

Appendix 1. Outline of BOP-Related Statistics and Release Schedule

Outline of BOP-related statistics

BOP-related statistics can be broadly divided into (1) flow data on various transactions and the associated financial flows and (2) stock data on financial assets and liabilities accumulated as a result of such transactions. In addition to the BOP (flow data) and the IIP (stock data), the Ministry of Finance and the Bank compile and release detailed data by region, industry, etc., based on the data collected for the compilation of the BOP and IIP.

Flow data are released, after a compilation period, on a monthly basis two months after the relevant transactions take place. However, more detailed statistics such as data by region are released on a quarterly basis. Since the International Transactions in Securities statistics are compiled based on daily reports from major financial institutions, weekly figures are released in the following week and monthly figures in the following month. Stock data on a calendar year basis are released annually. Moreover, for some stock data, estimates reflecting flows etc. after the end of the previous period are released on a quarterly basis.

The following is an overview of major BOP-related statistics.

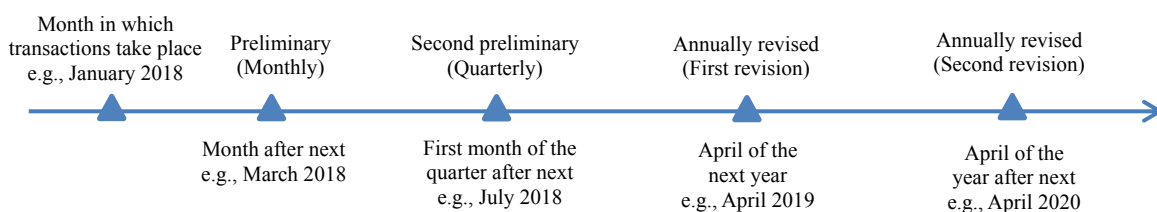
	Statistics	Description
Flow data	Balance of Payments	Statistical statement that systematically summarizes the economic transactions of an economy with the rest of the world during a certain period.
	Regional Balance of Payments	Balance of payments by country (33 major countries) and region.
	Direct Investment by Region and Industry	Direct investment income and flows broken down by industry (22 industries) and region (country and region).
	International Transactions in Securities	Statistics on cross-border securities transactions, with an emphasis on timeliness, based only on reports from major financial institutions designated by the Minister of Finance.
Stock data	International Investment Position	Statistical statement that shows an economy's external financial assets, external financial liabilities, and the difference between them, i.e., the net position.
	Gross External Debt Position	Statistical statement that shows only debt instruments among liabilities in the IIP.
	Direct Investment Position	Direct investment position broken down (1) by region and (2) by region and industry.
	Portfolio Investment Position	Portfolio investment position broken down (1) by region, (2) by sector of resident holder and region, and (3) by currency and type of securities.

Data revision and release schedule

The BOP-related statistics are compiled from reports submitted under the Foreign Exchange and Foreign Trade Act, and major statistics are revised to incorporate reports that came in late or were revised after the release. Flow data are first released as preliminary data, followed by second preliminary data and annually revised data. Quarterly stock data are released as preliminary estimates using preliminary flow data, followed by revised estimates using second preliminary flow data, and are annually revised. As for annual calendar year-end stock data, after the first release, revised data reflecting the annual revisions are released in the following year.

The timing of data revisions and the annual release schedule are as follows:

Timing of flow data revisions



Annual release schedule

	Release Date	Release Schedule											
		January	February	March	April	May	June	July	August	September	October	November	December
Balance of Payments													
Preliminary (Monthly)	Sixth business day of the month after next	November	December	January	February	March	April	May	June	July	August	September	October
Second preliminary (Quarterly)	Sixth business day of the following January, April, July, and October	July, August, and September			October, November, and December			January, February, and March			April, May, and June		
Annually revised	Sixth business day of April of the next year and the year after next				Two years earlier and a year earlier								
Regional (Quarterly)	Sixth business day of the following February, May, August, and November		3rd quarter			4th quarter			1st quarter			2nd quarter	
International Transactions in Securities													
	Sixth business day of the next month	December	January	February	March	April	May	June	July	August	September	October	November
International Investment Position of Japan & Gross External Debt Position of Japan													
Quarterly Data	Sixth business day of the following March, June, September, and December			Preliminary estimates for the end of December and revised estimates for the end of September			Preliminary estimates for the end of March and revised estimates for the end of December			Preliminary estimates for the end of June and revised estimates for the end of March			Preliminary estimates for the end of September and revised estimates for the end of June
Calendar Year Data (Annually revised)	End of May of the next year (End of May of the year after next)					Data for the end of December (Data for the end of December two years earlier)							

Provision of data to international organizations

Japan's BOP-related data are also provided to various international organizations and are analyzed and released by these organizations. Because the databases released by these international organizations present the data of individual countries in identical fashion, they can be used for international comparisons. For example, both the IMF and the OECD release BOP-related data for individual countries. Moreover, the Coordinated Direct Investment Survey (CDIS) and the Coordinated Portfolio Investment Survey (CPIS), which are conducted under the auspices of the IMF to capture cross-border direct and portfolio investment positions in detail, collect data on a large number of countries including Japan and make them available for use.¹

¹ See <http://data.imf.org/CDIS> and <http://data.imf.org/CPIS>.

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Appendix 2. Identifying Direct Investment Relationships

Identification of direct investment relationships in international standards

In *BPM6* published by the IMF, direct investment is defined as cross-border investment that is associated with a resident (direct investor) in one economy having control or a significant degree of influence on the management of an enterprise (direct investment enterprise) that is resident in another economy. Such direct investment relationships in which the direct investor is able to exercise control or a significant degree of influence include (1) immediate direct investment relationships in which the direct investor directly owns equity that entitles it to 10 percent or more of the voting power in the direct investment enterprise, (2) indirect direct investment relationships in which the direct investor exercises indirect control or influence through a chain of direct investment relationships, and (3) relationships between two enterprises that do not control or influence each other, but that are both under the control or influence of the same investor (i.e., fellow enterprises).

Based on these definitions, direct investment relationships in *BPM6* are identified according to the criteria of the Framework for Direct Investment Relationships (FDIR). The FDIR provides definitions of "control" and "influence" as described below, based on which the scope of direct investment relationships can then be determined following definitions (1) to (3) above. For instance, direct investment relationships of an enterprise can then be classified into (1) immediate direct investment relationships between the enterprise and a parent or a subsidiary/an associate, (2) indirect direct investment relationships between the enterprise and the parent of a parent, the subsidiary of a subsidiary, or the associate of the subsidiary of a subsidiary, or (3) relationships between the enterprise and other subsidiaries/associates of the same parent (i.e., fellow enterprises).

Relationship between Control/Influence and Voting Power Percentage under the FDIR

Control: Voting power of more than 50 percent (controlled enterprises [including branches] are called "subsidiaries")

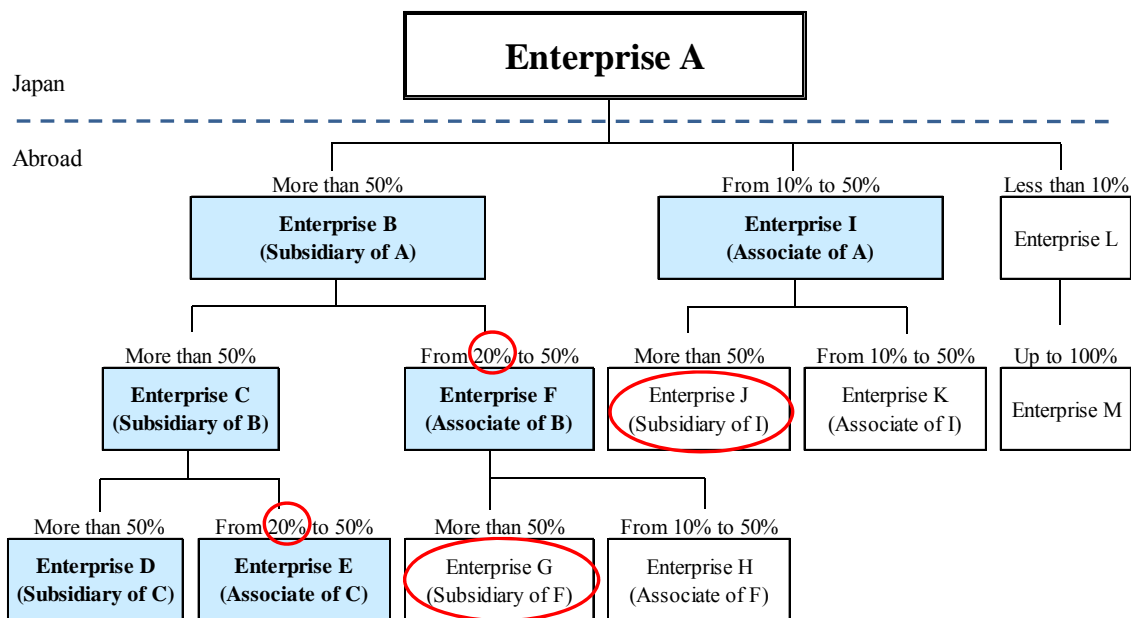
Influence: Voting power of at least 10 percent and no more than 50 percent (influenced enterprises are called "associates")

Identification of direct investment relationships in Japan's statistics (in the case of outward direct investment)

Although the identification of direct investment relationships in Japan's statistics is generally in line with the FDIR for both outward and inward direct investment, in consideration of the reporting burden, in practice identification procedures are designed to be in line with actual corporate accounting practices. The following explains the identification of direct investment relationships in the case of Japan's outward direct investment.

The figure below presents an illustration of the identification of various types of direct investment enterprises of a hypothetical Enterprise A in Japan. Immediate direct investment relationships are treated exactly as in the FDIR. On the other hand, indirect direct investment relationships are defined not on the basis of whether an investor holds voting power of 10 percent or more in the associate but on the basis of so-called equity method associates (in which case a significant degree of influence, in principle, implies that the investor holds voting power of 20 percent or more), and subsidiaries of associates are not counted as direct investment enterprises.

Examples of enterprises that have a direct investment relationship with Enterprise A in Japan (represented by shaded boxes)



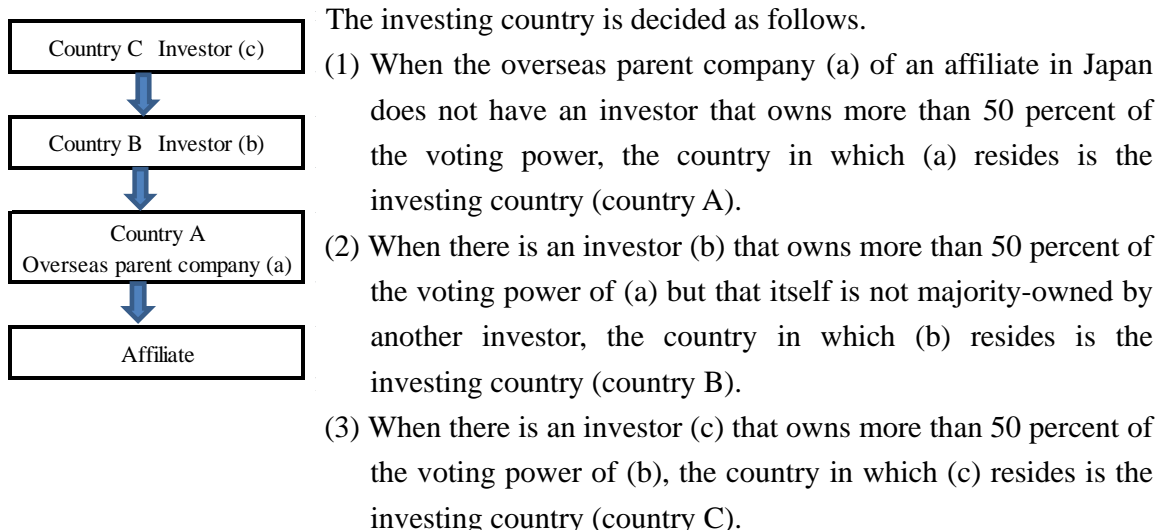
Note: Figures represent voting power percentages, with circles indicating main differences from the FDIR.

Appendix 3. Release of the Inward Direct Investment Position on an Ultimate Investor Basis

Overview

In July 2018, the Bank started to release the "Regional Direct Investment Position (Inward investment) (Ultimate investor)" by country (33 countries) and region -- for which data beginning from year-end 2015 are available -- as reference figures for the IIP of Japan (Calendar Year Data) in the BOJ Time-Series Data Search.

For the "Regional Direct Investment Position (Inward investment) (Ultimate investor)," data by country and region for the investment position of overseas parent companies in affiliated companies in Japan (inward direct investment position) are compiled by regarding the country in which the ultimate investor holding ultimate control resides as the investing country (i.e., partner country).



International standards recommend the compilation of the inward direct investment position on an ultimate investor basis as such statistics are useful for obtaining a better grasp of cross-border direct investment. The Bank provided an overview and explained the compilation method of these statistics and made estimates of the related data for year-end 2015 and year-end 2016 available in *Japan's Balance of Payments Statistics and International Investment Position for 2016* released in July 2017. In July 2018, data for year-end 2015, year-end 2016 (annually revised figures), and year-end 2017 were made available in the BOJ Time-Series Data Search.

Recording principles and corresponding statistics

Statistics on direct investment are compiled on the basis of two different recording principles. Direct investment statistics in the IIP of Japan (Calendar Year Data) are recorded on the basis of the asset and liability principle, while Direct Investment by Region and Industry statistics are recorded on the basis of the directional principle.² The Inward Direct Investment Position on an ultimate investor basis is compiled on the basis of the directional principle. Recording principles and the corresponding statistics are shown in the table below:

	Asset and liability principle	Directional principle
Flow data	<ul style="list-style-type: none">▪ Balance of Payments▪ Regional Balance of Payments▪ Direct Investment by Region and Industry 1. Direct Investment Income	<ul style="list-style-type: none">▪ Direct Investment by Region and Industry 2. Direct Investment Flows
Stock data	<ul style="list-style-type: none">▪ International Investment Position of Japan▪ Regional Direct Investment Position -- by country (33 countries) and region▪ Regional Direct Investment Position (Assets) (All regions) -- all countries and regions for which positions are available	<ul style="list-style-type: none">▪ Direct Investment by Region and Industry 3. Direct Investment Position ▪ Regional Direct Investment Position (Inward investment) (Ultimate investor)

Aggregate results for year-end 2017

Comparing Japan's inward direct investment position at year-end 2017 using the figures on an ultimate investing country basis released in July 2018 and figures on an immediate investing country basis shows that, on an ultimate investor basis, direct investment from the Netherlands, the United Kingdom, the Cayman Islands, and Singapore was smaller than on an immediate investor basis, while direct investment from the United States, France, and Germany was larger.

These results indicate that companies located in the United States, France, and Germany channel their investments in Japan through their affiliates in countries/regions (such as the Netherlands, the United Kingdom, the Cayman Islands, and Singapore) that provide tax advantages.

² For details, see "Recording Principles of Direct Investment" and *Japan's Balance of Payments Statistics and International Investment Position for 2016*, which was released in July 2017, both available on the Bank's website.

Appendix Figure 3.1 Inward Direct Investment Position by Country of Immediate Investor and Ultimate Investor³

bil. yen

	Year-end 2016			Year-end 2017		
	By country of immediate investor (A)	By country of ultimate investor (B)	Difference (B) – (A)	By country of immediate investor (A)	By country of ultimate investor (B)	Difference (B) – (A)
Total	22,964.5	22,964.5	+0.0	22,601.8	22,601.8	+0.0
Asia	4,396.2	3,390.2	-1,006.0 ↓	4,301.3	3,852.3	-449.0 ↓
P.R. China	96.8	169.0	+72.3	150.4	180.1	+29.7
Hong Kong	995.2	614.9	-380.3	870.5	740.3	-130.2
Taiwan	682.2	529.5	-152.8	607.5	677.8	+70.3
R. Korea	399.3	515.7	+116.4	434.6	514.5	+79.9
Singapore	2,113.5	1,493.2	-620.3	2,091.8	1,647.1	-444.7
Thailand	22.7	10.3	-12.4	28.1	15.3	-12.9
Indonesia	10.5	7.6	-3.0	31.9	3.1	-28.8
Malaysia	59.5	30.9	-28.6	61.3	33.1	-28.2
Philippines	7.4	7.6	+0.3	9.4	7.3	-2.2
Viet Nam	0.1	-0.5	-0.6	0.0	0.2	+0.1
India	8.8	7.2	-1.7	9.9	18.6	+8.7
North America	6,340.3	9,429.9	+3,089.6 ↑	5,734.5	8,163.6	+2,429.1 ↑
U.S.A.	6,185.2	9,239.9	+3,054.7	5,577.1	8,007.6	+2,430.6
Canada	155.1	190.0	+34.9	157.4	156.0	-1.5
Central and South America	1,409.1	933.5	-475.6 ↓	1,672.7	830.4	-842.3 ↓
Mexico	0.3	27.8	+27.5	0.3	26.6	+26.3
Brazil	3.9	-102.2	-106.0	3.6	-136.3	-139.8
Cayman Islands	1,120.6	835.1	-285.5	1,401.2	830.5	-570.6
Oceania	295.5	175.0	-120.4 ↓	294.3	132.4	-161.9 ↓
Australia	251.9	126.9	-124.9	252.5	75.4	-177.1
New Zealand	35.4	40.6	+5.3	33.3	38.3	+5.0
Europe	10,473.3	8,757.6	-1,715.7 ↓	10,546.6	9,341.1	-1,205.4 ↓
Germany	472.6	1,012.3	+539.7	418.1	896.0	+477.9
U.K.	1,486.8	828.6	-658.2	1,546.4	719.7	-826.8
France	3,309.9	4,433.7	+1,123.8	3,397.8	4,416.2	+1,018.4
Netherlands	2,588.0	654.3	-1,933.7	2,918.2	908.3	-2,009.9
Italy	118.3	71.6	-46.7	135.7	71.4	-64.3
Belgium	73.8	50.9	-22.9	81.3	146.9	+65.5
Luxembourg	863.2	434.4	-428.8	851.3	518.4	-332.9
Switzerland	1,220.9	1,137.3	-83.6	750.3	1,107.3	+357.0
Sweden	196.4	71.1	-125.3	234.2	47.9	-186.3
Spain	92.9	-7.8	-100.7	93.0	-22.0	-115.0
Russia	6.0	5.7	-0.3	6.1	5.8	-0.3
Middle East	30.4	209.6	+179.2 ↑	31.6	143.2	+111.6 ↑
Saudi Arabia	3.0	-29.3	-32.3	2.8	-91.3	-94.1
U.A.E.	5.8	166.6	+160.8	5.8	162.0	+156.3
Iran	—	—	—	—	—	—
Africa	15.9	10.2	-5.6 ↓	17.0	10.5	-6.6 ↓
R.South Africa	0.1	0.2	+0.1	0.1	0.4	+0.4

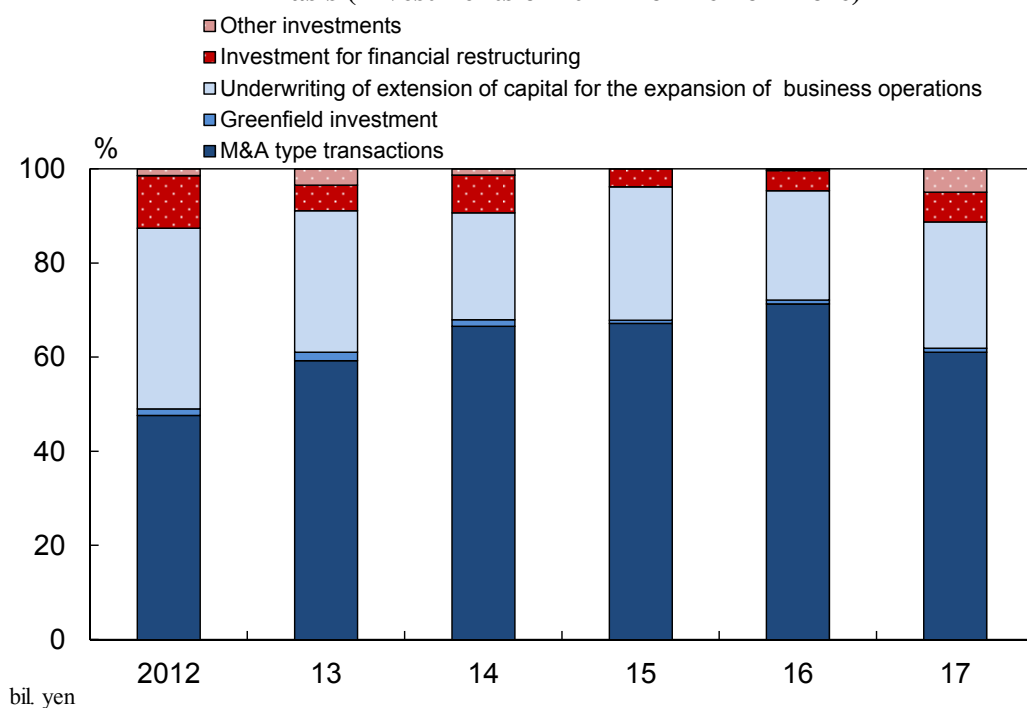
³ Arrows in the figure indicate when (B) is larger (↑) or smaller (↓) than (A).

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Appendix 4. Developments in Direct Investment by Type of Investment^{4,5,6}

Developments in direct investment classified by type of investment show the following. Starting with direct investment assets, M&A type transactions consisting of the acquisition of foreign firms by Japanese firms continued to make up the largest share as a result of large-scale acquisitions. Underwriting of the extension of capital for the expansion of overseas business operations also continued to account for a relatively large share. On the other hand, greenfield investment -- in which new enterprises are established by investors -- continued to be low.

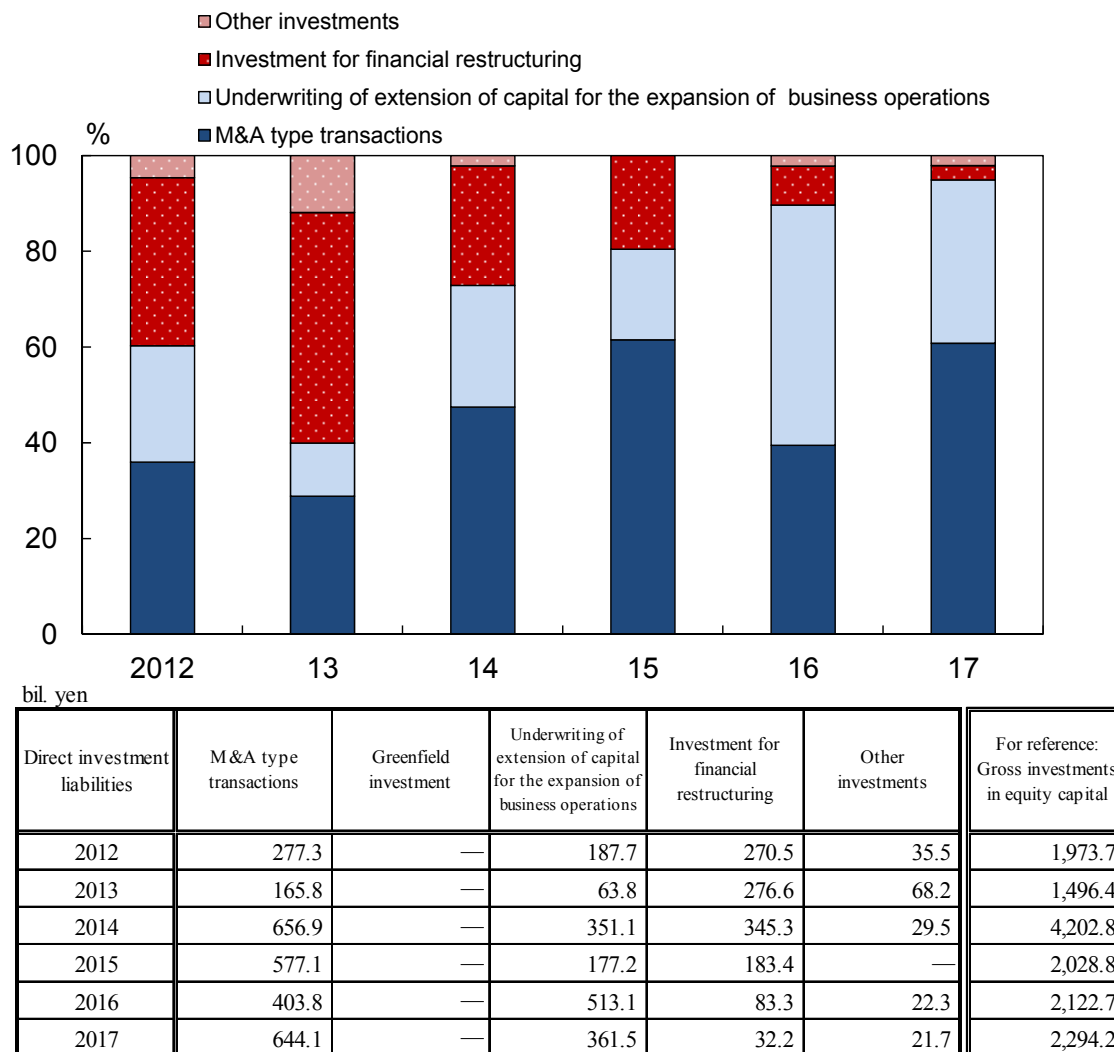
Appendix Figure 4.1 Direct Investment Assets by Type of Investment on a Gross Value Basis (Investments of 10 Billion Yen or More)



Direct investment assets	M&A type transactions	Greenfield investment	Underwriting of extension of capital for the expansion of business operations	Investment for financial restructuring	Other investments	For reference: Gross investments in equity capital
2012	2,224.6	65.2	1,795.0	524.1	64.1	9,783.7
2013	4,750.3	143.4	2,411.4	435.2	273.8	12,491.6
2014	4,013.9	81.9	1,370.2	484.9	77.2	12,565.4
2015	5,419.2	55.1	2,285.7	304.9	—	12,998.0
2016	8,761.7	101.5	2,848.8	530.0	38.0	18,785.4
2017	5,781.6	77.7	2,544.4	594.2	467.6	15,072.9

Direct investment liabilities continued to be low compared to direct investment assets. The breakdown by type of investment shows that M&A type transactions and underwriting of the extension of capital for the expansion of business operations accounted for a large share.

Appendix Figure 4.2 Direct Investment Liabilities by Type of Investment on a Gross Value Basis (Investments of 10 Billion Yen or More)



⁴ In accordance with *BPM6* and the *OECD Benchmark Definition of Foreign Direct Investment, Fourth Edition (BD4)*, direct investment transactions (gross investments in equity capital) are classified into the following five types of investment: (1) M&A type transactions: investment for the acquisition of existing shares of ultimate investee enterprises; (2) greenfield investment: investment for the new establishment of ultimate investee enterprises; (3) underwriting of extension of capital for the expansion of business operations: investment for the extension of capital for the expansion of business operations of ultimate investee enterprises; (4) investment for financial restructuring: investment for debt repayment or loss reduction; and (5) other investments: other investments including investment in corporate type investment trusts.

⁵ Reference figures. The classification is applied only to direct investment transactions (gross investments in equity capital) of 10 billion yen or more.

⁶ Figures before 2014 based on the fifth edition of the *Balance of Payments Manual (BPM5)* have been retroactively revised as far back as possible and have been reclassified to the extent possible for comparability following current international standards.