	117.48	118.92	113.12	90.28
Euro/yen	139.38	156.69	165.70	127.20

Note: Mid-rates based on offer and bid rates quoted by interbank market participants in the Tokyo market; as of 5 p.m. JST.

Source: Bank of Japan

B. Developments in Assets and Liabilities by Component

1. Assets

Bonds and notes accounted for a sharp decrease of 42.2 trillion yen, primarily reflecting the appreciation of the yen. A sharp decrease, of 29.6 trillion yen, was also recorded for equity securities, reflecting the appreciation of the yen and the decline in worldwide equity prices. Reserve assets fell by 17.3 trillion yen, the first decline in ten years, reflecting the decrease in their yen value due to the appreciation of the yen.

2. Liabilities

Equity securities accounted for a significant decrease of 73.4 trillion yen, reflecting the fall in Japanese equity prices.

Table 2: Assets and Liabilities by Component at Year-End 2008

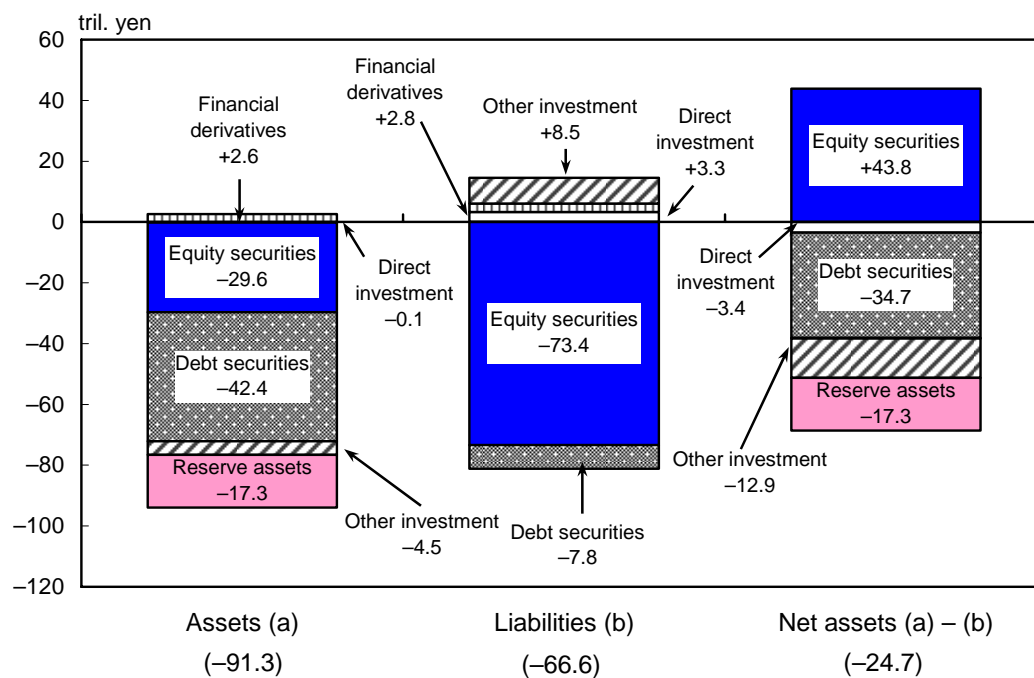
tril. yen

	Assets		Liabilities		Net assets	
		y/y chg.		y/y chg.		y/y chg.
Total	519.2	- 91.3	293.7	- 66.6	225.5	- 24.7
Direct investment ²	61.7	- 0.1	18.5	+ 3.3	43.3	- 3.4
Portfolio investment	215.7	- 72.0	140.3	- 81.2	75.4	+ 9.2
Equity securities	35.8	- 29.6	68.6	- 73.4	- 32.8	+ 43.8
Debt securities	179.9	- 42.4	71.7	- 7.8	108.2	- 34.7
Bonds and notes	177.2	- 42.2	50.7	- 9.6	126.6	- 32.7
Money market instruments	2.7	- 0.2	21.0	+ 1.8	- 18.4	- 2.0
Financial derivatives	7.0	+ 2.6	7.8	+ 2.8	- 0.7	- 0.2
Other investment	141.8	- 4.5	127.1	+ 8.5	14.6	- 12.9
Of which:						
Loans	91.1	- 6.1	76.5	- 8.4	14.6	+ 2.4
Reserve assets	93.0	- 17.3	--	--	93.0	- 17.3

Note: Breakdowns and totals may not match due to rounding. "--" denotes not applicable. The same applies to the remainder of the report.

² Portfolio investment assets and liabilities are recorded on a market value basis, while direct investment assets and liabilities are recorded on a book value basis. For details, see Box, "Direct Investment Assets and Liabilities Estimated on a Market Value Basis."

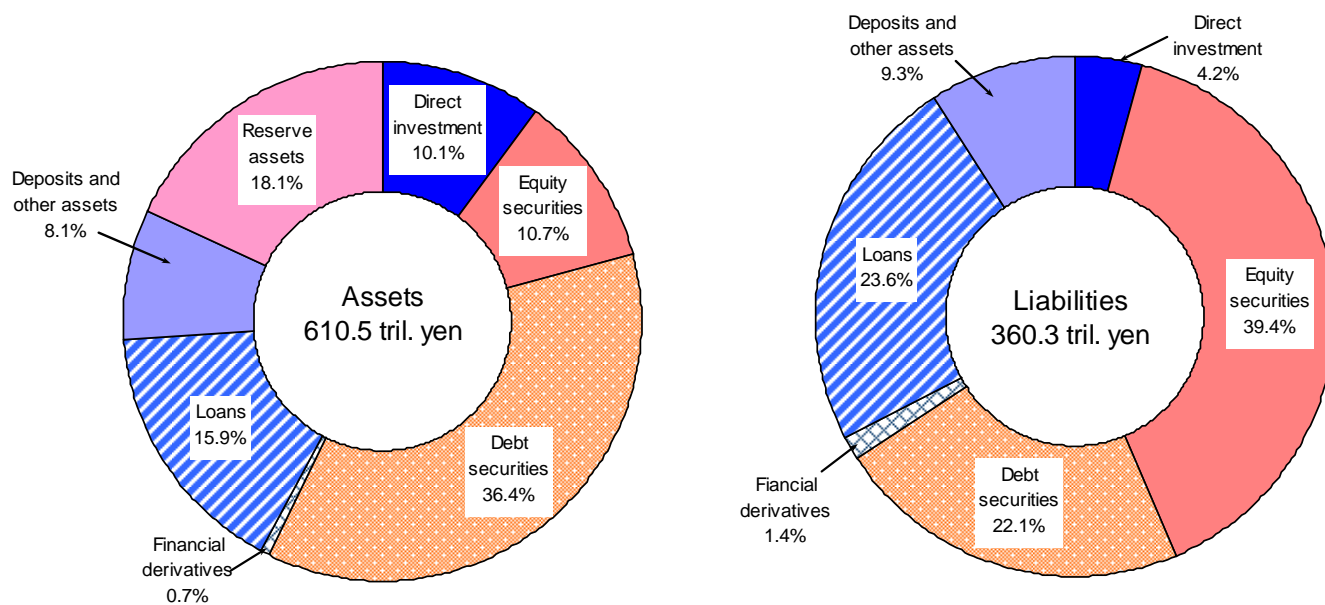
Figure 3: Contribution to Year-on-Year Changes by Component



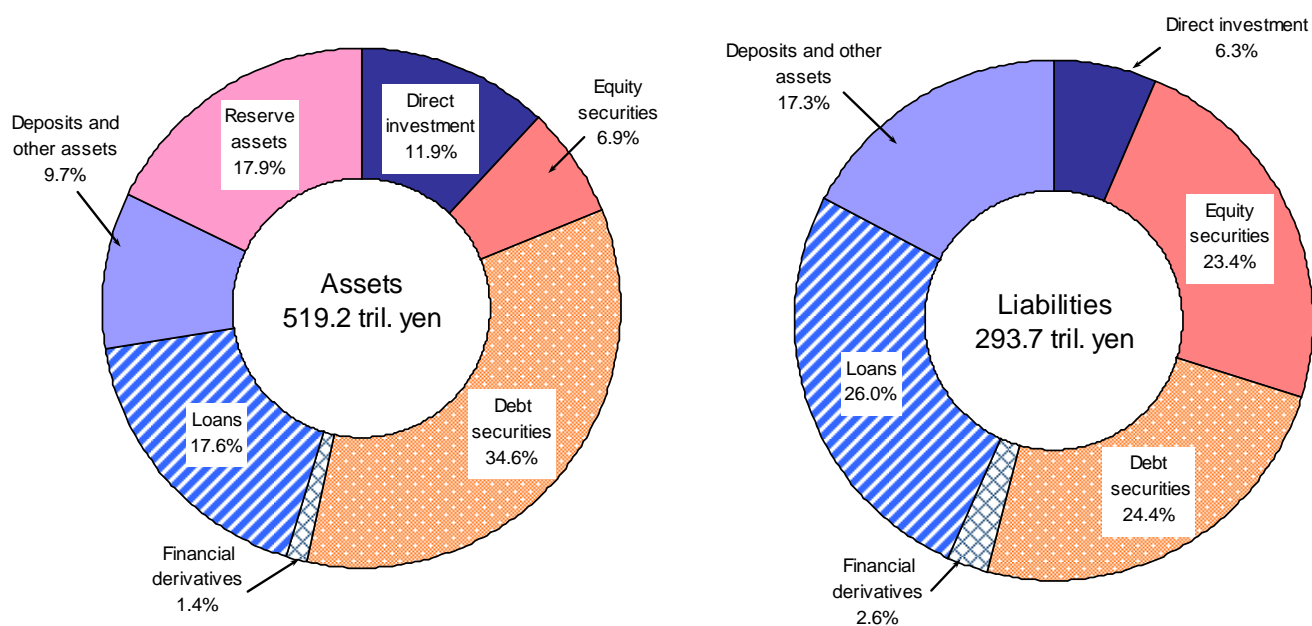
A breakdown of asset and liability components shows that, due to the sharp drop in equity prices, the share of "equity securities" decreased significantly on both the asset and liability sides.

Figure 4: Breakdown of Assets and Liabilities by Component

(1) At Year-End 2007



(2) At Year-End 2008



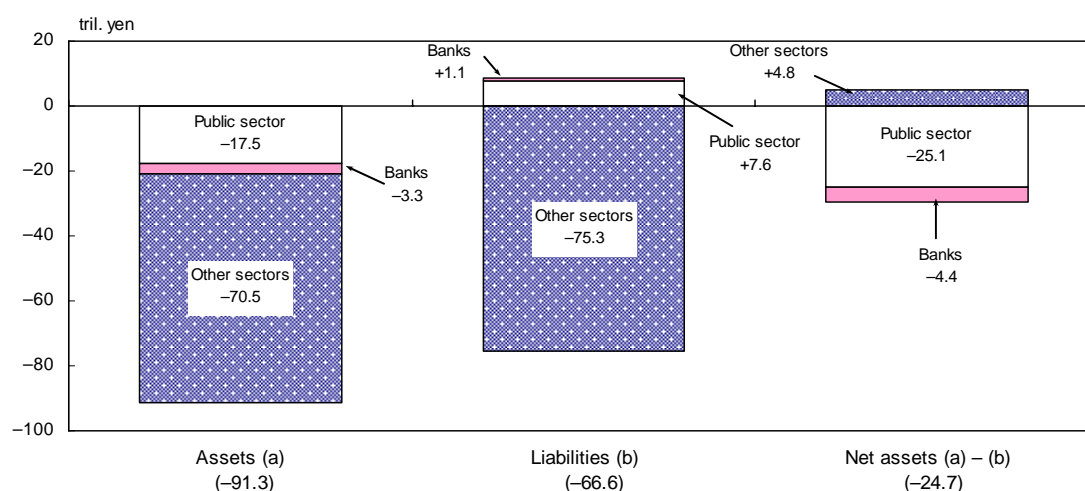
C. Developments by Sector

By sector,³ net assets held by the public sector decreased by 25.1 trillion yen as a result of the decrease in reserve assets (assets) due to the appreciation of the yen and the increase in "currency and deposits" (liabilities).⁴ Net assets of banks decreased by 4.4 trillion yen, reflecting the fall in the yen value of foreign bonds and notes due to the appreciation of the yen. Net assets held by "other sectors" increased by 4.8 trillion yen. While their portfolio investment assets decreased significantly due to the appreciation of the yen and the fall in foreign equity prices, this was offset by an even greater decrease in liabilities resulting from the sharp drop in Japanese equity prices.

Table 3: Assets and Liabilities by Sector at Year-End 2008

	Assets		Liabilities		Net assets	
		y/y chg.		y/y chg.		y/y chg.
Total	519.2	- 91.3	293.7	- 66.6	225.5	- 24.7
Public sector	116.6	- 17.5	76.4	+ 7.6	40.2	- 25.1
Banks	145.1	- 3.3	91.6	+ 1.1	53.5	- 4.4
Other sectors	257.4	- 70.5	125.7	- 75.3	131.7	+ 4.8

Figure 5: Contribution to Year-on-Year Changes by Sector



³ In this report, three sectors are distinguished: the "public sector," which includes the general government, the monetary authorities, and governmental financial institutions; "banks," which includes commercial banks and other deposit-taking financial institutions such as cooperative-type financial institutions; and "other sectors," which includes trust accounts of trust banks, life and non-life insurance companies, securities companies, general corporations, and individuals.

The assets/liabilities for each sector refer to the external assets/liabilities held by that sector (residents). For the "public sector," for example, assets are external assets, such as foreign currency-denominated securities held by the Japanese public sector, and liabilities are external liabilities, such as debt securities issued by the Japanese public sector (e.g., Japanese government bonds) held by nonresidents.

⁴ Deposits held by the Federal Reserve Bank of New York with the Bank of Japan. For details, see "Other investment" on page 28.

D. Features by Maturity

For both assets and liabilities, long-term instruments are those with an original maturity of more than one year, while short-term instruments are those with an original maturity of one year or less. For assets, the percentage share of short-term instruments increased due to the decline in values of equity securities and bonds and notes. For liabilities, the percentage share of short-term instruments increased as deposits increased significantly due to the currency swap transactions carried out by the Bank of Japan with the Federal Reserve Bank of New York (FRBNY).

Table 4: Assets and Liabilities by Maturity at Year-End 2008

tril. yen

	Assets			Liabilities		
		Percentage share			Percentage share	
			y/y chg. (% points)			y/y chg. (% points)
Total	519.2	100.0	--	293.7	100.0	--
Long-term	323.7	62.3	- 2.3	157.4	53.6	- 11.7
Short-term	195.5	37.7	+ 2.3	136.2	46.4	+ 11.7

Note: Long- and short-term items are classified as follows:

Long-term: direct investment, equity securities (classified as long-term instruments because they are not redeemable), bonds and notes, loans (long-term), trade credits (long-term), and other assets/liabilities (long-term).

Short-term: money market instruments (MMIs), financial derivatives, loans (short-term), trade credits (short-term), currency and deposits, other assets/liabilities (short-term), and reserve assets.

E. International Comparison of Net Assets

Japan appears to be the country with the largest net asset position among the major countries publishing data.

Table 5: Net Assets of Major Countries: An International Comparison

tril. yen

		Assets	Liabilities	Net assets	Ratio to nominal GDP
Japan	2008	519.2	293.7	225.5	44.4%
	2007	610.5	360.3	250.2	48.5%
China	2008	265.0	127.2	137.8	34.5%
Germany	2008	625.5	543.1	82.4	26.2%
Switzerland	2008	265.1	209.2	55.9	123.2%
Hong Kong	2007	309.7	254.6	55.1	233.6%
France	2007	884.4	841.7	42.7	13.4%
Canada	2008	110.6	109.6	1.0	0.8%
United Kingdom	2008	944.7	953.4	-8.8	-4.6%
India	2007	37.8	46.7	-8.9	-6.5%
Russia	2007	125.2	139.7	-14.5	-9.4%
Italy	2008	233.4	259.1	-25.7	-12.9%
Brazil	2007	42.2	107.1	-64.9	-38.8%
United States	2007	2,011.0	2,289.3	-278.4	-17.7%

Sources: "International Investment Position" as released by the central banks of Germany, Switzerland, and Italy, as well as the statistical authorities of China, Canada and the United Kingdom. Figures for all other countries are from the *International Financial Statistics* of the IMF.

Notes: 1. Yen-denominated figures for each country are calculated using the exchange rate at year-end as published in the *International Financial Statistics* of the IMF.
2. Figures for year-end 2007 are used for countries and regions for which figures for year-end 2008 are not available.

III. Developments by Component

A. Direct Investment

1. Direct investment assets

Direct investment assets amounted to 61.7 trillion yen, down 0.1 trillion yen or 0.2 percent from year-end 2007, marking the first decrease in five years.

The transaction factor accounted for a net increase of 13.2 trillion yen, reflecting large-scale acquisitions and capital participations with the aim of expanding overseas business and investments in indirect capital increases to inject capital into Japanese financial institutions.

On the other hand, the exchange rate change factor accounted for a net decrease of 12.9 trillion yen, reflecting the decrease in the yen value of foreign currency-denominated assets resulting from the significant appreciation of the yen against the U.S. dollar, the euro, and other major currencies.

Table 6: Direct Investment Assets

tril. yen

	2006	07	08				
				y/y chg.	Transaction factor	Exchange rate change factor	Other factors
Direct investment assets at year-end	53.5 (+ 17.3%)	61.9 (+ 15.7%)	61.7 (- 0.2%)	- 0.1	+ 13.2	- 12.9	- 0.4

Note: Figures in parentheses indicate the percentage change from the previous year.

By region, investment in North America increased by 0.4 trillion yen to 21.2 trillion yen. While the yen value of dollar-denominated assets decreased, this was more than offset by large-scale capital participations in the financial sector and investments by electric machinery and pharmaceutical companies aiming at expanding overseas business.

Investment in the European Union decreased by 1.8 trillion yen to 14.6 trillion yen. Investments were made by financial institutions to increase the capital of their subsidiaries in the European Union, and acquisitions aimed at business expansion were made by precision machinery, electric machinery, and food industries. However, these investments were more than offset by the decrease in the yen value of the euro- and pound-denominated assets.

Investment in Asia decreased by 0.6 trillion yen to 14.4 trillion yen. While a large-scale acquisition in India was made by a pharmaceutical company, this was more than offset by the decrease in the yen value of foreign currency denominated assets in Thailand, South Korea, Singapore, and other countries.

Investment in Central and South America increased by 2.0 trillion yen to 8.2 trillion yen, reflecting the acquisitions of participation certificates issued by SPCs set up by Japanese financial institutions for the purpose of strengthening their capital base.

The regions accounting for the largest share of Japanese direct investment assets at year-end 2008 were, in descending order, North America, the European Union (led by the Netherlands and the United Kingdom), and Asia (led by China, Thailand, and Singapore).

The countries with the most Japanese direct investment assets were, in descending order, the United States, the Netherlands, the Cayman Islands, China, and the United Kingdom. The ranking of the Cayman Islands (4th last year) has risen compared to the previous year-end.

Table 7: Direct Investment Assets by Region at Year-End 2008

tril. yen

	2006	07	08	Share of total (%)	
				y/y chg.	Share of total (%)
North America	19.4	20.8	21.2	+ 0.4	34.4
European Union	14.1	16.4	14.6	- 1.8	23.7
Of which:					
Netherlands	5.4	7.2	6.5	- 0.7	10.6
United Kingdom	3.8	3.6	2.9	- 0.7	4.8
Asia	12.8	15.0	14.4	- 0.6	23.3
Of which:					
China	3.6	4.3	4.4	+ 0.1	7.2
Thailand	1.8	2.2	1.9	- 0.4	3.0
Singapore	1.7	2.0	1.8	- 0.2	2.9
South Korea	1.3	1.4	1.1	- 0.3	1.8
India	0.3	0.5	0.9	+ 0.4	1.4
Central and South America	4.7	6.2	8.2	+ 2.0	13.3
Of which:					
Cayman Islands	2.6	3.6	5.6	+ 1.9	9.0
Oceania	1.6	2.2	2.0	- 0.3	3.2
Total (including other regions)	53.5	61.9	61.7	- 0.1	100.0
(Reference)					
BRICs	4.8	6.0	6.8	+ 0.8	11.1
Of which:					
Brazil	0.9	1.2	1.5	+ 0.2	2.4
Russia	0.0	0.0	0.1	+ 0.0	0.1

Note: Figures for China and India, which belong to the "BRICs," appear under Asia.

A breakdown of direct investment assets by region and industry reveals the following patterns.

Direct investment assets in North America continue to be concentrated in the wholesale and retail industry, including sales companies of Japanese electric machinery and automobile manufacturers and the North American operations of trading companies. Due to a large-scale capital participation, the finance and insurance industry rose to second rank from fourth in the previous year.

In the European Union, direct investment assets in finance and insurance and transportation equipment (primarily automobile-related) account for a high percentage share.

In Asia, direct investment assets are concentrated in China and Thailand, with electric machinery and transportation equipment (primarily automobile-related) accounting for the largest shares.

In Central and South America, direct investment assets in finance and insurance continue to account for a substantial share, mainly due to acquisitions of participation certificates.

Table 8: Direct Investment Assets by Region and Industry

tril. yen

	Finance and insurance	Wholesale and retail	Transportation equipment	Electric machinery	Chemicals and pharmaceuticals	Total (including other industries)
Total	14.6 (+ 2.5)	8.9 (+0.4)	7.7 (- 1.3)	6.1 (- 1.4)	5.0 (- 0.3)	61.7
North America	4.0 (+ 1.2)	5.2 (+ 0.5)	2.8 (- 0.6)	2.1 (- 0.6)	2.2 (- 0.2)	21.2
European Union	2.6 (- 0.4)	1.6 (- 0.1)	2.4 (- 0.3)	1.6 (- 0.1)	1.0 (- 0.2)	14.6
Of which: Netherlands	0.5	0.7	0.7	1.0	0.6	6.5
United Kingdom	1.4	0.5	0.1	0.1	0.1	2.9
Asia	1.4 (- 0.1)	1.5 (+ 0.0)	2.1 (- 0.1)	2.3 (- 0.6)	1.5 (+ 0.1)	14.4
Of which: China	0.3	0.5	0.7	0.8	0.3	4.4
Thailand	0.2	0.1	0.5	0.3	0.1	1.9
Singapore	0.3	0.2	0.1	0.3	0.3	1.8
Central and South America	5.8 (+ 1.6)	0.3 (+ 0.2)	0.3 (- 0.3)	0.1 (+0.0)	0.1 (- 0.0)	8.2
Of which: Cayman Islands	5.3	0.0	X	X	--	5.6
Oceania	0.1	0.2	0.0	0.0	0.1	2.0
Other regions	0.6	0.1	0.1	-0.0	0.2	1.4

Notes: 1. The industry classification is based on the industry category of the overseas subsidiary.

2. Holding companies are classified in accordance with industry categories of affiliated enterprises.

3. "X" indicates that there are fewer than three reporters and data are suppressed for confidentiality.

4. Figures in parentheses indicate year-on-year change.

2. Direct investment liabilities

Direct investment liabilities amounted to 18.5 trillion yen. This represents an increase of 3.3 trillion yen or 21.9 percent from year-end 2007, registering a new record high for the tenth consecutive year.

As for the factors responsible for changes in direct investment liabilities, the transaction factor accounted for an increase of 2.5 trillion yen. This mainly reflects successive investments for capital increases in the finance and insurance sector.

Table 9: Direct Investment Liabilities

tril. yen

	2006	07	08			
				y/y chg.	Transaction factor	Other factors
Direct investment liabilities at year-end	12.8 (+ 7.6%)	15.1 (+ 18.3%)	18.5 (+ 21.9%)	+ 3.3	+ 2.5	+ 0.8

Note: Figures in parentheses indicate the percentage change from the previous year.

By region, investment from North America increased by 1.6 trillion yen to 6.8 trillion yen, reflecting successive investments by financial and insurance companies aimed at increasing the capital of their subsidiaries in Japan.

Investment from the European Union increased by 0.6 trillion yen to 6.8 trillion yen. This reflects investments by European companies with the aim of business expansion in Japan, including a capital injection in a Japanese pharmaceutical company, a large-scale lending by a foreign transportation equipment company to a subsidiary in Japan to buy out a motor vehicle manufacturer, and a capital participation in the general machinery industry.

Investment from Central and South America increased by 0.4 trillion yen to 2.1 trillion yen, mainly as a result of capital participations in Japanese financial institutions by funds domiciled in the Cayman Islands.

Investment from Asia increased by 0.5 trillion yen to 1.5 trillion yen, mainly due to real estate related investments by investment companies.

The regions accounting for the largest share of direct investment liabilities at year-end 2008 were, in descending order, North America, the European Union (led by the Netherlands, France, and the United Kingdom), and Central and South America (primarily the Cayman Islands).

Looking at individual countries, the United States accounted for the largest amount of Japanese direct investment liabilities, followed by the Netherlands, the Cayman Islands, France, and Singapore.

Table 10: Direct Investment Liabilities by Region at Year-End 2008

tril. yen

	2006	07	08	Share of total (%)	
				y/y chg.	Share of total (%)
North America	5.3	5.2	6.8	+ 1.6	37.0
European Union	4.7	6.2	6.8	+ 0.6	37.0
Of which:					
Netherlands	1.4	2.9	3.3	+ 0.4	17.9
France	1.4	1.4	1.5	+ 0.0	7.9
United Kingdom	0.6	0.7	0.6	- 0.1	3.3
Central and South America	1.4	1.7	2.1	+ 0.4	11.5
Of which:					
Cayman Islands	1.0	1.2	1.6	+ 0.4	8.5
Asia	1.0	1.1	1.5	+ 0.5	8.2
Oceania	0.1	0.1	0.1	+ 0.0	0.5
Total (including other regions)	12.8	15.1	18.5	+ 3.3	100.0

A breakdown of direct investment liabilities by region and industry reveals the following patterns.

Liabilities vis-à-vis North America are concentrated in the finance and insurance industry.

As for liabilities vis-à-vis the European Union, a broad range of industries, including electric machinery, finance and insurance, chemicals and pharmaceuticals, and transportation equipment, account for a large amount of investment.

As for Central and South America, the finance and insurance industry accounts for a large share of liabilities, reflecting investments in Japan via investment subsidiaries domiciled in the Cayman Islands.

Table 11: Direct Investment Liabilities by Region and Industry

tril. yen

	Finance and insurance	Electric machinery	Chemicals and pharmaceuticals	Transportation equipment	Wholesale and retail	Total (including other industries)
Total	8.3	2.5	1.7	1.3	1.1	18.5
North America	4.3	0.9	0.4	0.1	0.2	6.8
European Union	1.4	1.6	1.2	1.2	0.3	6.8
Central and South America	1.4	0.1	0.1	0.0	0.1	2.1
Asia	0.6	0.0	0.0	0.0	0.2	1.5
Other regions	0.6	-0.0	0.1	0.0	0.3	1.2

Notes: 1. The industry classification is based on the industry category of the subsidiary in Japan.

2. Holding companies are classified in accordance with industry categories of affiliated enterprises.

3. Japan's direct investment position in international perspective

At year-end 2008, the ratio of Japan's direct investment assets to GDP was 12.2 percent, while that of direct investment liabilities was 3.6 percent. Both ratios are lower than those registered in other major countries but higher than at the previous year-end, when direct investment assets stood at 12.0 percent and direct investment liabilities at 2.9 percent of GDP.

Table 12: Ratio of Direct Investment Assets and Liabilities to Nominal GDP

US\$ bil.

	Direct investment assets		Direct investment liabilities	
		Ratio to nominal GDP (%)		Ratio to nominal GDP (%)
Japan	680.3	12.2	203.4	3.6
United States	3,332.8	24.1	2,422.8	17.5
United Kingdom	1,705.1	60.7	1,347.6	48.0
France	2,449.2	87.9	1,616.5	58.0
Germany	1,217.7	34.1	856.6	24.0

Note: Figures for direct investment assets and liabilities are as of year-end 2008 for Japan (converted to U.S. dollars using exchange rates at year-end); and as of year-end 2007 for the United States, the United Kingdom, France, and Germany.

Source: IMF, *International Financial Statistics*.

B. Portfolio Investment

1. Equity securities (assets)

Equity securities assets (foreign equity securities held by residents) amounted to 35.8 trillion yen, falling by 29.6 trillion yen or 45.2 percent from year-end 2007. This marked the first decrease in six years. Although investment in foreign equity securities by residents marked a record high in 2008, equity securities assets registered the largest decrease on record due to the appreciation of the yen and the worldwide decline in equity prices.

By sector, assets held by banks decreased only slightly. On the other hand, assets held by "other sectors," whose share in total asset holdings is large, decreased significantly.

As for factors responsible for changes in equity securities assets, the transaction factor accounted for an increase of 6.4 trillion yen, the largest such increase on record. This was mainly due to large purchases by pension funds as they rebalanced their portfolios⁵ through

⁵ Public and private pension funds usually decide the weight of assets such as foreign equities and bonds and domestic equities and bonds in total assets prior to investment. To rebalance their portfolios in order to maintain the desired weighting, they purchase/sell those assets whose weight in total assets has declined/increased due to changes in asset prices or exchange rates.

banks' trust accounts. Investment trusts, which had been actively purchasing foreign equities for several years, increased their assets only slightly as investment in foreign equity securities by individual investors through investment trusts became sluggish.

The exchange rate change factor accounted for a decrease of 10.7 trillion yen, reflecting the appreciation of the yen. Other factors accounted for a decrease of 25.3 trillion yen, reflecting the worldwide decline in equity prices.

By currency of denomination, assets decreased by 13.3 trillion yen for U.S. dollar-denominated assets, 5.6 trillion yen for euro-denominated assets, and 2.8 trillion yen for pound-denominated assets.

Table 13: Equity Securities (Assets)

tril. yen

	2006	07	08	y/y chg.	Transaction factor	Exchange rate change factor	Other factors
Total	60.7 (+ 26.0%)	65.4 (+ 7.7%)	35.8 (- 45.2%)	- 29.6	+ 6.4	- 10.7	- 25.3
Of which:							
Banks	1.2	1.5	1.3	- 0.2	+ 0.3	- 0.3	- 0.3
Other sectors	59.5	63.8	34.5	- 29.4	+ 6.0	- 10.4	- 25.0

Notes: 1. Foreign equity securities issued by nonresidents held by each sector.

2. Figures in parentheses indicate the percentage change from the previous year.

Figure 6: Developments in Equity Securities (Assets)

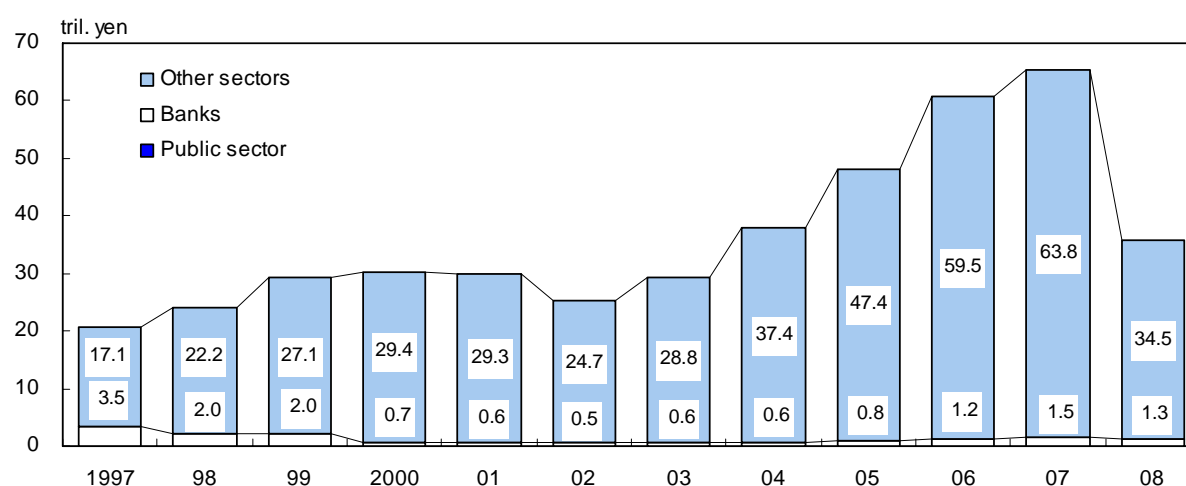


Table 14: Stock Price Indices in Major Countries

	Year-end 2007	Year-end 2008	y/y % chg.
Dow Jones Industrial Average (United States) ¹	13,265	8,776	- 33.8
NASDAQ (United States) ²	2,652	1,577	- 40.5
S&P500 (United States) ²	1,468	903	- 38.5
FTSE 100 (United Kingdom) ²	6,457	4,434	- 31.3
DAX (Germany) ²	8,067	4,810	- 40.4
CAC 40 (France) ²	5,614	3,218	- 42.7
Hang Seng (Hong Kong) ²	27,813	14,387	- 48.3

Notes: 1. The Dow Jones Industrial Average is in U.S. dollars.

2. Index values. Base values are as follows:

100 for the NASDAQ, based on prices on February 5, 1971;

10 for the S&P 500, based on the average for 1941-43;

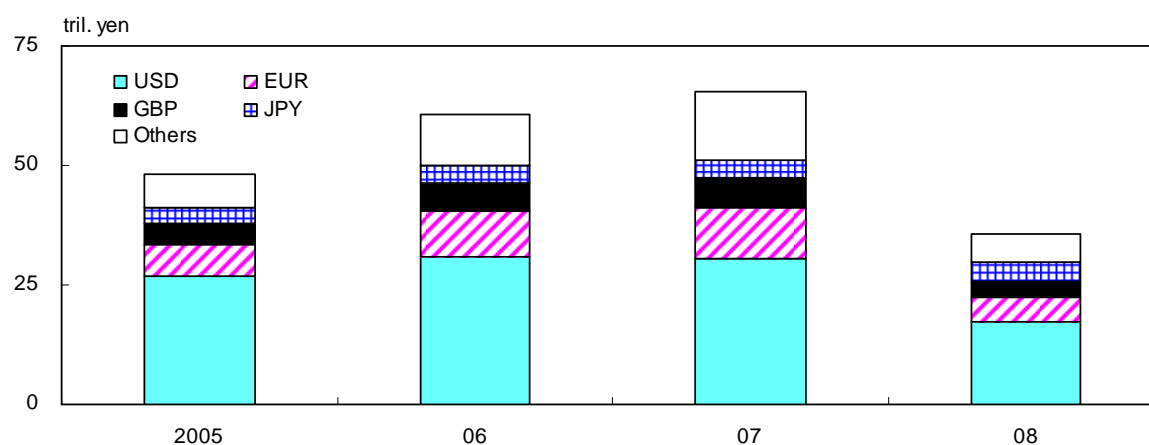
1,000 for the FTSE 100, based on prices on January 3, 1984;

1,000 for the DAX, based on prices at year-end 1987;

1,000 for the CAC 40, based on prices at year-end 1987; and

100 for the Hang Seng, based on prices at the end of July 1964.

Source: Bloomberg.

Figure 7: Developments in Equity Securities by Currency of Denomination (Assets)

By region⁶, the values of equity securities assets in the United States and the European Union decreased sharply. While banks' trust accounts recorded large purchases of equity securities due to rebalancing, this was more than offset by the decline in their yen value due to the worldwide decline in equity prices and the appreciation of the yen. The value of equity securities assets in Asia also decreased. This decrease was concentrated in China, Hong Kong, India, and Singapore.

⁶ Equity securities assets by region are classified by the nationality of the stock issuer.

By country, the United States accounted for the largest share of equity securities held by residents, followed by the Cayman Islands, the United Kingdom, and France.

Table 15: Equity Securities by Region (Assets)

tril. yen

	2005	06	07	08	y/y chg.
United States	22.7	26.7	25.3	14.4	- 10.9
European Union	13.7	18.2	19.8	9.7	- 10.1
Of which:					
United Kingdom	4.7	6.2	6.0	3.2	- 2.8
France	2.0	2.9	3.1	1.6	- 1.5
Germany	1.4	1.9	2.6	1.2	- 1.4
Luxembourg	1.1	1.4	2.0	0.9	- 1.0
Spain	0.6	0.9	1.0	0.5	- 0.5
Netherlands	0.9	1.2	1.1	0.5	- 0.6
Asia	2.5	4.3	6.6	2.7	- 3.9
Of which:					
Hong Kong	1.0	1.3	2.0	0.8	- 1.2
Singapore	0.2	0.4	0.7	0.3	- 0.5
Central and South America	4.7	5.1	6.1	5.2	- 0.9
Of which:					
Cayman Islands	3.5	3.8	4.4	4.3	- 0.0
Total (including other regions)	48.2	60.7	65.4	35.8	- 29.6
(Reference) BRICs	0.9	2.1	3.5	1.0	- 2.5
China	0.4	1.2	1.7	0.5	- 1.2
India	0.3	0.5	0.7	0.2	- 0.5
Brazil	0.1	0.2	0.7	0.2	- 0.4
Russia	0.1	0.3	0.4	0.1	- 0.4

Note: "BRICs" is the total of Brazil, Russia, India, and China.

2. Bonds and notes (assets)⁷

Assets in bonds and notes (foreign bonds and notes held by residents) amounted to 177.2 trillion yen, falling by 42.2 trillion yen or 19.2 percent from year-end 2007, marking the first decrease in nine years.

By sector, assets held by banks and "other sectors" both decreased primarily as a result of the appreciation of the yen against the U.S. dollar and the euro.

⁷ "Bonds and notes" are debt securities with a maturity (at issuance) of more than one year. Debt securities with a maturity of one year or less are defined as "money market instruments."

As for factors responsible for changes in assets in bonds and notes, the transaction factor accounted for an increase of 7.3 trillion yen. This reflects active acquisitions by "other sectors" resulting from the continued purchases of foreign bonds and notes by pension funds, individual investors, and business enterprises through investment trusts.

The exchange rate change factor accounted for a decrease of 39.6 trillion yen. In addition, other factors accounted for a decrease, of 10.0 trillion yen, as the effect of the decline in the value of contract-type foreign investment trusts and securitized products more than offset that of the rise in prices of bonds and notes.

By currency of denomination, assets decreased by 20.8 trillion yen for U.S. dollar-denominated assets, 12.6 trillion yen for euro-denominated assets, and 1.3 trillion yen for Australian dollar-denominated assets.

Table 16: Bonds and Notes (Assets)

tril.yen

	2006	07	08				
				y/y chg.	Transaction factor	Exchange rate change factor	Other factors
Total	215.5 (+ 8.7%)	219.4 (+ 1.8%)	177.2 (- 19.2%)	- 42.2	+ 7.3	- 39.6	- 10.0
Of which:							
Banks	66.4	65.3	53.6	- 11.7	+ 0.1	- 10.1	- 1.8
Other sectors	148.3	153.5	123.2	- 30.4	+ 7.2	- 29.5	- 8.1

Note: Figures in parentheses indicate the percentage change from the previous year.

Figure 8: Developments in Bonds and Notes (Assets)

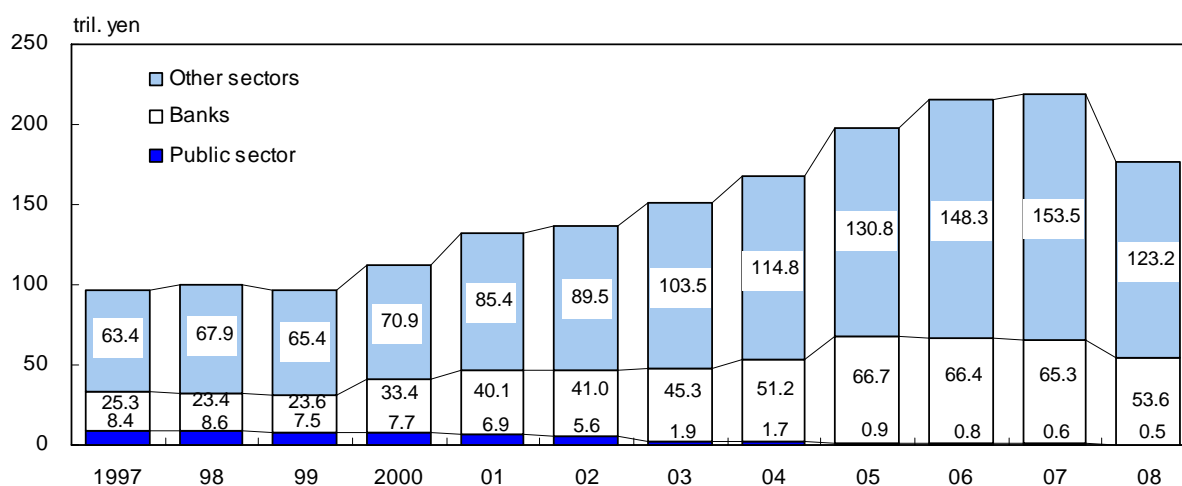
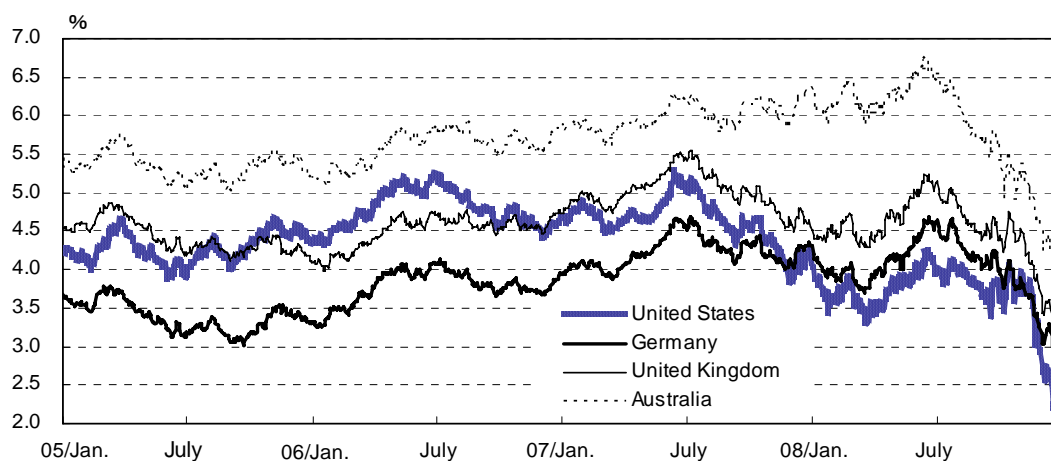
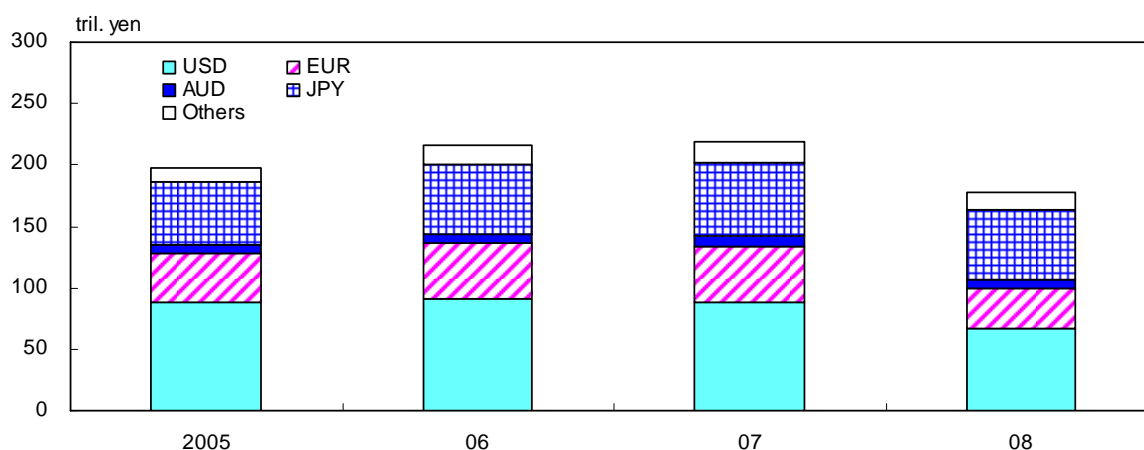


Figure 9: Developments in Yields on U.S., European, and Australian Government Bonds

Note: Yields on 10-year government bonds.

Source: Bloomberg.

Figure 10: Developments in Bonds and Notes by Currency of Denomination (Assets)

By region, assets in the European Union decreased sharply, reflecting the decline in their yen value due to the appreciation of the yen, as well as the decline in the value of investment trusts and other assets. Assets in the United States also decreased sharply due to the appreciation of the yen. Assets in Central and South America similarly registered a sharp decline due to the appreciation of the yen and the decline in the value of investment trusts domiciled in the Cayman Islands. This decrease also reflects the selling of investment funds by residents in Japan.

By country, the United States accounted for the largest share of bonds and notes held by residents, followed by the Cayman Islands, Germany, France, and the United Kingdom.

Table 17: Bonds and Notes by Region (Assets)

tril. yen

	2005	06	07	08	y/y chg.
United States	64.4	67.0	66.2	54.1	- 12.0
European Union	74.7	83.6	84.9	66.4	- 18.5
Of which:					
Germany	17.2	18.7	17.9	15.1	- 2.8
France	12.8	13.9	13.5	10.5	- 3.0
United Kingdom	8.6	10.8	12.2	10.5	- 1.7
Netherlands	7.1	7.8	7.6	6.2	- 1.3
Luxembourg	7.9	9.2	9.3	5.6	- 3.6
Asia	1.4	1.6	2.1	1.9	- 0.2
Of which:					
South Korea	0.6	0.7	0.9	1.0	+ 0.1
Singapore	0.2	0.4	0.4	0.3	- 0.2
Malaysia	0.1	0.1	0.2	0.2	- 0.0
Central and South America	33.7	37.5	38.9	31.1	- 7.8
Of which:					
Cayman Islands	30.6	34.3	35.6	28.2	- 7.4
Oceania	4.5	4.8	5.5	5.2	- 0.3
International Organizations	11.4	11.4	11.1	9.6	- 1.5
Other regions	8.3	9.6	10.7	8.9	- 1.8
Total	198.3	215.5	219.4	177.2	- 42.2

3. Money market instruments (assets)

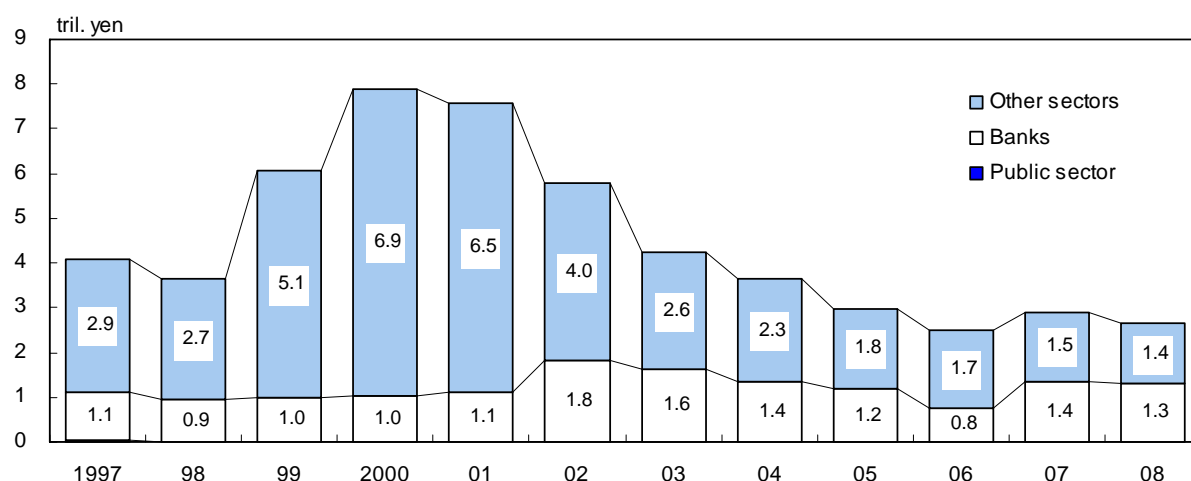
Assets in money market instruments (MMIs) (foreign MMIs held by residents) amounted to 2.7 trillion yen, falling by 0.2 trillion yen or 7.6 percent from year-end 2007, reflecting the appreciation of the yen.

Table 18: MMIs (Assets)

tril. yen

	2006	07	08	y/y chg.			
					Transaction factor	Exchange rate change factor	Other factors
Total	2.5 (- 15.7%)	2.9 (+ 14.9%)	2.7 (- 7.6%)	- 0.2	+ 0.2	- 0.3	- 0.2
Of which:							
Banks	0.8	1.4	1.3	- 0.1	+ 0.2	- 0.1	- 0.1
Other sectors	1.7	1.5	1.4	- 0.2	+ 0.1	- 0.1	- 0.1

Note: Figures in parentheses indicate the percentage change from the previous year.

Figure 11: Developments in MMIs (Assets)

4. Equity securities (liabilities)

Liabilities in equity securities (domestic equity securities held by nonresidents) amounted to 68.6 trillion yen, falling by 73.4 trillion yen or 51.7 percent from year-end 2007, marking the second consecutive year of decline. This was mainly due to the decline in Japanese equity prices.

As for factors responsible for changes in equity securities liabilities, other factors accounted for a decrease of 65.9 trillion yen, the largest decrease ever recorded. The decline was due to the sharp fall in Japanese equity prices. In addition, the transaction factor accounted for a decrease of 7.5 trillion yen as foreign investors sold Japanese equities responding to the deterioration in the business outlook for Japanese companies due to the world economic downturn and the appreciation of the yen.

Table 19: Equity Securities (Liabilities)

tril. yen						
	2006	07	08	y/y chg.	Transaction factor	Other factors
Total	149.3 (+ 12.4%)	142.0 (- 4.9%)	68.6 (- 51.7%)	- 73.4	- 7.5	- 65.9
Banks	13.1	9.2	5.3	- 3.9	- 0.5	- 3.4
Other sectors	136.2	132.8	63.3	- 69.5	- 7.0	- 62.5

Notes: 1. Figures for Japanese equity securities held by nonresidents are classified into two sectors (banks and other sectors) according to their issuers. The public sector does not issue equity securities.

2. Figures in parentheses indicate the percentage change from the previous year.

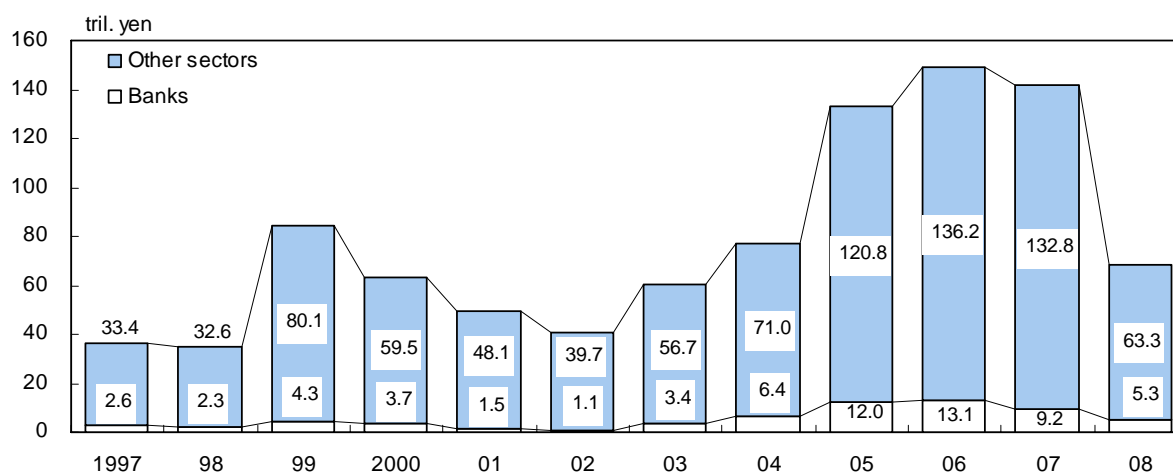
Table 20: Japanese Stock Price Indices at Year-End

	2007	08	y/y % chg.
TOPIX ¹	1,476	859	-41.8%
Nikkei 225 Stock Average ²	15,308	8,860	-42.1%

Notes: 1. Base value = 100, based on prices on January 4, 1968.

2. In yen.

Source: Bloomberg.

Figure 12: Developments in Equity Securities (Liabilities)

By region, the United States and the European Union (led by the United Kingdom and Luxembourg) accounted for by far the largest shares of equity securities liabilities.⁸ By country, the largest investor is the United States, followed by the United Kingdom and Luxembourg.

⁸ This can be attributed to two factors. First, major investors, including leading pension funds and hedge funds, are domiciled in the United States and the European Union. And second, major custodians are also domiciled in these regions. When foreign investors make purchases through third-country custodians, the purchase of securities issued by residents of the country compiling the statistics is recorded as liabilities to the country of the custodians, not that of the final investor.

Table 21: Equity Securities by Region (Liabilities)

tril. yen

	2005	06	07	08	y/y chg.
United States	55.8	61.9	62.8	34.2	- 28.6
European Union	62.1	70.2	58.6	23.8	- 34.8
Of which:					
United Kingdom	35.4	39.6	31.3	13.3	- 18.1
Luxembourg	7.6	8.8	9.0	3.9	- 5.1
Belgium	3.7	4.2	3.6	1.8	- 1.8
France	4.6	6.2	5.6	1.0	- 4.6
Switzerland	3.7	4.0	4.3	1.9	- 2.5
Middle East	4.0	4.8	4.9	3.1	- 1.8
Asia	2.7	3.0	4.4	2.5	- 1.9
Other regions	4.6	5.3	7.0	3.2	- 3.9
Total	132.8	149.3	142.0	68.6	- 73.4

5. Bonds and notes (liabilities)

Liabilities in bonds and notes (domestic bonds and notes held by nonresidents) amounted to 50.7 trillion yen, falling by 9.6 trillion yen or 15.9 percent from year-end 2007. This marked the first decrease in five years and was mainly due to foreign investors being forced to close their positions (selling of domestic bonds and notes) in the fourth quarter when yen funding conditions tightened.

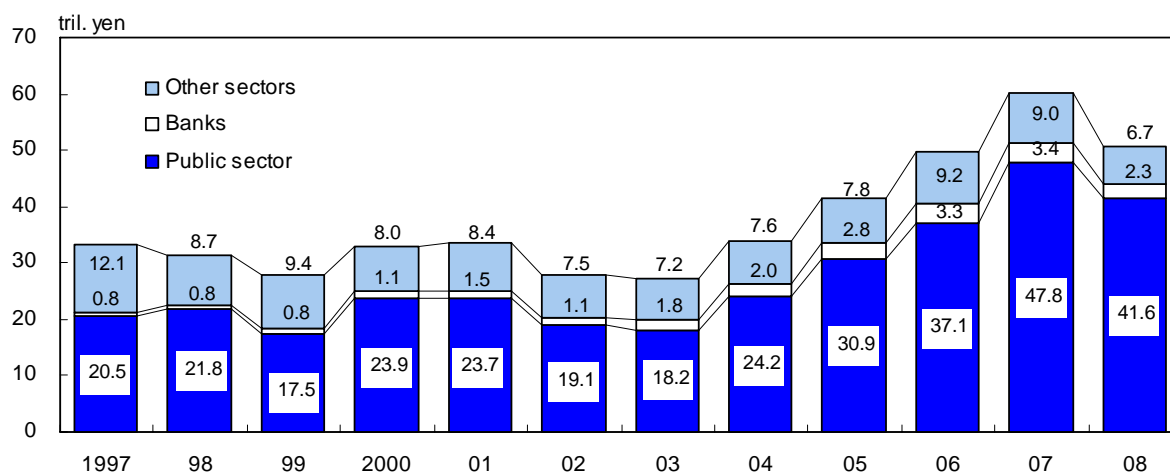
Table 22: Bonds and Notes (Liabilities)

tril. yen

	2006	07	08	y/y chg.
Total	49.6 (+ 19.7%)	60.2 (+ 21.4%)	50.7 (- 15.9%)	- 9.6
Public sector	37.1	47.8	41.6	- 6.2
Banks	3.3	3.4	2.3	- 1.0
Other sectors	9.2	9.0	6.7	- 2.3

Notes: 1. Figures for securities held by nonresidents are classified into three sectors (public sector, banks, and other sectors) according to their issuers. Figures include securities issued by residents in overseas markets.

2. Figures in parentheses indicate the percentage change from the previous year.

Figure 13: Developments in Bonds and Notes (Liabilities)

By region, the European Union (led by the United Kingdom, France, and Belgium) accounted for approximately half of the total liabilities, reflecting the fact that major custodians are domiciled in this region. Asia accounted for the second largest share due to investments by Asian monetary authorities.

Table 23: Bonds and Notes by Region (Liabilities)

	2005	06	07	08	y/y chg.
United States	4.1	6.3	7.5	6.7	-0.9
European Union	22.8	27.2	33.8	24.8	-9.0
Of which:					
United Kingdom	16.6	21.4	27.5	16.8	-10.8
France	1.8	2.4	3.0	3.8	+0.8
Belgium	0.7	0.2	0.2	1.1	+1.0
Luxembourg	1.0	1.3	1.4	1.1	-0.3
Switzerland	0.7	1.0	1.1	0.7	-0.4
Asia	6.8	7.0	8.4	7.8	-0.6
Of which:					
China	1.9	2.1	2.8	3.3	+0.4
Singapore	2.4	2.8	3.7	2.5	-1.2
South Korea	1.7	1.2	0.6	0.5	-0.1
Central and South America	2.9	3.1	3.2	3.1	-0.1
Of which:					
Cayman Islands	2.6	2.7	2.8	2.8	+0.0
Middle East	1.7	2.1	3.1	5.1	+2.0
Of which:					
Saudi Arabia	1.2	1.7	1.9	3.5	+1.6
United Arab Emirates	0.3	0.3	0.5	0.6	+0.1
Other regions	2.6	2.8	3.1	2.5	-0.6
Total	41.4	49.6	60.2	50.7	-9.6

6. Money market instruments (liabilities)

Liabilities in MMIs (domestic MMIs held by nonresidents) registered a record high of 21.0 trillion yen, an increase of 1.8 trillion yen or 9.2 percent from year-end 2007. This mainly reflects the purchase of government bills by foreign public entities during the first half of the year.

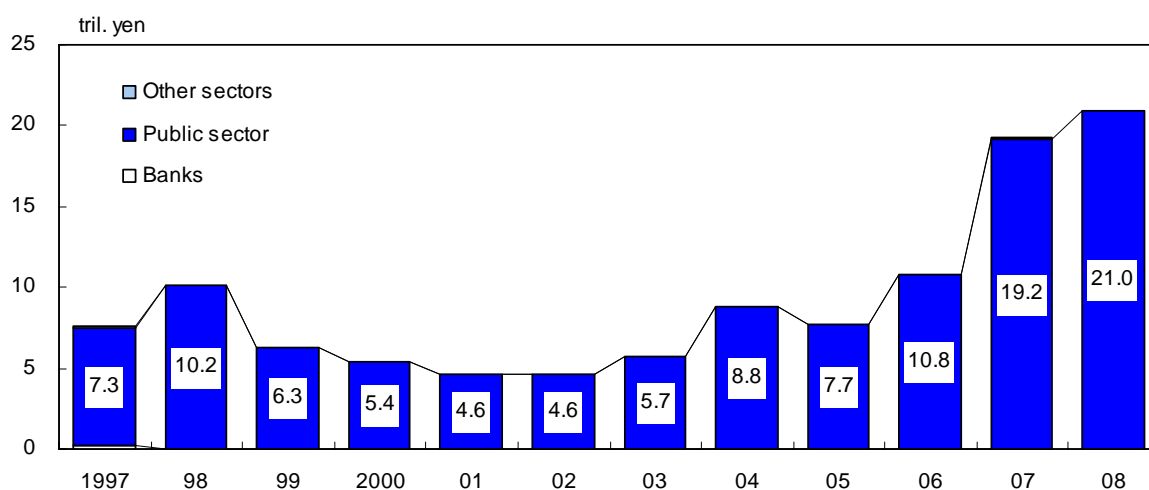
Table 24: MMIs (Liabilities)

tril. yen

	2006	07	08	y/y chg.
Total	10.8 (+ 41.0%)	19.3 (+ 77.6%)	21.0 (+ 9.2%)	+ 1.8

Note: Figures in parentheses indicate the percentage change from the previous year.

Figure 14: Developments in MMIs (Liabilities)



By region, the European Union (led by France, Belgium, and the United Kingdom) accounted for the largest share of liabilities in MMIs, followed by international organizations and Asia. The countries accounting for the largest holdings at year-end 2008 were, in descending order, France, Belgium, and the United Kingdom.

Table 25: MMIs by Region (Liabilities)

tril. yen

	2005	06	07	08	y/y chg.
United States	0.4	0.1	0.1	0.1	+ 0.0
European Union	2.8	4.1	9.4	11.8	+ 2.4
Of which:					
France	0.4	1.4	5.7	7.7	+ 2.0
Belgium	0.2	0.0	0.0	1.5	+ 1.5
United Kingdom	0.4	1.4	1.8	1.2	- 0.7
Asia	0.8	1.9	2.0	2.1	+ 0.1
Of which:					
Hong Kong	0.4	1.1	1.0	0.9	- 0.1
Singapore	0.2	0.2	0.4	0.6	+ 0.2
Thailand	0.2	0.4	0.6	0.6	+ 0.0
Middle East	0.1	0.1	1.4	1.2	- 0.2
Of which:					
United Arab Emirates	0.0	0.0	1.2	0.6	- 0.6
Oceania	0.5	1.0	0.1	0.1	- 0.0
International organizations	3.0	3.4	5.7	5.3	- 0.4
Other regions	0.0	0.2	0.5	0.3	- 0.1
Total	7.7	10.8	19.3	21.0	+ 1.8

C. Financial Derivatives⁹

Due to the sharp appreciation of the yen from autumn to year-end of 2008, mark-to-market values of currency options, which were held mainly by banks, increased on both assets and liabilities sides. Banks also established counter positions for the purpose of hedging to offset their existing positions. As a result, financial derivatives assets amounted to 7.0 trillion yen, an increase of 2.6 trillion yen or 58.1 percent from year-end 2007. Liabilities amounted to 7.8 trillion yen, up 2.8 trillion yen or 56.3 percent from year-end 2007.

Table 26: Financial Derivatives

tril. yen

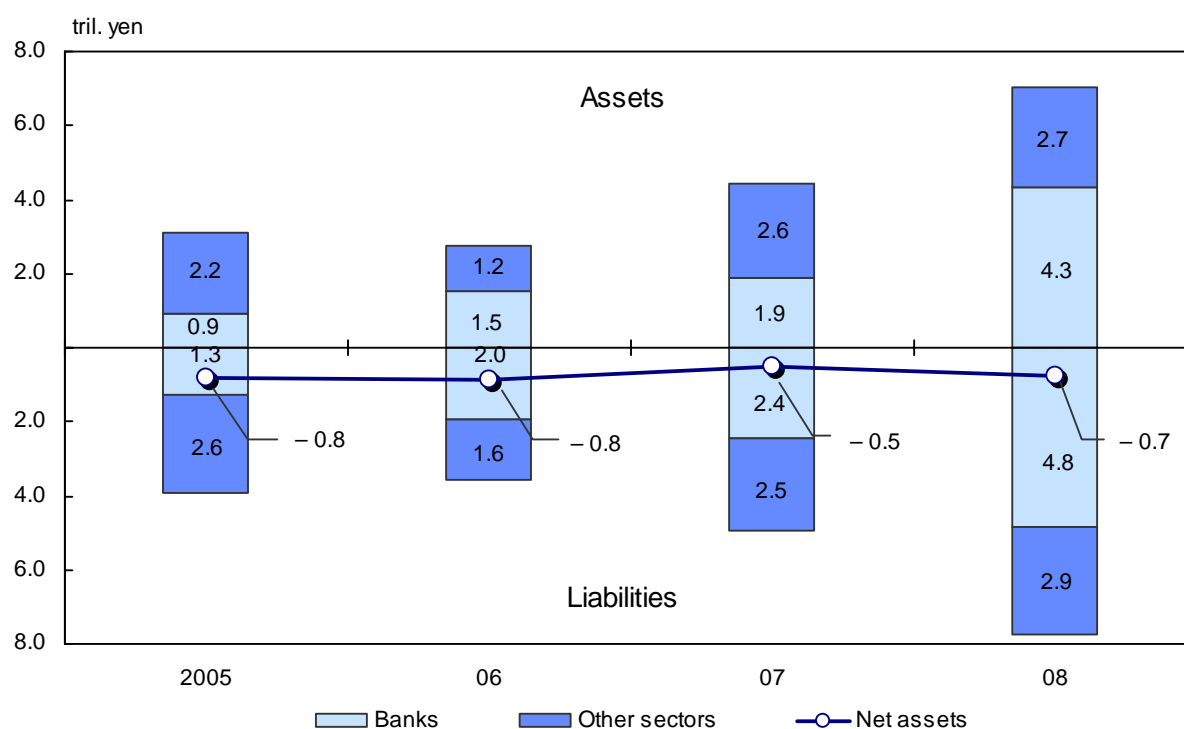
	2005	06	07	08	y/y chg.
Financial derivatives	- 0.8 (+ 56.5%)	- 0.8 (+ 3.8%)	- 0.5 (- 38.4%)	- 0.7 (+ 41.4%)	- 0.2
Assets	3.1	2.7	4.4	7.0	+ 2.6
Liabilities	3.9	3.6	5.0	7.8	+ 2.8

Notes: 1. Figures in parentheses indicate the percentage change from the previous year.

2. Negative percentage values in year-on-year comparisons indicate a decrease in net liabilities.

⁹ Including outstanding balances of options, futures, and forwards, but excluding swaps.

Figure 15: Developments in Financial Derivatives



D. Other Investment

Other investment assets amounted to 141.8 trillion yen, a decrease of 4.5 trillion yen from year-end 2007 and the first decrease in five years. By sector, banks withdrew their funds invested in foreign interbank markets in the form of currency and deposits while continuing to provide funds to overseas branches through interoffice accounts (loans). As a result, other investment assets of banks increased overall. On the other hand, other investment assets of "other sectors" decreased. This decrease was mainly due to the fact that funds provided to foreign investors through repurchase agreements to finance their purchases of Japanese bonds were collected.

Other investment liabilities amounted to 127.1 trillion yen, up 8.5 trillion from year-end 2007, reflecting the significant increase in currency and deposits in the public sector. The reason for this is that the Bank of Japan carried out a currency swap transaction with the FRBNY to finance U.S. dollar funds for implementing its dollar funds-supplying operations.¹⁰

¹⁰ The currency swap transaction carried out by the Bank of Japan with the FRBNY (procurement of U.S. dollars from the FRBNY against provision of Japanese yen to the FRBNY) was to finance the implementation of U.S. dollar funds-supply operations to financial institutions in Japan. U.S. dollar funds procured from the FRBNY were loaned to financial institutions in Japan through the above operations, while the yen provided to the FRBNY were deposited in its yen account with the Bank of Japan (increase in liabilities). These transactions were registered as an increase in the external assets of financial institutions (only such portions as were invested abroad) and an increase in the public sector's currency and deposits (increase in liabilities).

Figure 16: Developments in Other Assets

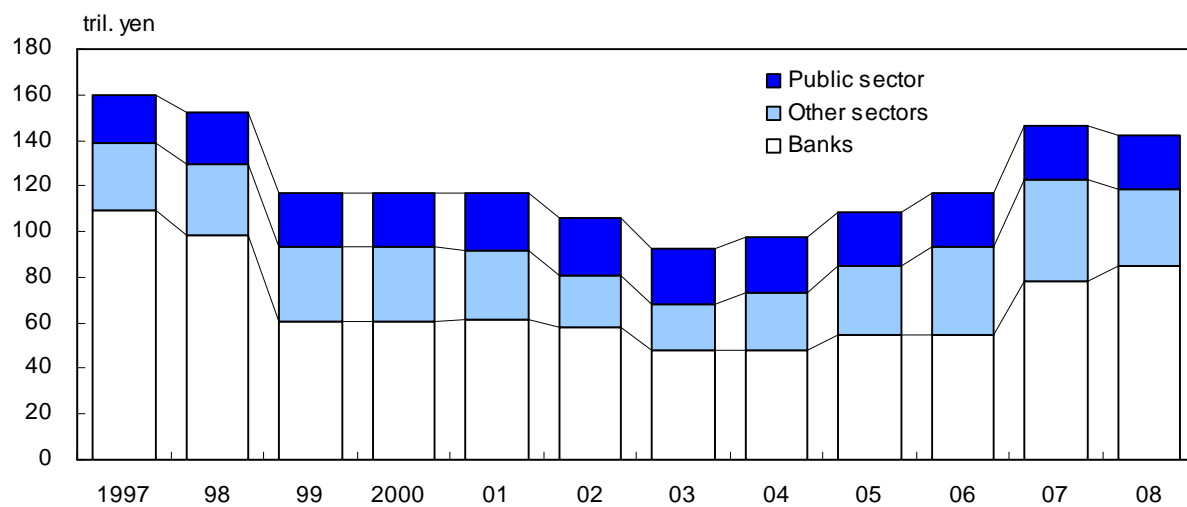


Figure 17: Developments in Other Liabilities

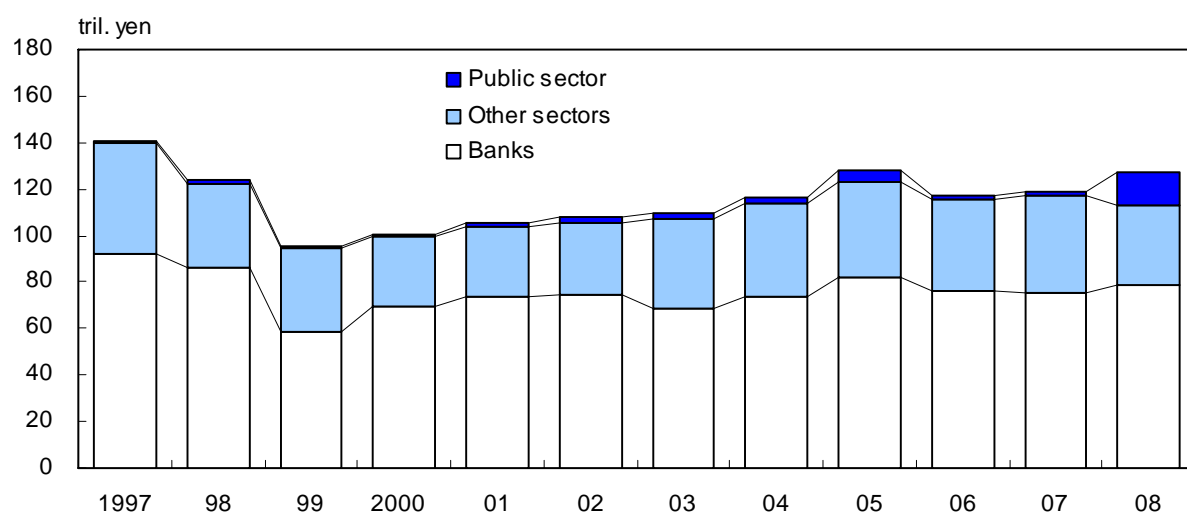


Table 27: Other Investment

tril. yen

	2006	07	08				
				y/y chg.	Transaction factor	Exchange rate change factor	Other factors
Asset	116.7	146.2	141.8	- 4.5	- 1.7	- 14.8	+ 12.0
Loans	83.2	97.2	91.1	- 6.1	+ 2.0	- 7.4	- 0.7
Public sector	16.5	16.5	16.5	- 0.0	+ 0.8	- 0.8	- 0.0
Banks	41.6	52.2	53.4	+ 1.2	+ 7.1	- 6.3	+ 0.4
Other sectors	25.1	28.5	21.2	- 7.3	- 5.8	- 0.3	- 1.1
Trade credits	6.2	6.5	5.0	- 1.5	- 0.5	- 0.9	+ 0.0
Currency and deposits	12.2	25.3	17.8	- 7.4	- 5.4	- 2.1	+ 0.1
Banks	5.8	16.8	11.2	- 5.6	- 4.0	- 1.8	+ 0.2
Other sectors	6.4	8.5	6.6	- 1.9	- 1.4	- 0.4	- 0.1
Other assets	15.1	17.3	27.8	+ 10.5	+ 2.2	- 4.3	+ 12.6
Liabilities	116.9	118.7	127.1	+ 8.5	+ 12.9	- 13.4	+ 9.1
Loans	85.4	84.9	76.5	- 8.4	+ 0.3	- 7.3	- 1.5
Public sector	1.3	1.5	1.6	+ 0.1	+ 0.1	--	+ 0.0
Banks	52.2	48.2	45.9	- 2.3	+ 4.8	- 6.8	- 0.3
Other sectors	31.9	35.2	29.0	- 6.2	- 4.6	- 0.5	- 1.1
Trade credits	2.4	2.7	2.3	- 0.4	- 0.0	- 0.4	- 0.0
Currency and deposits	10.0	10.5	21.8	+ 11.3	+ 12.2	- 0.9	+ 0.1
Public sector	0.0	0.0	11.8	+ 11.8	+ 11.8	--	+ 0.0
Banks	10.0	10.5	10.0	- 0.5	+ 0.4	- 0.9	+ 0.1
Other liabilities	19.1	20.6	26.5	+ 6.0	+ 0.4	- 4.8	+ 10.4

E. Reserve Assets

Reserve assets decreased for the first time in ten years to 93.0 trillion yen, falling by 17.3 trillion yen from year-end 2007. This reflects the fall in yen value due to the appreciation of the yen.

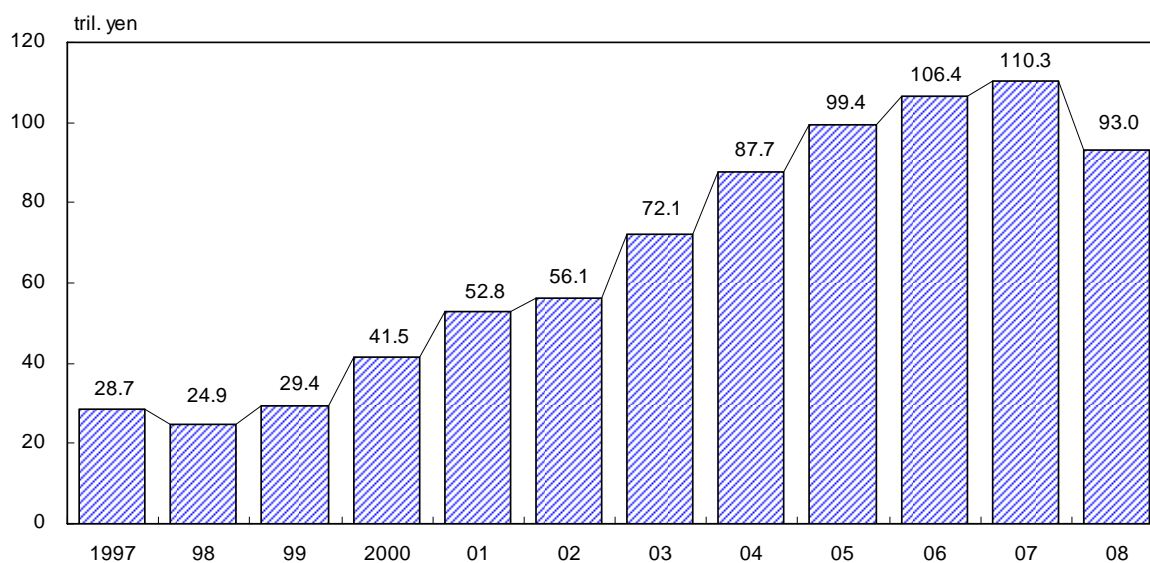
Table 28: Reserve Assets

tril. yen

	2006	07	08				
				y/y chg.	Transaction factor	Exchange rate change factor	Other factors
Reserve assets	106.4 (+ 7.0%)	110.3 (+ 3.6%)	93.0 (- 15.7%)	- 17.3	+ 3.2	- 24.8	+ 4.3

Note: Figures in parentheses indicate the percentage change from the previous year.

Figure 18: Developments in Reserve Assets



Box. Direct Investment Assets and Liabilities Estimated on a Market Value Basis

On a market value basis, estimated direct investment assets amounted to 68.2 trillion yen, falling by 52.5 trillion yen from year-end 2007, due to the appreciation of the yen and the decline in foreign equity prices. Estimated direct investment liabilities amounted to 18.4 trillion, a drop of 13.2 trillion yen.

Direct investment assets estimated on a market value basis exceeded that on a book value basis by 6.4 trillion yen (compared to 58.8 trillion yen at year-end 2007). On the other hand, the market value of liabilities was lower than the book value by 0.1 trillion yen (in contrast, at year-end 2007, the market value exceeded the book value by 16.4 trillion yen).

Figures on a market value basis were estimated as follows. Direct investment is comprised of equity capital, reinvested earnings, and other capital. Of these components, equity capital was estimated at market value, to which book values of reinvested earnings and other capital were added.

When direct investment assets and liabilities estimated on a market value basis are introduced into the overall international investment position, Japan's net asset position at year-end 2008 amounted to 232.0 trillion yen, exceeding the net asset position with direct investments on a book value basis by 6.5 trillion yen.

Table 1 for Box: Direct Investment Assets and Liabilities Estimated on a Market Value Basis

tril. yen

	2007		08	
		Book value		Book value
Direct investment assets	120.6	61.9	68.2	61.7
Direct investment liabilities	31.5	15.1	18.4	18.5

Table 2 for Box: Net Assets with Direct Investment Estimated on a Market Value Basis

tril. yen

	2007		08		y/y chg.	
		Book value		Book value		Book value
Net assets	292.6	250.2	232.0	225.5	-60.6	-24.7

**Figure 1 for Box: Breakdown of Assets and Liabilities by Component at Year-End 2008
(on Book and Market Value Bases)**

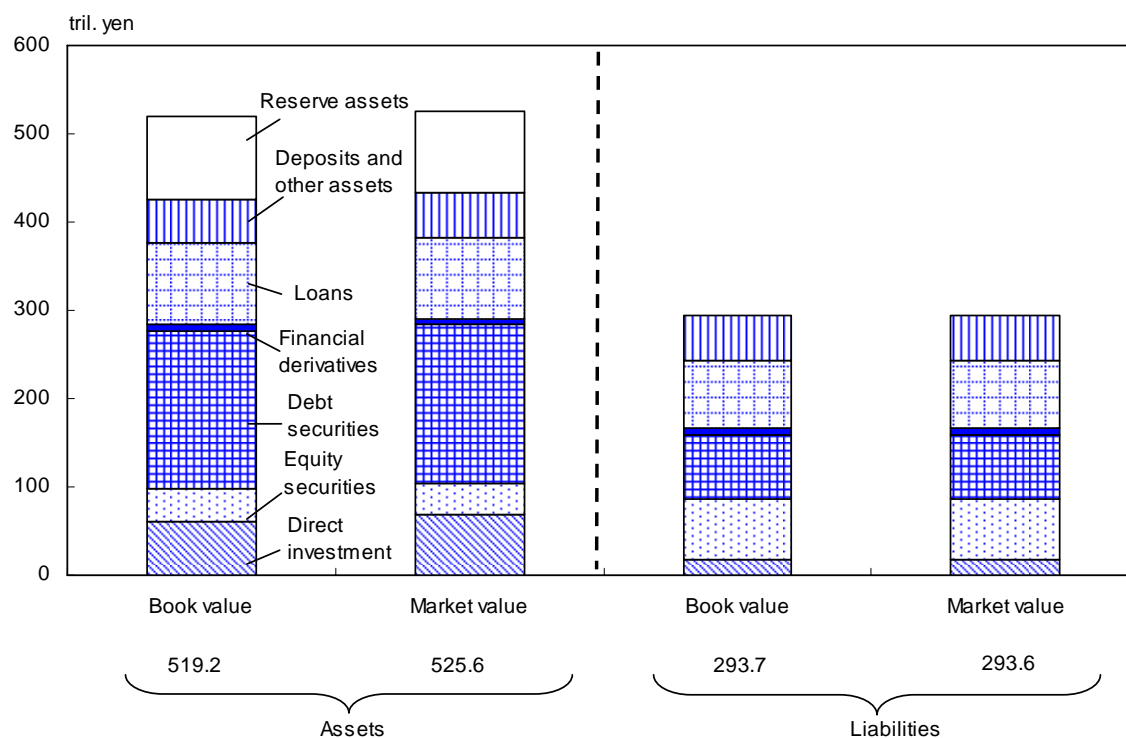


Table 3 for Box: Assets and Liabilities with Direct Investment Estimated on a Market Value Basis

tril. yen

	Assets		Liabilities		Net assets	
		Direct investment		Direct investment		Direct investment
1999	337.7	59.6	224.1	10.0	113.6	49.6
2000	363.7	54.5	216.8	14.4	146.9	40.1
01	397.6	57.4	204.9	11.1	192.7	46.4
02	376.5	47.1	193.5	12.2	183.1	34.9
03	411.4	61.8	219.6	16.4	191.9	45.4
04	462.4	67.1	256.4	18.5	205.9	48.6
05	543.4	82.8	339.8	26.2	203.6	56.6
06	606.9	102.3	359.1	28.9	247.8	73.4
07	669.3	120.6	376.6	31.5	292.6	89.1
08	525.6	68.2	293.6	18.4	232.0	49.8

Appendix: Japan's International Investment Position

Assets

bil. yen

Assets	2002	03	04	05	06	07	08
1. Direct investment	36,478	35,932	38,581	45,605	53,476	61,858	61,740
2. Portfolio investment	167,203	184,353	209,247	249,493	278,757	287,687	215,682
Equity securities	25,277	29,394	37,972	48,200	60,714	65,376	35,817
Public sector	0	3	0	0	0	0	24
Banks	541	552	609	809	1,216	1,543	1,313
Other sectors	24,736	28,840	37,363	47,390	59,498	63,832	34,480
Debt securities	141,926	154,959	171,275	201,294	218,043	222,311	179,865
Bonds and notes	136,149	150,708	167,635	198,321	215,536	219,430	177,204
Public sector	5,626	1,926	1,673	868	760	565	461
Banks	40,989	45,298	51,156	66,683	66,445	65,335	53,588
Other sectors	89,533	103,485	114,806	130,769	148,330	153,531	123,155
MMIs	5,777	4,250	3,641	2,973	2,507	2,881	2,661
Public sector	13	13	7	2	3	7	4
Banks	1,800	1,602	1,353	1,201	760	1,351	1,293
Other sectors	3,964	2,636	2,281	1,770	1,744	1,523	1,365
3. Financial derivatives	404	524	599	3,104	2,739	4,442	7,022
Public sector	0	0	0	0	0	0	0
Banks	230	310	321	899	1,504	1,877	4,335
Other sectors	174	214	278	2,206	1,235	2,564	2,687
4. Other investment	105,792	92,645	97,718	108,544	116,698	146,227	141,752
Loans	81,353	70,358	72,215	79,241	83,165	97,191	91,118
Public sector	19,105	16,895	16,477	16,311	16,473	16,521	16,472
Banks	48,819	41,289	39,128	43,864	41,569	52,200	53,435
Other sectors	13,429	12,174	16,609	19,065	25,123	28,470	21,211
[Long-term]	37,042	34,462	32,141	32,768	33,854	35,012	35,325
[Short-term]	44,310	35,896	40,073	46,473	49,311	62,179	55,793
Trade credits	4,332	5,129	5,271	6,111	6,242	6,450	4,986
Public sector	907	1,329	1,266	1,374	934	826	726
Other sectors	3,426	3,800	4,005	4,736	5,308	5,625	4,260
[Long-term]	1,651	2,070	1,857	2,123	1,581	1,418	1,239
[Short-term]	2,682	3,059	3,414	3,988	4,661	5,032	3,747
Currency and deposits	7,859	6,862	8,327	9,406	12,229	25,289	17,846
Public sector	0	0	0	0	0	0	0
Banks	3,905	4,340	5,420	4,791	5,797	16,806	11,234
Other sectors	3,953	2,522	2,907	4,615	6,432	8,483	6,612
Other assets	12,248	10,295	11,905	13,787	15,063	17,297	27,803
Public sector	4,804	6,280	6,527	5,768	6,047	5,968	5,976
Banks	5,626	2,282	3,563	5,966	6,954	9,310	19,933
Other sectors	1,818	1,733	1,815	2,053	2,062	2,018	1,893
[Long-term]	8,638	8,420	7,943	11,232	12,394	11,823	12,363
[Short-term]	3,610	1,875	3,962	2,555	2,669	5,474	15,440
5. Reserve assets	56,063	72,083	87,720	99,444	106,435	110,279	92,983
Total assets	365,940	385,538	433,864	506,191	558,106	610,492	519,179

Note: Figures are as of the end of the year. Portfolio investment and other investment exclude securities lending transactions.

Liabilities

bil. yen

Liabilities	2002	03	04	05	06	07	08
1. Direct investment	9,369	9,610	10,098	11,903	12,803	15,145	18,456
2. Portfolio investment	73,189	92,873	120,091	181,959	209,696	221,487	140,307
Equity securities	40,757	60,085	77,393	132,842	149,277	142,031	68,625
Banks	1,061	3,368	6,385	12,030	13,094	9,185	5,314
Other sectors	39,697	56,717	71,007	120,813	136,182	132,847	63,311
Debt securities	32,432	32,788	42,699	49,117	60,419	79,456	71,682
Bonds and notes	27,799	27,108	33,846	41,428	49,579	60,203	50,650
Public sector	19,135	18,160	24,158	30,879	37,075	47,782	41,586
Banks	1,138	1,759	2,041	2,754	3,343	3,382	2,344
Other sectors	7,527	7,188	7,647	7,795	9,161	9,040	6,721
MMIs	4,633	5,680	8,852	7,689	10,840	19,253	21,032
Public sector	4,582	5,680	8,772	7,664	10,775	19,162	20,972
Banks	0	0	1	0	0	0	0
Other sectors	50	0	79	25	65	90	60
3. Financial derivatives	445	727	1,121	3,921	3,587	4,964	7,761
Public sector	0	0	0	0	0	0	0
Banks	330	401	632	1,277	1,957	2,420	4,839
Other sectors	115	326	490	2,643	1,630	2,544	2,922
4. Other investment	107,628	109,510	116,756	127,709	116,938	118,674	127,146
Loans	83,757	83,665	90,776	94,805	85,356	84,909	76,479
Public sector	0	0	1,585	3,696	1,268	1,475	1,588
Banks	57,500	49,874	52,845	56,866	52,196	48,218	45,890
Other sectors	26,257	33,791	36,346	34,243	31,892	35,216	29,001
[Long-term]	15,934	14,791	14,853	12,692	14,646	16,393	17,350
[Short-term]	67,823	68,874	75,923	82,113	70,709	68,516	59,129
Trade credits	1,334	1,111	1,377	1,888	2,421	2,676	2,279
Public sector	0	0	0	0	0	0	0
Other sectors	1,334	1,111	1,377	1,888	2,421	2,676	2,279
[Long-term]	123	2	126	155	255	126	151
[Short-term]	1,211	1,108	1,250	1,733	2,166	2,550	2,128
Currency and deposits	9,291	10,979	10,416	11,061	10,023	10,515	21,846
Public sector	1,370	2,002	567	468	16	20	11,817
Banks	7,921	8,978	9,848	10,592	10,007	10,495	10,029
Other liabilities	13,246	13,755	14,187	19,955	19,138	20,573	26,543
Public sector	630	550	494	468	430	386	443
Banks	8,881	9,876	10,593	14,993	14,358	16,790	23,175
Other sectors	3,735	3,329	3,101	4,494	4,351	3,397	2,926
[Long-term]	435	122	565	2,503	2,126	1,488	2,217
[Short-term]	12,810	13,633	13,622	17,452	17,013	19,086	24,326
Total liabilities	190,631	212,720	248,067	325,492	343,024	360,271	293,671
Total net assets	175,308	172,818	185,797	180,699	215,081	250,221	225,508
Public sector	60,800	72,136	78,095	80,592	81,089	65,340	40,241
Private sector	114,508	100,682	107,702	100,107	133,993	184,881	185,267
Of which: Banks	25,082	21,417	19,205	25,701	29,290	57,933	53,541

Note: Figures are as of the end of the year. Portfolio investment and other investment exclude securities lending transactions.