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Japan's Balance of Payments Statistics for 2015 and International Investment Position at Year-End 2015

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International Department

Bank of Japan

Japan's balance of payments statistics for 2015 -- the annually revised figures for the first through the third quarter of 2015 and the second preliminary figures for the fourth quarter of 2015 -- were released on April 8, 2016, by the Ministry of Finance and the Bank of Japan in the *Balance of Payments*.

Japan's international investment position at year-end 2015 was released on May 24, 2016, by the Ministry of Finance and the Bank as the *International Investment Position of Japan (End of 2015)*.

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I. Introduction (Overview)

This report presents developments in Japan's balance of payments (BOP) for 2015 and Japan's international investment position (IIP) at year-end 2015.

The sum of the balances of the current and capital accounts in the BOP, i.e., the net surplus or deficit, represents Japan's net lending to or net borrowing from the rest of the world. This is conceptually equal to the net balance of the financial account, which records transactions in external financial assets and liabilities. Changes in the IIP are attributable not only to such financial transactions but also to market developments including those in exchange rates, interest rates, and stock prices. The following is an overview of the current and financial accounts for 2015 and the IIP at year-end 2015 bearing these points in mind.

First, the current account surplus increased for the first time in five years, mainly due to a significant decrease in the deficit on goods. Other factors contributing to the increase in the current account surplus are (1) a decrease in the deficit on services, mainly reflecting an increase in the number of foreign visitors to Japan, and (2) an increase in the surplus on primary income such as portfolio investment income, mainly reflecting an increase in Japanese-owned assets abroad.

Second, with the surplus in the current account increasing, net lending in the financial account also expanded. The increase in net lending in the financial account was mainly due to increases in net purchases of foreign securities by Japanese institutional investors and in net acquisitions of foreign direct investment assets by Japanese companies.

And third, net assets decreased for the first time in five years, mainly because the value of Japan's external liabilities increased reflecting the rise in Japanese equity prices.

This report consists of four sections. Following this section, Sections 2 and 3 cover the current account and financial account, respectively, outlining the trends in these accounts and then describing developments in each account by main component. Next, Section 4 presents an overview of the IIP, explains the changes by factor while taking into account developments in the financial account, and describes changes by component.¹ In addition, this report presents, in

¹ Japan's BOP related statistics for data from January 2014 onward are compiled based on the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*, published by the International Monetary Fund (IMF). Unless otherwise stated, figures before 2014 are "historical data rearranged based on *BPM6*," which are historical time series data consistent with the *BPM6*-based statistics.

As figures in the tables of this report have been rounded to the nearest final digit, there may be slight discrepancies between the sums of the constituent items and the totals as shown. "—" denotes not applicable or not available.

several boxes, notable features of recent developments in the BOP and IIP as well as some topics data users frequently inquire about.

Figure 1: Japan's BOP for 2015 and IIP at Year-Ends 2014 and 2015

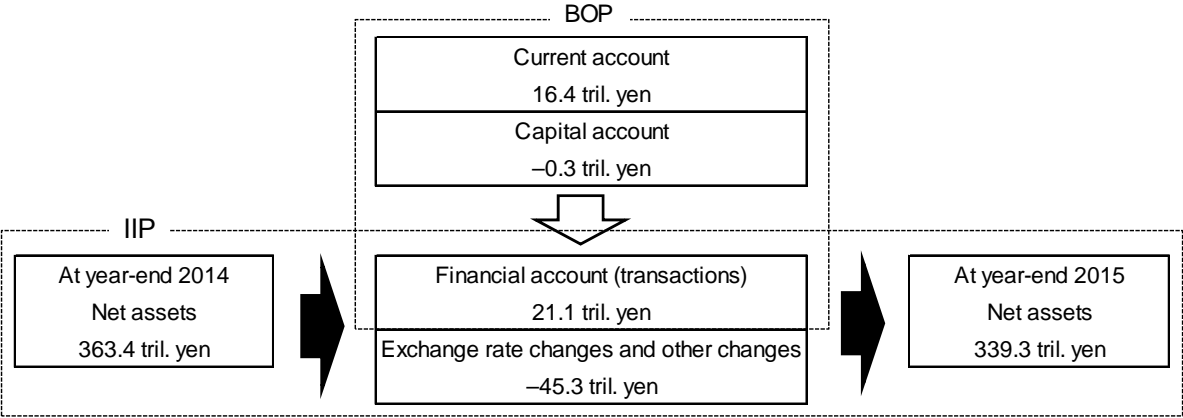
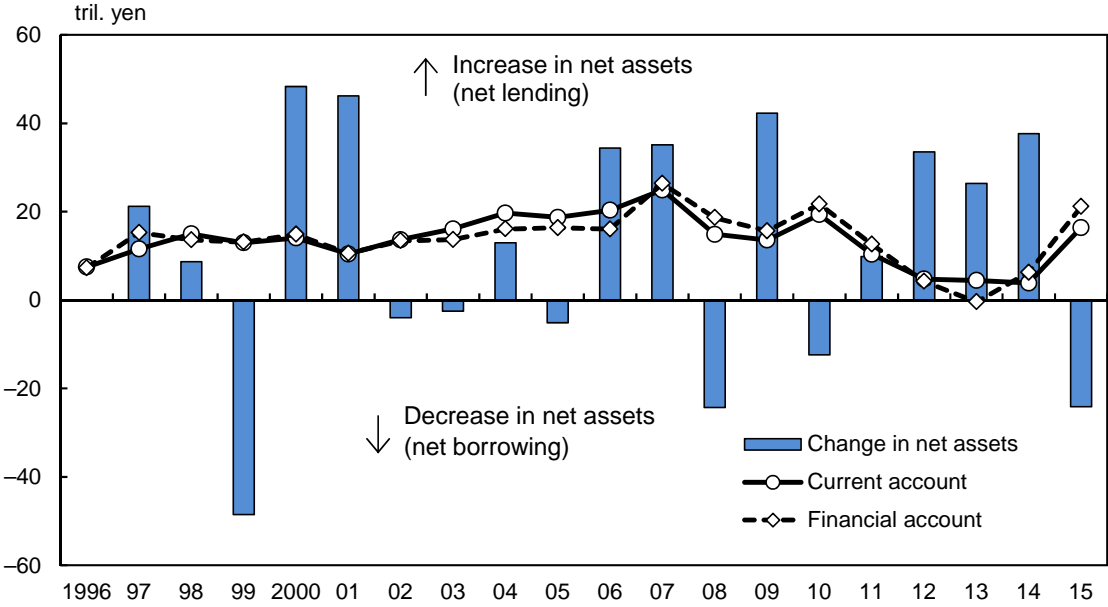


Figure 2: Current and Financial Accounts and Changes in Net Assets



Box 1. Double-Entry Accounting in the BOP Statistics

Following *BPM6*, the BOP statistics are compiled on the basis of double-entry accounting. Specifically, each transaction in the BOP statistics consists of two entries, a credit entry and a debit entry,² of equal value, and the sum of the credit entries and the sum of the debit entries are in principle the same.

The following concrete transaction examples provide an illustration of the way the BOP statistics are compiled based on double-entry accounting.³

Transaction examples

- (1) Export of cars to an overseas firm, receipt of export proceeds of 80
 - Exports 80 (Credit – Export of goods)
 - Currency 80 (Debit – Increase in financial assets)
- (2) Remittance of dividends of 10 to an overseas investor holding shares in a Japanese company
 - Currency 10 (Credit – Decrease in financial assets)
 - Dividends 10 (Debit – Payment of income)
- (3) Remittance by a Japanese parent firm of funds of 40 for the establishment of an overseas affiliate
 - Currency 40 (Credit – Decrease in financial assets)
 - Shares 40 (Debit – Increase in financial assets)
- (4) Sale of corporate bonds of an overseas firm, receipt of cash of 60
 - Bonds 60 (Credit – Decrease in financial assets)
 - Currency 60 (Debit – Increase in financial assets)
- (5) Receipt in cash of a loan of 100 from an overseas bank
 - Loan 100 (Credit – Increase in financial liabilities)
 - Currency 100 (Debit – Increase in financial assets)
- (6) Remittance of development funds of 5 with no obligation to repay for construction of a hospital in a developing country
 - Currency 5 (Credit – Decrease in financial assets)
 - Capital transfers 5 (Debit – Payment of transfers)

Note: Example (3) assumes that the investment ratio (for voting rights) is 10 percent or more, while examples (4) and (5) assume that the investment ratio is less than 10 percent.

² Exports of goods and services, receipts of income, receipts of transfers, decreases in financial assets, and increases in financial liabilities are recorded as credits, while imports of goods and services, payments of income, payments of transfers, increases in financial assets, and decreases in financial liabilities are recorded as debits.

³ Double-entry accounting means that in examples (1) and (2), the transactions are recorded in the current account and under "other investment (financial assets)" in the financial account, in examples (3) and (4), they are recorded as credits and debits under financial assets, in example (5), the transaction is recorded under "other investment (financial assets and financial liabilities)," and in example (6), the transaction is recorded in the capital account and under "other investment (financial assets)" in the financial account.

Accounting in the BOP statistics

	Credit (Receipts)	Debit (Payments)	Net	Balance
Current account	80	10	+70	+70
Goods	80 ⁽¹⁾		+80	+80
Services			0	0
Primary income		10 ⁽²⁾	-10	-10
Secondary income			0	0
Capital account		5 ⁽⁶⁾	-5	-5

	Assets			Liabilities			Balance
	Credit	Debit	Net	Credit	Debit	Net	
Financial account	115	280	+165	100	0	100	+65
Direct investment		40 ⁽³⁾	+40			0	+40
Portfolio investment	60 ⁽⁴⁾		-60			0	-60
Financial derivatives (other than reserves)			0			0	0
Other investment	10 ⁽²⁾ +40 ⁽³⁾ +5 ⁽⁶⁾	80 ⁽¹⁾ +60 ⁽⁴⁾ +100 ⁽⁵⁾	+185	100 ⁽⁵⁾		100	+85
Reserve assets			0				0
Net errors and omissions							0

For instance, in example (1), where cars (goods) are exported to a foreign firm and payment for these exports of 80 are received, the transaction will be recorded as a credit of 80 under goods in the current account, and the cash receipt of 80 will be recorded as a debit under "other investment (financial assets)" in the financial account. Meanwhile, in the case of the loan of 100 from a bank abroad in example (5), this will be recorded in the financial account as a credit of 100 under "loans" in "other investment (financial liabilities)" and as a debit of 100 under "currency and deposits" in "other investment (financial assets)."

Balances in the BOP statistics are obtained as follows. The current and capital accounts are calculated as "credit minus debit," while the financial account is calculated as "net acquisition of financial assets (debit minus credit) minus net incurrence of liabilities (credit minus debit)."⁴ By definition, the following identity holds:

$$\text{Current account balance} + \text{Capital account balance} - \text{Financial account balance} + \text{Errors and omissions} = 0$$

In terms of the example above, this means:

$$\text{Current account balance (70)} + \text{Capital account balance (-5)} - \text{Financial account balance (65)} = 0$$

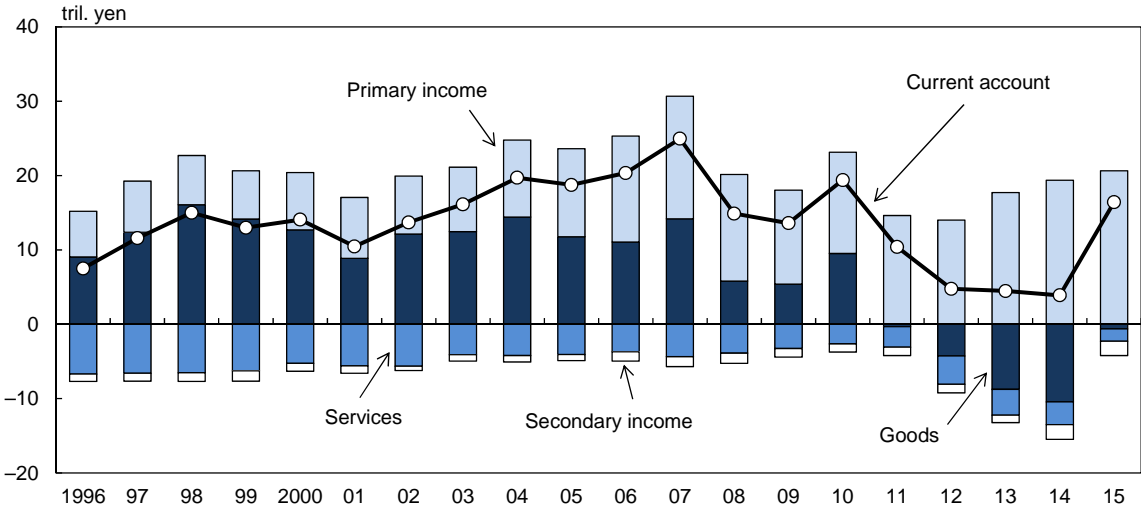
⁴ Until *BPM5*, in the financial account and changes in reserve assets (which were merged in *BPM6* to make up the financial account), inflows of funds were denoted by a plus sign (+) and outflows of funds by a minus sign (-). However, because with the switch to *BPM6* the focus in the financial account shifted to changes in assets and liabilities, increases in assets and liabilities came to be denoted by a plus sign (+) and decreases by a minus sign (-), so that the signs on the asset side now are the opposite of what they used to be.

II. Developments in the Current Account in 2015

A. Summary

The deficit on goods decreased due to an increase in exports and a decrease in imports. The deficit on services also decreased, mainly because the travel balance turned to a surplus, while the primary income surplus increased, mainly because receipts of direct investment income and portfolio investment income increased. Meanwhile, the deficit on secondary income decreased. As a result of these developments, the current account surplus increased.

Figure 3: Current Account



B. Developments in the Main Components

1. Goods

Exports increased to 75.3 trillion yen in 2015 from 74.1 trillion yen in 2014, led by exports of transport equipment to North America. By contrast, imports decreased to 75.9 trillion yen in 2015 from 84.5 trillion yen in 2014, led by a decrease in mineral fuel imports from the Middle East reflecting a drop in crude oil prices. As a result, the deficit on goods decreased to 0.6 trillion yen in 2015 from 10.5 trillion yen in 2014.

Developments by region and by commodity are shown in Tables 1 and 2. Figures for both exports and imports are based on the *Trade Statistics of Japan*.⁵

Table 1: Exports by Region and by Commodity

tril. yen

	2014	2015	y/y chg.	Contribution to overall export growth (% points)
Total exports	73.1	75.6	+2.5	+3.4
North America	14.5	16.2	+1.7	+2.3
Of which: U.S.A.	13.6	15.2	+1.6	+2.2
Asia	39.5	40.3	+0.8	+1.1
EU	7.6	8.0	+0.4	+0.5
Others	11.5	11.1	-0.4	-0.5
Transport equipment	16.9	18.1	+1.2	+1.7
Of which: Motor vehicles	10.9	12.0	+1.1	+1.5
Electrical machinery	12.7	13.3	+0.6	+0.9
Of which: Semiconductors etc.	3.7	3.9	+0.2	+0.3
Machinery	14.2	14.4	+0.2	+0.3
Foodstuffs	0.5	0.6	+0.1	+0.2
Others	28.8	29.2	+0.3	+0.4

Source: Ministry of Finance, *Trade Statistics of Japan*.

⁵ While the *Trade Statistics of Japan* are the main data source for goods in Japan's BOP, the definitions of exports and imports of goods differ between the two statistics and certain adjustments are made to compile the BOP. The major differences are shown in the table below:

	<i>Trade Statistics of Japan</i>	Goods in the BOP
Valuation	Exports: FOB (Free on Board), i.e., the price of goods at the frontier of the exporting country is recorded. Imports: CIF (Cost, Insurance, and Freight), i.e., including insurance premiums and freight charges in addition to the price of goods.	Exports: FOB Imports: FOB
Coverage	Goods that have crossed Japan's customs frontier.	Goods whose ownership has changed between residents and nonresidents. Returned goods are excluded.
Time of recording	Exports: When the ship or aircraft carrying the goods leaves the port Imports: When import of the goods is permitted	When ownership changes

Table 2: Imports by Region and by Commodity

tril. yen

	2014	2015	y/y chg.	Contribution to overall import growth (% points)
Total imports	85.9	78.4	-7.5	-8.7
Middle East	15.8	9.6	-6.3	-7.3
Oceania	5.7	4.9	-0.8	-1.0
Central and East Europe, Russia, etc.	3.2	2.6	-0.6	-0.7
Asia	38.6	38.4	-0.3	-0.3
Others	22.6	23.0	+0.4	+0.5
Mineral fuels	27.7	18.2	-9.5	-11.0
Of which: Petroleum	13.9	8.2	-5.7	-6.6
Liquefied natural gas	7.9	5.5	-2.3	-2.7
Raw materials	5.6	4.9	-0.7	-0.9
Others	52.6	55.3	+2.7	+3.2

Source: Ministry of Finance, *Trade Statistics of Japan*.

2. Services

The deficit on services decreased to 1.7 trillion yen in 2015 from 3.0 trillion yen in 2014, mainly because the travel balance turned to a surplus for the first time since 1996, from when comparable data are available.⁶

Table 3: Services

bil. yen

	2014	2015	y/y chg.	Major factors
Services	-3,033.5	-1,678.4	+1,355.2	—
Transport	-665.3	-662.4	+2.9	The deficit remained more or less unchanged from the previous year due to an increase in the deficit on sea transport and a decrease in the deficit on air transport.
Of which: Sea transport	-183.2	-352.7	-169.6	
Air transport	-474.6	-322.7	+151.9	
Travel	-44.4	1,090.5	+1,134.9	Turned to a surplus reflecting an increase in receipts due to an increase in the number of foreign visitors to Japan. ¹
Credit	1,997.5	3,024.0	+1,026.5	
Debit	2,041.9	1,933.4	-108.4	
Other services	-2,323.9	-2,106.5	+217.3	The deficit decreased mainly due to an increase in the surplus on charges for the use of intellectual property n.i.e.
Credit	11,160.6	12,347.6	+1,187.0	
Debit	13,484.5	14,454.1	+969.6	
Of which: Charges for the use of intellectual property n.i.e.	1,750.2	2,375.0	+624.9	The surplus increased as receipts in the transportation equipment and pharmaceuticals industries increased.
Credit	3,960.7	4,431.4	+470.7	
Debit	2,210.5	2,056.3	-154.2	
Financial services	218.2	520.0	+301.8	The surplus increased as receipts of commissions and other charges related to transactions in securities increased.
Credit	774.7	1,245.7	+471.1	
Debit	556.5	725.8	+169.3	
Other business services	-2,298.9	-3,279.9	-981.0	The deficit increased as payments for technical, trade-related, and other business services increased.
Credit	3,960.2	4,101.6	+141.3	
Debit	6,259.1	7,381.5	+1,122.4	

Note: 1. According to the Japan National Tourism Organization, the number of foreign visitors to Japan reached about 19.74 million in 2015, an increase of 47.1 percent from the previous year.

⁶ In this report, "rearranged data based on *BPM6*," which are disseminated for data from January 1996 onward, are used for time-series comparisons.

Box 2. Developments in Charges for the Use of Intellectual Property n.i.e.

In 2015, Japan's deficit in the balance on "other services" contracted, reflecting the fact that the increase in receipts exceeded that in payments. A look at developments in receipts since 1996 shows that the main reason for this increase in receipts in "other services" is a substantial increase in receipts of charges for the use of intellectual property n.i.e. in recent years (see Figure 1 for Box 2). Furthermore, examining receipts of charges for the use of intellectual property n.i.e. by region indicates that there has been a notable increase in receipts from North America and Asia (see Figure 2 for Box 2).

Figure 1 for Box 2: Receipts in the Balance on Other Services (Compared to 1996)

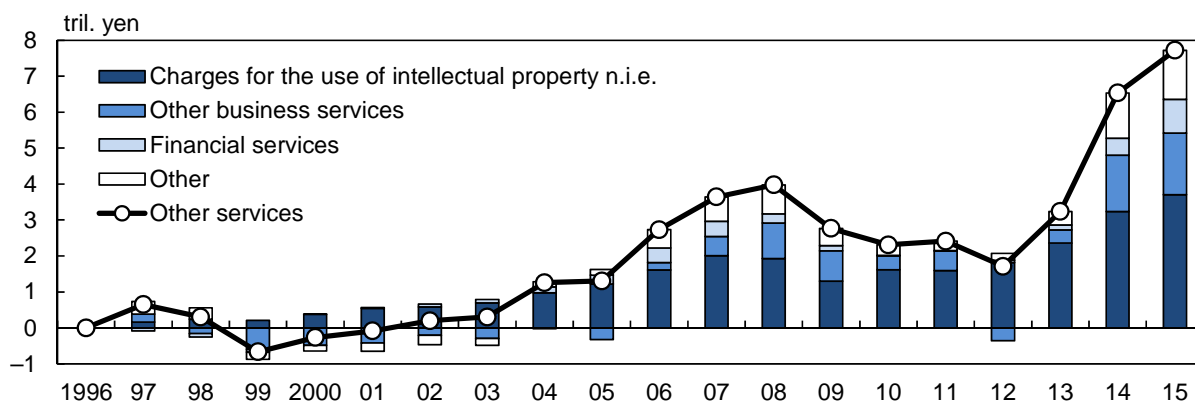
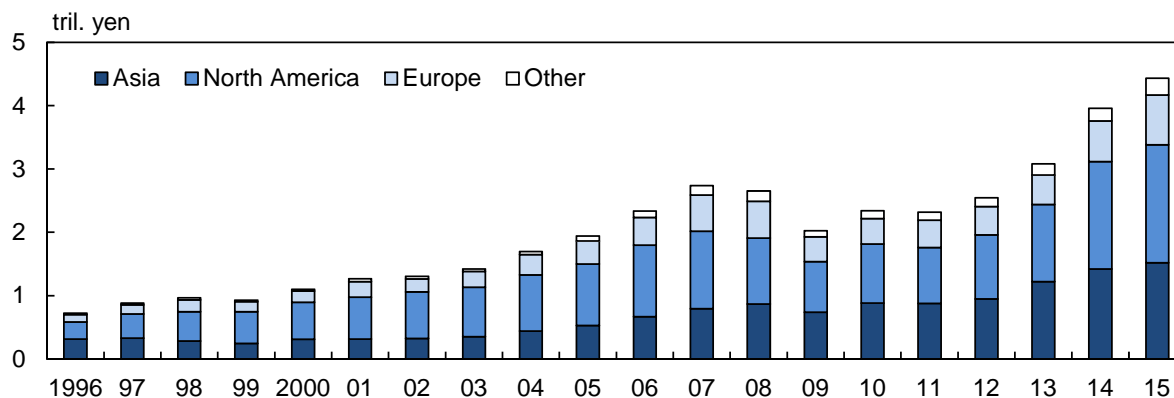


Figure 2 for Box 2: Receipts of Charges for the Use of Intellectual Property n.i.e. by Region

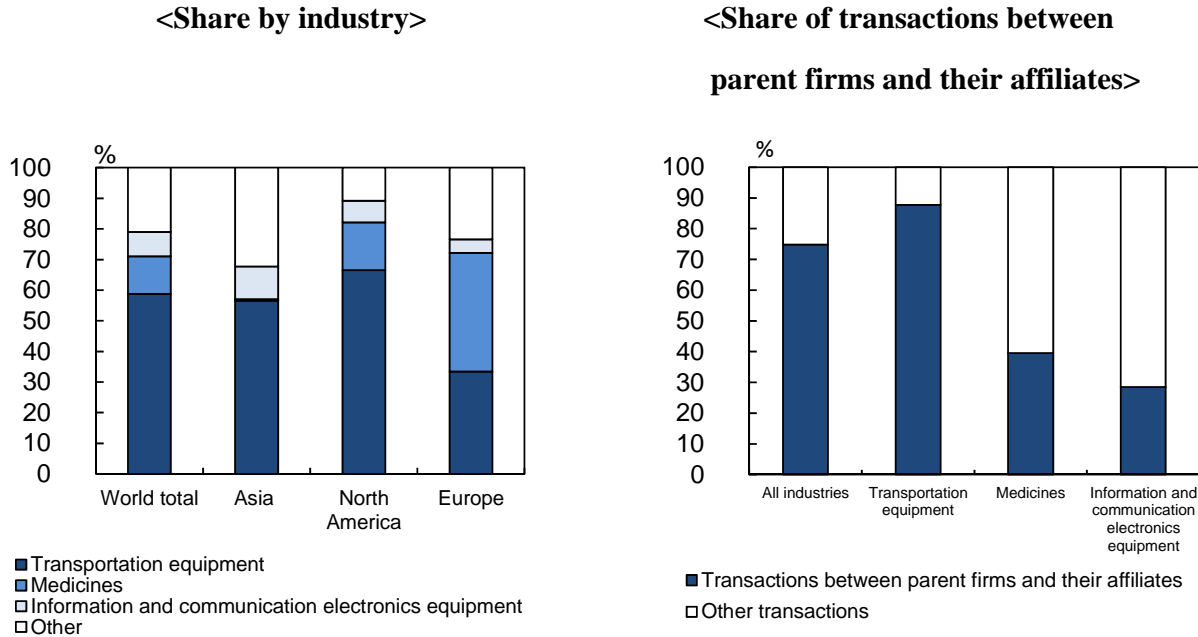


The growing receipts of charges for the use of intellectual property n.i.e. from North America and Asia can be attributed to the increase in receipts of technical advisory fees and the like from overseas affiliates as a result of the further development of global supply, production, and sales networks through the expansion of overseas operations of Japanese firms. Moreover, it is likely that such receipts as royalties from partner firms overseas, reflecting increased collaboration with foreign firms, also played a role.

Looking at Japan's value of technology exchange (exports) -- published by the Statistics Bureau,

Ministry of Internal Affairs and Communications -- provides further insights on the industry composition of the increase in receipts of charges for the use of intellectual property n.i.e. This indicates that the transportation equipment industry accounts for more than 50 percent of Japan's technology exports to North America and Asia and that the share of transactions between parent firms and their affiliates in this industry is much higher than the average for all industries. On the other hand, in the medicines industry and the information and communication electronics equipment industry, both of which also account for large shares in Japan's technology exports, the share of transactions among parents and affiliates is below the average for all industries (see Figure 3 for Box 2).

Figure 3 for Box 2: Value of Technology Exchange (Exports) (FY2014)



Source: Statistics Bureau, Ministry of Internal Affairs and Communications, *Survey of Research and Development 2015*.

Taken together, these observations suggest that the patterns driving the increase in receipts of charges for the use of intellectual property n.i.e. include (1) domestic parent firms in the transportation equipment industry receiving technical advisory fees from their affiliates in North America and Asia engaged in local production, and (2) Japanese firms in the medicines industry and the information and communication electronics equipment industry receiving charges for industrial property rights from the licensing of patent rights and sales rights to non-affiliated firms abroad.

3. Primary income

The surpluses on both direct investment income and portfolio investment income increased due to an increase in receipts, partly reflecting an increase in Japanese-owned assets abroad. Against this background, the surplus on primary income increased to 20.7 trillion yen in 2015 from 19.4 trillion yen in 2014, reaching -- as in the previous year -- a new record high since 1996, from when comparable data are available.

Table 4: Primary Income

bil. yen

	2014	2015	y/y chg.	Major factors
Primary income	19,373.8	20,652.6	+1,278.8	—
Of which:				
Direct investment	7,786.2	8,115.1	+328.9	The surplus increased, registering a record high, due to an increase in receipts of dividends and withdrawals from income of quasi-corporations.
Credit	10,418.5	10,845.0	+426.5	Total receipts increased as receipts of dividends and withdrawals from income of quasi-corporations increased, mainly because (1) some Japanese companies withdrew surplus funds from their overseas affiliates in the form of dividends and (2) Japanese-owned assets abroad increased.
Of which: Dividends and withdrawals from income of quasi-corporations	5,600.8	6,051.8	+451.1	
Debit	2,632.3	2,729.9	+97.6	Total payments increased due to an increase in payments of dividends and withdrawals from income of quasi-corporations, mainly reflecting an improvement in the business performance of Japanese affiliates of foreign companies.
Of which: Dividends and withdrawals from income of quasi-corporations	1,336.9	1,460.6	+123.7	
Portfolio investment	11,004.4	12,109.9	+1,105.5	The surplus increased due to an increase in interest receipts.
Investment income on equity and investment fund shares	2,864.1	3,021.4	+157.3	The surplus increased because of an increase in receipts partly due to the increase in Japanese-owned assets abroad.
Credit	5,726.7	6,511.5	+784.7	
Debit	2,862.6	3,490.0	+627.4	
Interest	8,140.3	9,088.4	+948.1	The surplus increased because of an increase in receipts partly due to the increase in Japanese-owned assets abroad.
Credit	9,421.0	10,471.8	+1,050.8	
Debit	1,280.7	1,383.3	+102.7	

4. Secondary income

The deficit on secondary income decreased to 1.9 trillion yen in 2015 from 2.0 trillion yen in 2014, mainly because the deficit in the "financial corporations, nonfinancial corporations, households, and NPISHs" sector decreased.

Table 5: Secondary Income

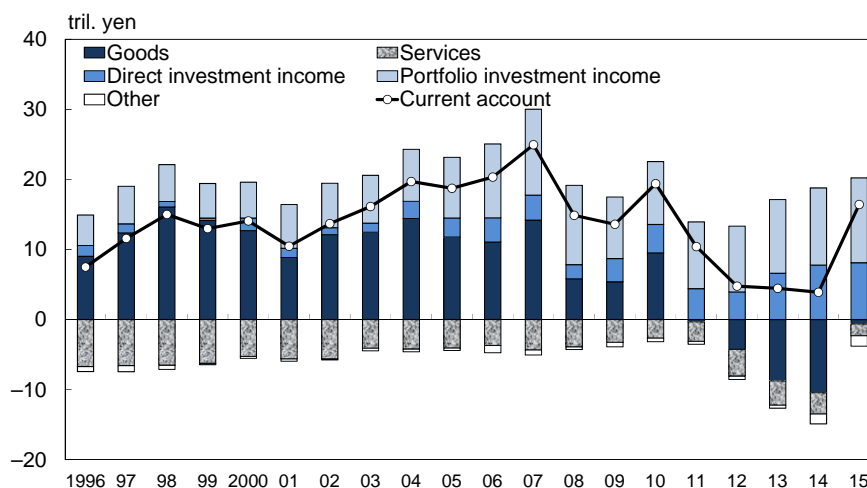
bil. yen

	2014	2015	y/y chg.	Major factors
Secondary income	-1,994.5	-1,932.7	+61.8	—
General government	-519.9	-539.3	-19.4	The deficit increased.
Financial corporations, nonfinancial corporations, households, and NPISHs	-1,474.6	-1,393.4	+81.2	The deficit decreased due to an increase in receipts of other current transfers.
Personal transfers (current transfers between resident and nonresident households)	-45.9	-28.5	+17.4	
Other current transfers	-1,428.7	-1,364.9	+63.8	

Box 3. Developments in Direct Investment Income by Region

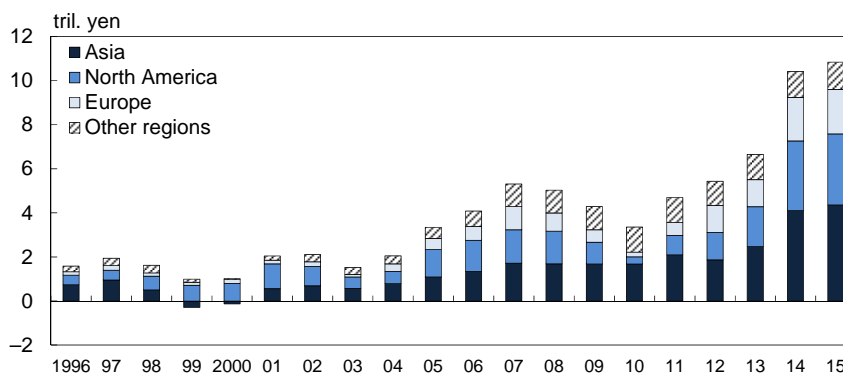
While Japan has had a current account surplus for several decades, the mid-2000s represent a turning point in that the main factor underlying the current account surplus shifted from a surplus on goods to a surplus on primary income, which includes income from portfolio and direct investment (see Figure 1 for Box 3).⁷ Especially the surplus on direct investment income has been on an upward trend in recent years.

Figure 1 for Box 3: Current Account



Looking at direct investment income by region shows that receipts from Asia have steadily increased since the 2000s and in 2015 accounted for the largest share (see Figure 2 for Box 3). Receipts from North America and Europe have also been on an upward trend since 2010.

Figure 2 for Box 3: Direct Investment Income (Receipts)



⁷ For details, see the *Bank of Japan Review Series* article "Recent Trends in Japan's Balance of Payments -- Findings from the New Balance of Payments Statistics," released on July 26, 2016, available on the Bank's website (<http://www.boj.or.jp/en/index.htm>).

Next, as for the increase in direct investment income, a look at developments in the investment position and the rate of return of direct investment separately shows that while Japan's outward direct investment has been on an upward trend in all regions, North America accounts for the largest share (see Figure 3 for Box 3). On the other hand, the rate of return has been consistently higher in Asia than in other regions (see Figure 4 for Box 3).

Figure 3 for Box 3: Outward Direct Investment Position

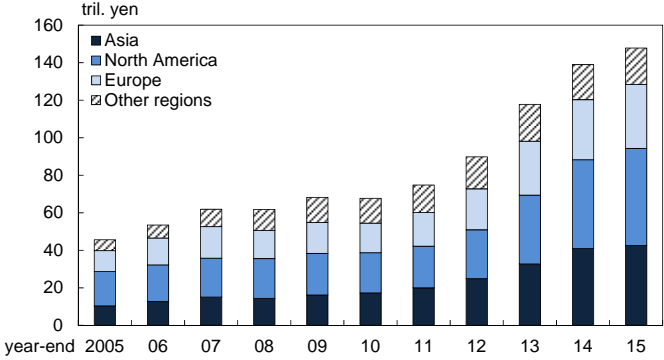
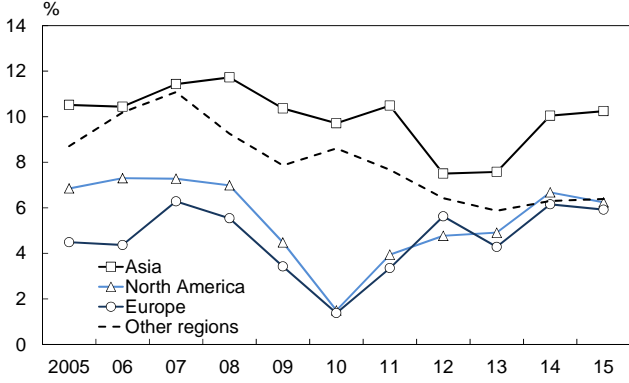
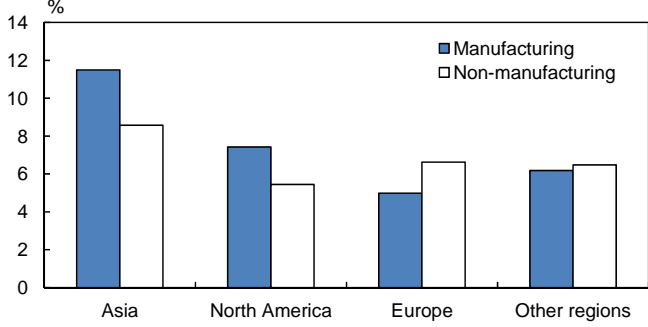


Figure 4 for Box 3: Rate of Return on Outward Direct Investment by Region



Finally, looking at the rate of return in the manufacturing and non-manufacturing sectors in each of the regions separately indicates that in both sectors the rate of return in Asia is higher than in any other region and is particularly high in the manufacturing sector (see Figure 5 for Box 3). Thus, it is in particular receipts in the manufacturing sector from Asia, where the rate of return is high, that have contributed to the increase in Japan's direct investment income.

Figure 5 for Box 3: Rate of Return on Outward Direct Investment by Region and Sector (as of 2015)

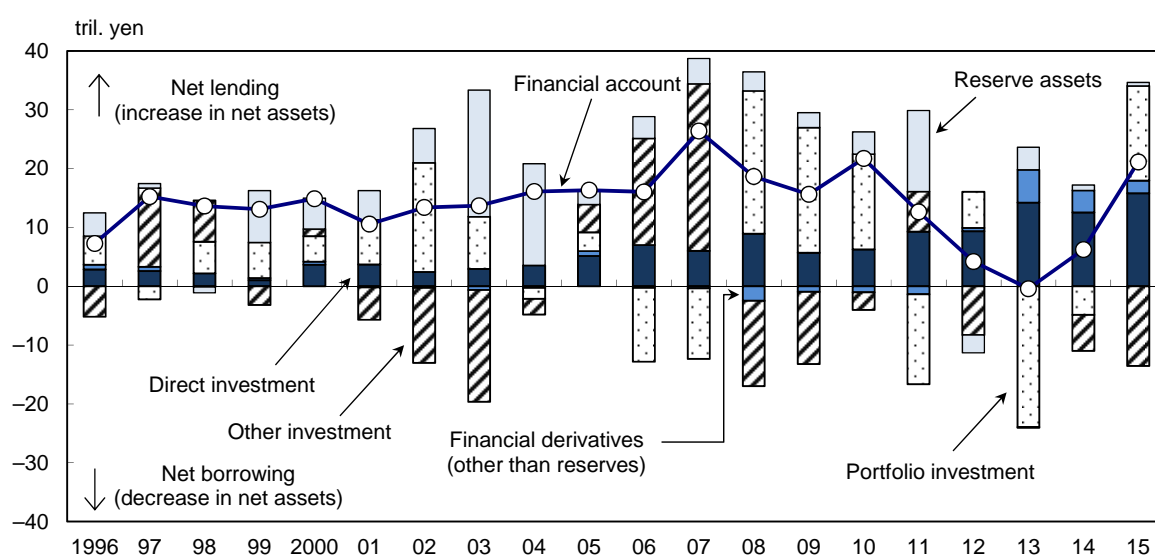


III. Developments in the Financial Account in 2015⁸

A. Summary

The pace of increase in net lending under direct investment accelerated, reflecting an increase in net acquisitions of direct investment assets and a shift in direct investment liabilities to foreigners from a net incurrence to a net repayment. In addition, net portfolio investment shifted from net borrowing to net lending, reflecting an increase in net purchases of foreign securities by Japanese investors. On the other hand, net borrowing under other investment increased. Reflecting these developments in the main categories, net lending in the financial account increased.

Figure 4: Financial Account



⁸ Figures for portfolio investment and other investment do not include securities lending transactions.

In the *BPM5*-based statistics, securities lending transactions were recorded under "portfolio investment," on the pretense that a change in ownership had occurred. The same amount was recorded as a corresponding entry under "other investment." Such transactions are no longer recorded in the *BPM6*-based statistics.

In the *BPM5*-based statistics, given that the inclusion of securities lending transactions had made it difficult to grasp trends in actual sales and purchases of securities, because lending transactions were large in volume, figures excluding securities lending transactions were compiled and disseminated as reference data. These data are used in this report for figures before 2014.

B. Developments in the Main Components

1. Direct investment

Net acquisitions of direct investment assets continued apace in 2015 and increased to 15.8 trillion yen from 14.5 trillion yen in 2014, registering a record high since 1996, from when comparable data are available.

Net repayment of direct investment liabilities to foreigners was 16.4 billion yen in 2015, after a net incurrence of 1.9 trillion yen in 2014.

Table 6: Direct Investment

bil. yen

	2014	2015	y/y chg.	Major factors
Direct investment	12,546.6	15,845.1	+3,298.5	—
Assets	14,470.9	15,828.7	+1,357.8	Net acquisitions of assets increased led by investments in the finance and insurance industry and the wholesale and retail industry.
Liabilities	1,924.3	-16.4	-1,940.7	Shifted to net repayment due to withdrawals in the finance and insurance industry and the transportation equipment industry.

Box 4. Developments in Direct Investment by Type of Investment

Direct investment can be classified into the following five types of investment:^{9,10}

- (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;
- (5) other investments: other investments including investment in corporate type investment trusts.

Looking at developments by type of investment shows the following. Starting with direct investment assets, M&A type transactions consisting of the acquisition of foreign firms by Japanese firms have increased rapidly, while underwriting of the extension of capital for the expansion of overseas business operations also remained high. On the other hand, greenfield investment -- in which new enterprises are established by investors -- continued to be small (see Table 1 for Box 4).

Turning to direct investment liabilities, M&A type transactions remained firm, although the amount involved was smaller than in the case of direct investment assets (see Table 2 for Box 4).

Table 1 for Box 4: Direct Investment Assets by Type of Investment on a Gross Value Basis

bil. yen

	(1) M&A type transactions	(2) Greenfield investment	(3) Underwriting of extension of capital for the expansion of business operations	(4) Investment for financial restructuring	(5) Other investments	For reference: Investments of less than 10 billion yen
2012	2,224.6	65.2	1,795.0	524.1	64.1	5,110.7
2013	4,750.3	143.4	2,411.4	435.2	273.8	4,477.5
2014	4,013.9	81.9	1,370.2	484.9	77.2	6,537.3
2015	5,359.7	55.1	2,290.2	294.2	—	4,663.0

⁹ The classification is applied only to direct investment transactions (gross investments in equity capital) of 10 billion yen or over.

¹⁰ The classification follows *BPM6* and the *OECD Benchmark Definition of Foreign Direct Investment, Fourth Edition* (2008).

Table 2 for Box 4: Direct Investment Liabilities by Type of Investment on a Gross Value Basis

bil. yen

	(1) M&A type transactions	(2) Greenfield investment	(3) Underwriting of extension of capital for the expansion of business operations	(4) Investment for financial restructuring	(5) Other investments	For reference: Investments of less than 10 billion yen
2012	277.3	—	187.7	270.5	35.5	1,202.7
2013	165.8	—	63.8	276.6	68.2	922.0
2014	656.9	—	351.1	345.3	29.5	2,820.0
2015	577.0	—	177.4	183.4	—	1,058.4

Note: Figures before 2014 based on *BPM5* have been retroactively revised as far back as possible and have been reclassified to the extent possible for comparability following current international standards.

2. Portfolio investment¹¹

a. Portfolio investment assets

Net purchases of foreign securities by Japanese investors increased to 36.9 trillion yen in 2015 -- a record high since 1996, from when comparable data are available -- from 12.2 trillion yen in 2014, mainly due to increases in net purchases of foreign equity and investment fund shares and of foreign long-term debt securities.

Net purchases of foreign equity and investment fund shares increased to 20.2 trillion yen in 2015 from 6.6 trillion yen in 2014. This was mainly because net purchases by investment trust management companies and by banks and trust banks via their trust accounts, which include investment by public and private pension funds, increased. By region, investment in North American securities shifted to net purchases and net purchases of Central and South American securities and European securities increased.

Table 7: Investment in Equity and Investment Fund Shares (Assets)

bil. yen

	2013	2014	2015	y/y chg.
Investment in equity and investment fund shares (assets)	-6,616.1	6,632.2	20,160.4	+13,528.2
Of which: Investment trust management companies	-1,160.2	4,893.4	12,861.4	+7,968.0
Trust accounts ¹	-4,583.8	1,702.8	6,460.0	+4,757.2
Asia	-569.6	1,253.1	836.1	-417.0
North America	-4,235.6	-674.8	4,293.3	+4,968.1
Of which: U.S.A.	-3,967.8	-695.7	4,125.3	+4,821.0
Europe	-1,362.3	573.3	2,505.5	+1,932.2
Of which: U.K.	-642.1	-182.2	509.5	+691.8
Ireland	28.5	-275.0	134.6	+409.6
France	-214.5	-178.6	188.8	+367.4
Central and South America	-68.8	5,153.6	11,882.5	+6,728.9
Of which: Cayman Islands	85.5	4,858.1	11,966.2	+7,108.1
Others	-379.9	327.0	642.9	+315.9

Note: 1. Trust accounts of banks and trust banks.

¹¹ Open-ended contract-type investment funds were recorded as "long-term debt securities" before 2014 but are recorded as "equity and investment fund shares" from 2014 onward. This also applies to the IIP.

Net purchases of foreign long-term debt securities increased to 16.4 trillion yen in 2015 from 4.5 trillion yen in 2014, mainly because investment by deposit-taking corporations, except the central bank, shifted to net purchases and net purchases by life and non-life insurance companies increased. By region, net purchases of North American securities increased.

Table 8: Investment in Long-Term Debt Securities (Assets)

bil. yen

	2013	2014	2015	y/y chg.
Investment in long-term debt securities (assets)	318.5	4,515.8	16,414.1	+11,898.3
Of which: Deposit-taking corporations, except the central bank ¹	-2,380.0	-3,436.0	6,125.4	+9,561.5
Life and non-life insurance companies	994.4	3,903.6	5,946.9	+2,043.3
Asia	533.6	856.0	759.5	-96.6
North America	-1,547.5	3,151.1	15,694.6	+12,543.5
Of which: U.S.A.	-1,679.2	2,713.7	15,245.5	+12,531.7
Europe	2,062.5	-976.9	-847.5	+129.4
Of which: Germany	874.7	-3,552.9	-1,920.0	+1,632.9
Belgium	259.7	-69.3	294.2	+363.5
Austria	76.2	-436.9	-92.5	+344.4
Sweden	-457.1	-267.4	73.6	+341.0
France	1,919.4	2,792.4	309.5	-2,482.9
U.K.	-316.7	245.3	-575.4	-820.7
Central and South America	2,259.4	1,808.7	661.3	-1,147.4
Of which: Cayman Islands	2,081.1	1,705.1	450.4	-1,254.7
Oceania	-785.0	673.9	690.2	+16.3
Others	-2,204.4	-997.0	-544.0	+453.0

Note: 1. Banking accounts of banks and trust banks.

b. Portfolio investment liabilities

Net purchases of Japanese securities by foreign investors increased to 20.9 trillion yen in 2015 from 17.1 trillion yen in 2014, mainly due to an increase in net purchases of Japanese short-term debt securities.

Net purchases of Japanese equity and investment fund shares decreased to 1.3 trillion yen in 2015 from 3.8 trillion yen in 2014, mainly because net purchases by European investors decreased and investment by Asian and North American investors shifted to net sales.¹²

Table 9: Investment in Equity and Investment Fund Shares (Liabilities)

bil. yen

	2013	2014	2015	y/y chg.
Investment in equity and investment fund shares (liabilities)	17,035.0	3,766.2	1,269.0	-2,497.2
Asia	3,849.0	750.3	-262.0	-1,012.2
Of which: Singapore	353.3	-38.0	-879.5	-841.6
Hong Kong	3,498.2	803.1	649.1	-154.1
North America	5,234.7	274.5	-82.7	-357.3
Of which: U.S.A.	5,238.1	276.4	-82.2	-358.6
Europe	8,020.8	2,768.2	1,677.9	-1,090.3
Of which: France	1,450.0	752.0	-497.0	-1,249.0
U.K.	6,672.2	2,064.0	2,261.5	+197.5
Others	-69.5	-26.7	-64.1	-37.4

¹² The regional classification of portfolio investment liabilities is based on the location of the counterparty to the transaction, not the location of the ultimate investor. For example, an investment in Japanese securities by a French investor through a securities company in the United Kingdom would be recorded as an investment from the United Kingdom, not from France. As a result, countries with large financial markets such as the United Kingdom and the United States tend to account for a large amount of investment.

Net purchases of Japanese long-term debt securities decreased to 9.9 trillion yen in 2015 from 12.3 trillion yen in 2014, mainly because investment by Asian investors and international organizations shifted to net sales and net purchases by North American investors decreased.

Table 10: Investment in Long-Term Debt Securities (Liabilities)

bil. yen

	2013	2014	2015	y/y chg.
Investment in long-term debt securities (liabilities)	-1,416.1	12,279.9	9,884.7	-2,395.2
Asia	-2,084.1	1,465.6	-978.4	-2,443.9
Of which: P.R. China	-2,376.6	768.1	-443.8	-1,211.9
Thailand	-26.6	534.3	-105.3	-639.6
Hong Kong	-94.1	45.5	-191.6	-237.1
North America	1,782.4	2,846.2	1,913.2	-933.0
Of which: U.S.A.	1,761.6	2,805.5	2,023.3	-782.2
Europe	189.3	8,457.1	11,245.8	+2,788.7
Of which: U.K.	373.6	7,674.6	11,225.9	+3,551.4
France	-486.5	124.6	902.2	+777.6
Luxembourg	-214.6	103.1	-1,029.3	-1,132.4
Middle East	-625.6	-226.2	-448.3	-222.2
Of which: Saudi Arabia	-307.1	-139.2	-242.2	-103.0
Iran	-303.0	-75.0	-168.0	-93.0
International organizations	-322.0	38.4	-1,265.7	-1,304.0
Others	-356.2	-301.2	-582.0	-280.8

Net purchases of Japanese short-term debt securities increased to 9.7 trillion yen in 2015 from 1.0 trillion yen in 2014.

Table 11: Investment in Short-Term Debt Securities (Liabilities)

bil. yen

	2013	2014	2015	y/y chg.
Investment in short-term debt securities (liabilities)	2,245.1	1,035.5	9,728.4	+8,692.9
Asia	-5,440.0	-9,515.0	2,767.1	+12,282.1
Of which: P.R. China	1,968.9	-996.4	6,127.4	+7,123.8
Singapore	-4,242.1	-5,251.9	-2,400.5	+2,851.4
Hong Kong	-1,077.1	-1,252.8	176.2	+1,429.1
North America	-250.1	-47.7	-1,091.2	-1,043.5
Of which: U.S.A.	-247.3	195.1	-843.6	-1,038.8
Europe	30,561.6	41,530.4	38,671.1	-2,859.3
Of which: U.K.	73,436.1	98,308.2	112,831.2	+14,523.0
France	-11,981.6	-3,275.1	-1,058.9	+2,216.3
Norway	-1,060.8	-1,179.0	-42.5	+1,136.5
Luxembourg	-26,065.8	-44,408.5	-65,761.7	-21,353.3
Middle East	-9,062.4	-12,867.7	-11,848.5	+1,019.1
Of which: U.A.E.	-7,529.8	-10,869.3	-10,517.2	+352.1
International organizations	-8,264.7	-11,802.1	-12,156.5	-354.4
Others	-5,299.3	-6,262.5	-6,613.5	-351.0

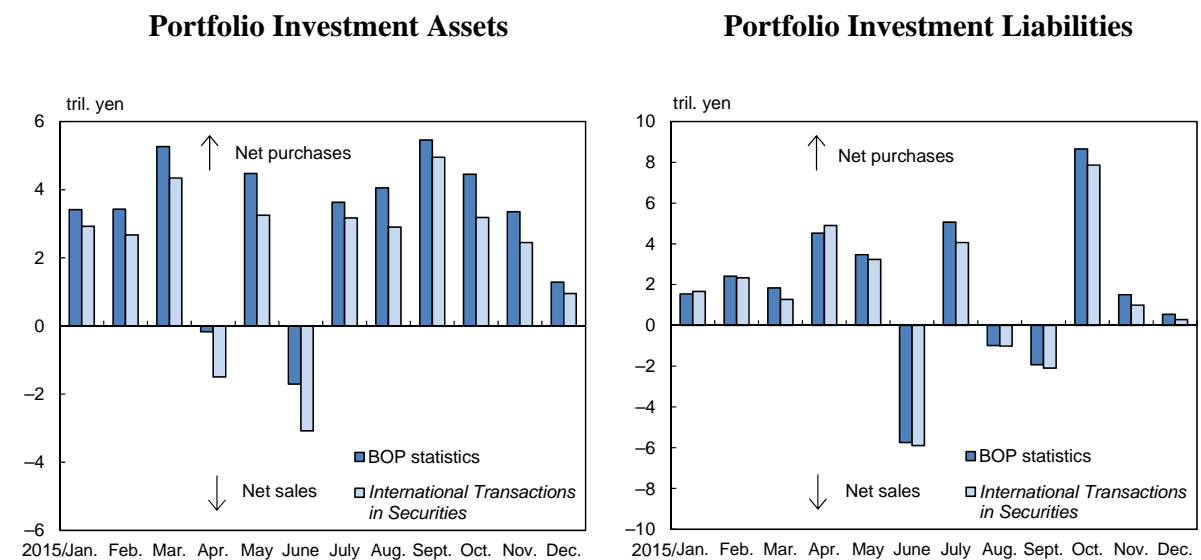
Box 5. The BOP Statistics and *International Transactions in Securities* Statistics

In addition to the BOP statistics, the Ministry of Finance releases another set of statistics showing developments in securities transactions between residents and nonresidents called the *International Transactions in Securities* (based on reports from designated major investors).

The statistics cover 97 percent of securities investment (on a gross trade basis; 2015) in the BOP statistics, and monthly figures are released a month earlier than the BOP statistics. The major differences from the BOP statistics are that (1) the reporting institutions are institutional investors designated by the Ministry of Finance in accordance with Article 21 of the "ministerial ordinance concerning reporting on foreign exchange transactions, etc.," and (2) they do not include figures on securities issuance and subscription.

Comparing monthly figures for 2015 in the two sets of statistics shows that no major discrepancies in developments in the figures can be observed, indicating that the *International Transactions in Securities* provide a reliable leading indicator of the BOP statistics (see Figure for Box 5).

Figure for Box 5: The BOP Statistics and *International Transactions in Securities*



3. Financial derivatives (other than reserves)

Net payments associated with financial derivatives (other than reserves) continued -- mainly because residents who had entered into currency swap arrangements paid supplementary principal -- but decreased to 2.1 trillion yen in 2015 from 3.8 trillion yen in 2014.

4. Other investment

Net borrowing under other investment increased to 13.5 trillion yen in 2015 from 6.1 trillion yen in 2014, mainly due to an increase in funds provided to Japan through interoffice accounts.

Box 6. Overview of Annual Revisions

Before introducing an annual revision system, final figures in the BOP statistics were released about two to four months after the release of preliminary figures and in principle were not subject to further revision. Similarly, once Japan's end of year IIP was released, as a general rule, no subsequent revisions were undertaken. However, given that some source data are not available at the time that the final figures are released and some of the reported data are corrected after the release of the final figures, one issue was to retroactively revise figures in order to enhance the accuracy of statistics and the consistency of time series data.¹³

Against this background, the data revision policy regarding the BOP and IIP was changed with the switch to *BPM6* and an annual revision system was introduced. In the annual revision system, BOP and IIP data are retroactively revised once a year for the preceding two years to reflect data corrections and data that only become available with a delay.¹⁴

Based on this year's annual revision, revised BOP figures for 2014 and 2015 have been released (see Table 1 for Box 6). For 2014, the most notable revisions are those of the direct investment income in the current account (1.2 trillion yen) and the reinvestment of earnings in the financial account (1.2 trillion yen), due mainly to the adjustment of the recording period for reinvested earnings (for details on the adjustment, see Box 7).

For the IIP, based on this year's annual revision, figures for year-end 2014 were revised for the first time (see Table 2 for Box 6). Specifically, due to the correction of reported data after the release of the IIP, total assets were revised downward by 2.9 trillion yen and total liabilities were revised upward by 0.6 trillion yen, so that net assets were revised downward by 3.4 trillion yen.

¹³ For details, see "Revision of Balance of Payments Related Statistics in Japan" released on October 8, 2013, available on the Bank's website (<http://www.boj.or.jp/en/index.htm>).

¹⁴ Annually revised figures are released in April every year for the BOP and in May every year for the IIP.

Table 1 for Box 6: BOP Statistics

bil. yen

	2014			2015		
	Annually revised figures	Previous figures ¹	Difference	Annually revised figures ²	Previous figures ³	Difference
Current account	3,880.5	2,645.8	+1,234.7	16,412.7	16,641.3	-228.6
Goods and services	-13,498.8	-13,481.7	-17.1	-2,307.2	-2,206.2	-101.0
Goods	-10,465.3	-10,401.6	-63.7	-628.8	-643.4	+14.5
Services	-3,033.5	-3,080.1	+46.5	-1,678.4	-1,562.8	-115.6
Primary income	19,373.8	18,120.3	+1,253.4	20,652.6	20,776.7	-124.1
Of which: Direct investment	7,786.2	6,547.7	+1,238.5	8,115.1	8,250.4	-135.3
Secondary income	-1,994.5	-1,992.9	-1.6	-1,932.7	-1,929.2	-3.5
Capital account	-208.9	-198.7	-10.2	-271.3	-271.3	0.0
Financial account	6,237.1	5,499.1	+738.1	21,145.2	21,137.4	+7.9
Direct investment	12,546.6	11,813.4	+733.2	15,845.1	16,039.5	-194.3
Of which: Reinvestment of earnings	3,468.0	2,228.1	+1,239.9	3,418.1	3,513.1	-95.0
Portfolio investment	-4,833.0	-4,950.2	+117.2	16,062.0	16,015.4	+46.6
Financial derivatives (other than reserves)	3,764.4	3,639.6	+124.8	2,142.4	2,146.0	-3.6
Other investment	-6,130.6	-5,893.5	-237.1	-13,529.3	-13,688.6	+159.3
Reserve assets	889.8	889.8	0.0	625.1	625.1	0.0
Net errors and omissions	2,565.6	3,052.0	-486.4	5,003.8	4,767.4	+236.5

Notes: 1. Figures for 2014/Q1-3 are previous annually revised figures, while those for 2014/Q4 are second preliminary figures.

2. Figures for 2015/Q4 are second preliminary figures.

3. Figures for 2015/Q1-3 are second preliminary figures, while those for 2015/Q4 are preliminary figures.

Table 2 for Box 6: Japan's IIP (Year-End 2014, Annually Revised Figures)

bil. yen

	Assets			Liabilities		
	Annually revised figures	Previous figures	Difference	Annually revised figures	Previous figures	Difference
Total	942,381	945,273	-2,892	578,971	578,416	+555
Direct investment	142,017	143,940	-1,924	23,748	23,344	+404
Portfolio investment	409,939	410,056	-117	285,081	285,228	-147
Financial derivatives (other than reserves)	56,288	56,342	-54	59,555	59,183	+372
Other investment	183,057	183,854	-797	210,586	210,661	-75
Reserve assets	151,080	151,080	0	—	—	—
Net assets	363,409	366,856	-3,447			

Note: Previous figures are those released in May 2015.

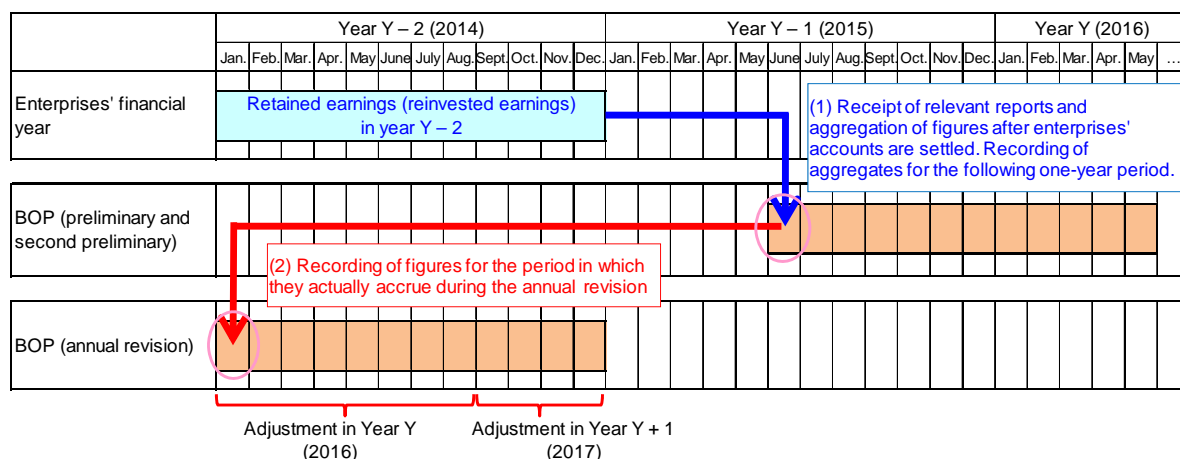
Box 7. Adjustment of the Recording Period for Reinvested Earnings

In the BOP statistics, reinvested earnings are direct investment enterprises' share of earnings that are not distributed to investors but accumulated as retained earnings. Such retained earnings are simultaneously recorded under direct investment income in the current account and under direct investment in the financial account and treated as if they were reinvested in the enterprise.

The source data for reinvested earnings are taken from enterprises' financial statements and are not available until enterprises' accounts are settled. Therefore, for the preliminary and second preliminary figures, data from financial statements for previous accounting years are used.¹⁵ For example, for enterprises whose financial year ends in December, earnings from January to December 2014 are used for the 12 months from June 2015 onward (see Figure for Box 7).

In the annual revision, data are adjusted by replacing earnings figures with the actual figures for a particular period. In this year's annual revision, provisional figures for January to August 2014 based on data from financial statements for financial years ending in August 2012 to February 2014 were replaced with actual figures based on data from financial statements for financial years ending in January 2014 to July 2015.¹⁶ As a result, as shown in Box 6, the direct investment income and the reinvestment of earnings in the annually revised figures for 2014 were adjusted upward.

Figure for Box 7: Adjustment of the Recording Period for Reinvested Earnings



¹⁵ As a result, earnings are recorded 17 months later than they actually accrue.

¹⁶ To give a concrete example, for an enterprise whose financial year ends in December, data for January-August 2014 are obtained from the financial statement for the financial year ending in December 2014, while for an enterprise whose financial year ends in March, data for January-March 2014 are obtained from the financial statement for the financial year ending in March 2014 and data for April-August 2014 are obtained from the financial statement for the financial year ending in March 2015, and these data are used to replace the provisional figures with actual earnings figures. Figures for September-December 2014 will be revised in the next annual revision. For this reason, the recording period for reinvested earnings on a calendar year basis is adjusted over two years.

IV. Developments in Japan's IIP at Year-End 2015¹⁷

A. Summary

Japan's external financial assets increased in 2015, mainly due to net investments by Japanese investors under direct investment and portfolio investment. Japan's external liabilities also increased in 2015, mainly due to an increase in net investment by foreign investors as well as a rise in Japanese equity prices. Japan's net asset position decreased in 2015 as the increase in liabilities exceeded that in assets. Net assets stood at 339.3 trillion yen at year-end 2015, down from 363.4 trillion yen at year-end 2014.

Assets and liabilities at year-end 2015 both registered record highs since year-end 1996, from when comparable data are available.¹⁸

Figure 5: IIP

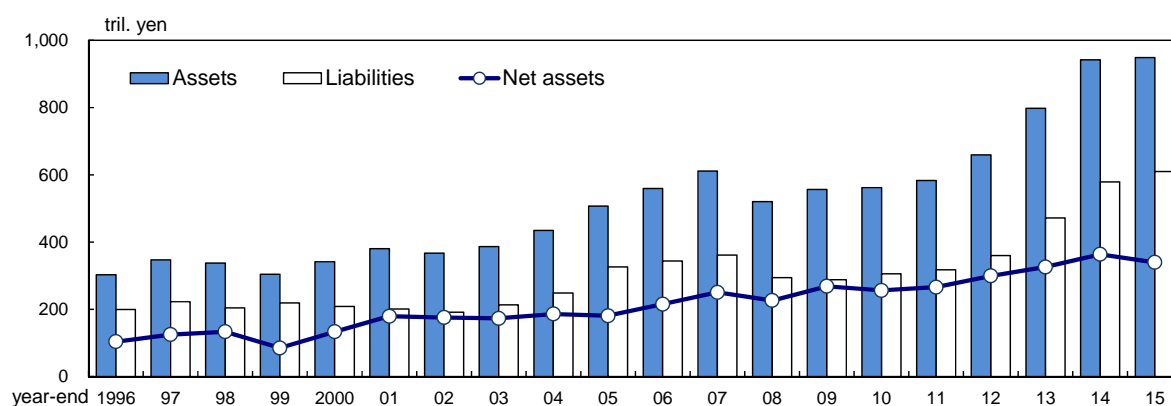


Table 12: Categories of the IIP at Year-End 2015

	Assets		Liabilities	
	tril. yen	%	tril. yen	%
	y/y chg.	y/y % chg.	y/y chg.	y/y % chg.
Direct investment	151.6	+9.6	24.4	+2.7
Portfolio investment	423.2	+13.2	320.6	+12.4
Financial derivatives (other than reserves)	45.0	-11.3	45.6	-23.5
Other investment	180.4	-2.6	219.0	+4.0
Reserve assets	148.6	-2.5	—	—

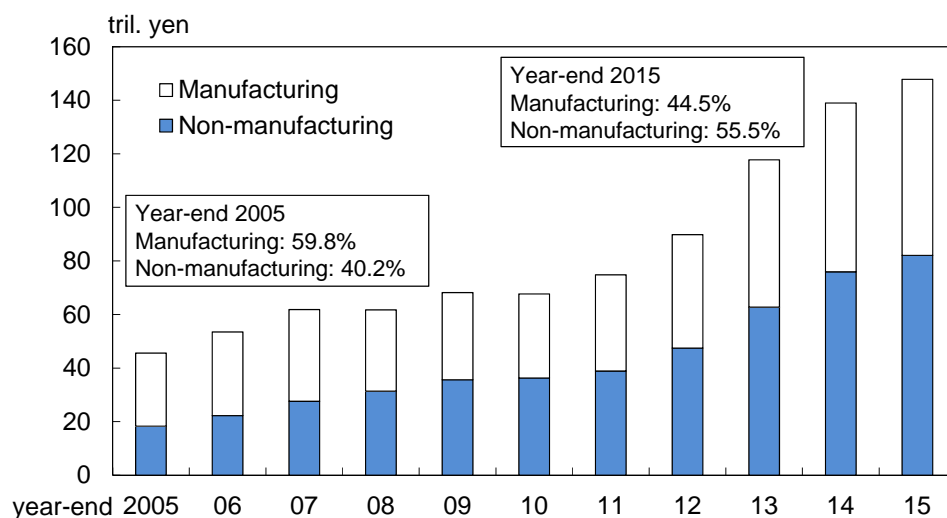
¹⁷ Figures for portfolio investment and other investment in the IIP exclude securities lending transactions.

¹⁸ For the "historical data rearranged based on *BPM6*," the way that figures at year-end 2013 are rearranged partly differs from that for figures through year-end 2012 to improve consistency with figures at year-end 2014.

Box 8. Developments in the Outward Direct Investment Position in the Non-Manufacturing Sector

At the end of 2005, the manufacturing sector accounted for about 60 percent of Japan's outward direct investment position, while the non-manufacturing sector accounted for only around 40 percent. However, since then, non-manufacturing direct investment has outpaced manufacturing direct investment, so that most recently, at year-end 2015, non-manufacturing investment position accounted for more than 55 percent, exceeding manufacturing investment position (see Figure 1 for Box 8).

Figure 1 for Box 8: Outward Direct Investment Position by Sector



Note: Figures before 2014 are based on *BPM5* (the same applies below).

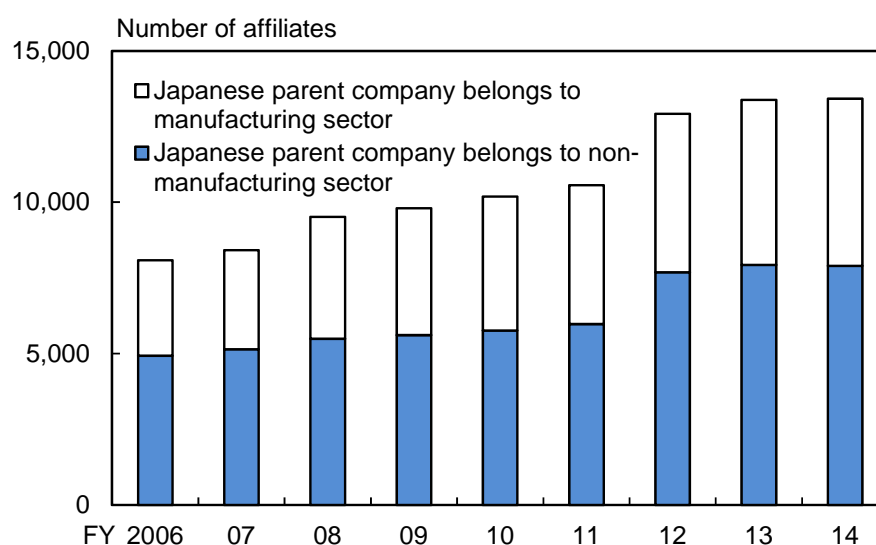
Looking at recent developments in the outward direct investment position in the non-manufacturing sector by industry, finance and insurance, wholesale and retail, and mining all registered large increases (see Table 1 for Box 8). Reflecting the acquisition of local firms by Japanese banks as well as life and non-life insurance companies, outward direct investment in finance and insurance increased in such regions as North America, Asia, and Europe. Outward direct investment in wholesale and retail also increased in such regions as North America, Asia, and Europe. This reflects not only the expansion of overseas operations of trading firms and retailers, but also the establishment of local sales affiliates by manufacturers such as automakers to capture local demand (see Figures 2 and 3 for Box 8). Meanwhile, in mining, direct investment in Oceania and Europe increased, reflecting greater investment activity in resource-rich countries such as Australia and in the United Kingdom, where many headquarters are located.

Table 1 for Box 8: Outward Direct Investment Position by Industry and Region, Non-Manufacturing

bil. yen, % points

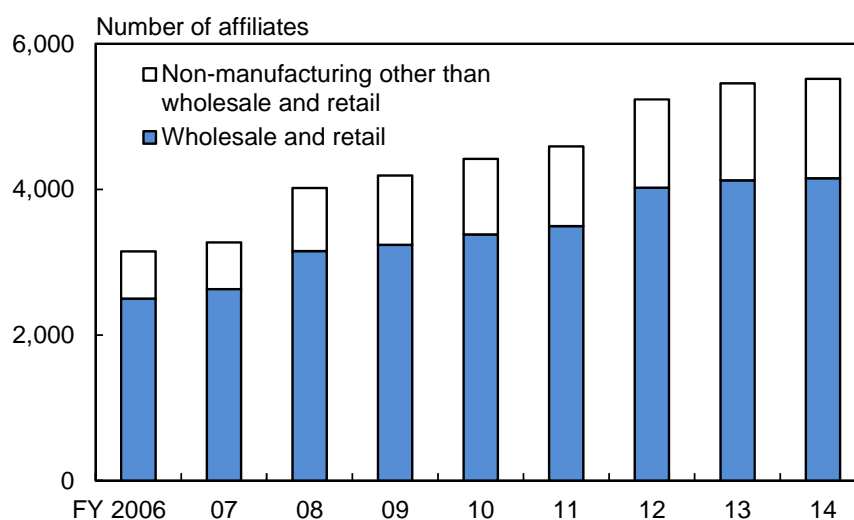
	Total	Total non-manufacturing	Finance and insurance			Wholesale and retail			Mining			Other non-manufacturing		
			Of which: Asia	North America	Europe	Of which: Asia	North America	Europe	Of which: Oceania	Europe				
Year-end 2005	45,605.4	18,315.9	7,846.7	1,034.1	2,085.3	2,002.1	5,023.2	1,010.5	2,314.0	1,340.9	915.4	439.2	240.7	4,530.7
Year-end 2015	147,799.7	82,085.5	29,416.9	7,358.2	11,979.8	6,681.1	20,845.9	5,355.9	9,921.9	4,517.6	11,374.2	4,311.6	3,212.1	20,448.5
Change from 2005	102,194.3	63,769.6	21,570.2	6,324.1	9,894.5	4,679.0	15,822.7	4,345.4	7,607.9	3,176.7	10,458.9	3,872.4	2,971.4	15,917.9
Contribution to change	(+224.1)	(+139.8)	(+47.3)	(+13.9)	(+21.7)	(+10.3)	(+34.7)	(+9.5)	(+16.7)	(+7.0)	(+22.9)	(+8.5)	(+6.5)	(+34.9)

Figure 2 for Box 8: Number of Overseas Affiliates in the Non-Manufacturing Sector



Source: Ministry of Economy, Trade and Industry, *Survey of Overseas Business Activities*.

Figure 3 for Box 8: Number of Non-Manufacturing Overseas Affiliates with a Manufacturing Parent Company in Japan



Source: Ministry of Economy, Trade and Industry, *Survey of Overseas Business Activities*.

B. Major Features of Japan's IIP at Year-End 2015

1. By factor

Japan's external financial assets and liabilities increased by 6.3 trillion yen and 30.5 trillion yen, respectively, in 2015. As a result, Japan's net asset position decreased by 24.1 trillion yen in 2015. These changes are attributable to the following three factors: (1) transactions, which indicate changes in assets and liabilities as a result of transactions between residents and nonresidents (this factor is equivalent to the balance on the financial account recorded in the BOP for the year); (2) exchange rate changes, which indicate changes in the yen value of assets and liabilities resulting from fluctuations in exchange rates; and (3) other changes, which comprise factors other than the two described above such as changes in the value of assets and liabilities resulting from fluctuations in stock prices. Figure 6 shows the changes by factor in 2015.

On the asset side, transactions pushed up assets, reflecting direct investment transactions and transactions in equity and investment fund shares as well as long-term debt securities. Meanwhile, exchange rate changes pushed down assets, lowering their yen value reflecting the yen's appreciation against the euro and other currencies.

On the liability side, transactions pushed up liabilities, with the increase led by net purchases of Japanese securities by foreign investors and net borrowing in the form of loans by Japanese residents. Other changes such as the rise in Japanese equity prices also contributed to the increase in liabilities.

Figure 6: Factors Underlying Year-on-Year Changes in the IIP

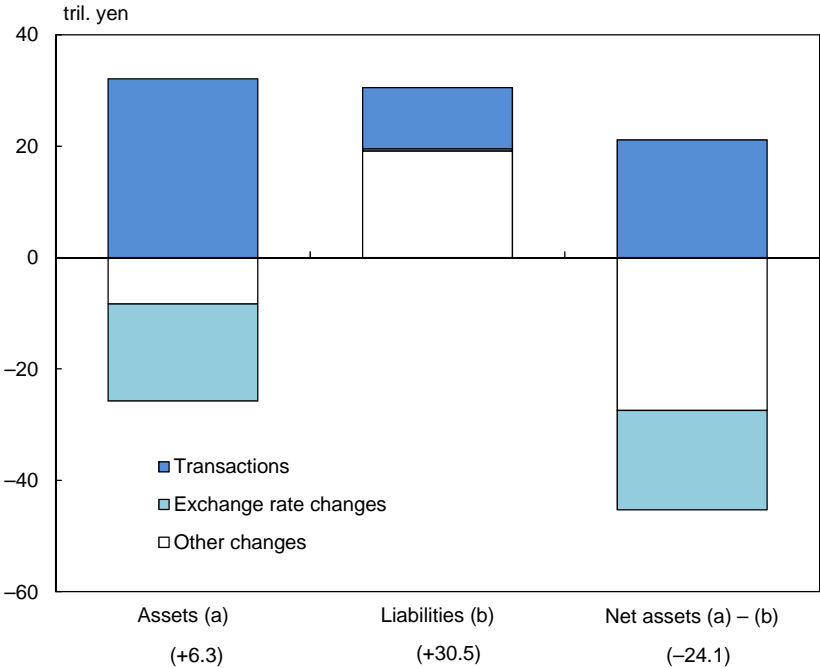


Table 13: Yen Exchange Rates at Year-End

	2011	2012	2013	2014	2015
USD-JPY ¹	77.57	86.32	105.37	119.80	120.42
EUR-JPY ²	100.38	113.86	145.31	145.44	131.14

Notes: 1. Refers to the U.S. dollar in terms of yen. Mid-rates based on offer and bid rates quoted by interbank market participants in the Tokyo market as of 5 p.m. JST.

2. Refers to the euro in terms of yen, calculated using the USD-JPY rates shown above and the EUR-USD rates released by the European Central Bank (ECB) as of 2:15 p.m. CET.

Sources: Bank of Japan; ECB.

Table 14: Factors Underlying Changes in Assets and Liabilities**Assets**

tril. yen

	Year-end 2014	Year-end 2015	y/y chg.	Transactions	Exchange rate changes	Other changes
Total	942.4	948.7	+6.3	+32.1	-17.4	-8.3
Direct investment	142.0	151.6	+9.6	+15.8	-5.0	-1.2
Portfolio investment	409.9	423.2	+13.2	+36.9	-10.8	-12.9
Equity and investment fund shares	143.6	153.6	+10.1	+20.2	-2.4	-7.7
Debt securities	266.4	269.5	+3.2	+16.8	-8.5	-5.2
Long-term	260.8	264.3	+3.5	+16.4	-8.4	-4.5
Short-term	5.5	5.2	-0.3	+0.4	-0.0	-0.7
Financial derivatives (other than reserves)	56.3	45.0	-11.3	-15.9	-0.0	+4.6
Other investment	183.1	180.4	-2.6	-5.4	+0.2	+2.5
Of which: Loans	130.1	126.3	-3.8	-3.8	+0.3	-0.3
Reserve assets	151.1	148.6	-2.5	+0.6	-1.8	-1.4

Liabilities

tril. yen

	Year-end 2014	Year-end 2015	y/y chg.	Transactions	Exchange rate changes	Other changes
Total	579.0	609.5	+30.5	+11.0	+0.4	+19.1
Direct investment	23.7	24.4	+0.6	-0.0	-0.0	+0.7
Portfolio investment	285.1	320.6	+35.5	+20.9	-0.2	+14.8
Equity and investment fund shares	169.1	186.9	+17.8	+1.3	+0.0	+16.5
Debt securities	115.9	133.6	+17.7	+19.6	-0.2	-1.8
Long-term	64.4	72.6	+8.2	+9.9	-0.2	-1.5
Short-term	51.5	61.0	+9.5	+9.7	-0.0	-0.2
Financial derivatives (other than reserves)	59.6	45.6	-14.0	-18.0	—	+4.0
Other investment	210.6	219.0	+8.4	+8.1	+0.6	-0.4
Of which: Loans	156.7	158.2	+1.5	+2.3	+0.5	-1.4

2. By component

On the asset side, Japanese holdings of equity and investment fund shares as well as direct investment assets increased by 10.1 trillion yen and 9.6 trillion yen, respectively, from year-end 2014 as a result of net acquisitions by Japanese investors.

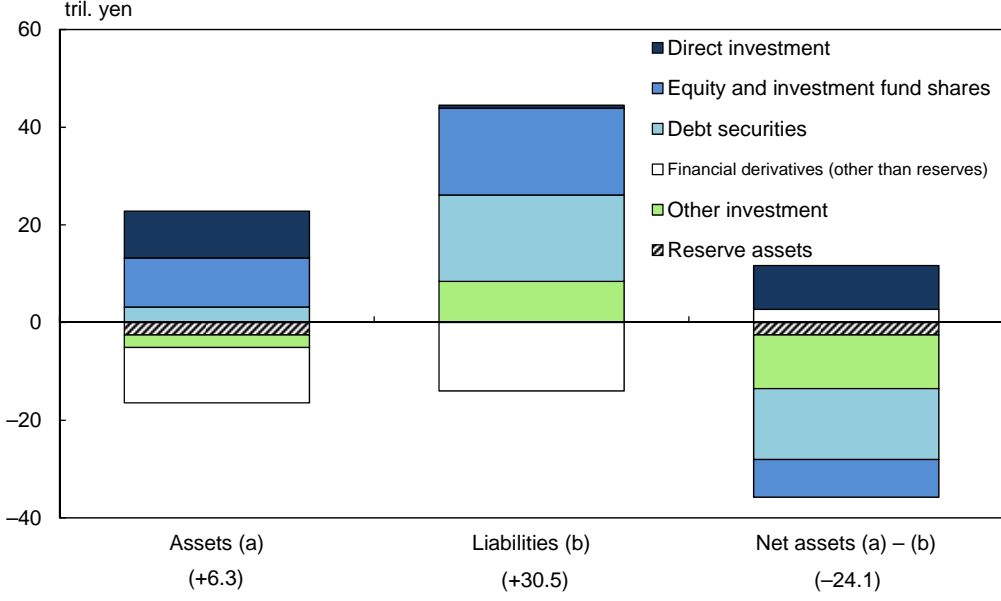
On the liability side, portfolio investment liabilities increased by 35.5 trillion yen from year-end 2014, because (1) foreign holdings of equity and investment fund shares increased reflecting the rise in Japanese equity prices and (2) foreign holdings of debt securities increased due to net purchases of long- and short-term debt securities by foreign investors.

Table 15: IIP by Component at Year-End 2015

tril. yen

	Assets		Liabilities		Net assets	
		y/y chg.		y/y chg.		y/y chg.
Total	948.7	+6.3	609.5	+30.5	339.3	-24.1
Direct investment	151.6	+9.6	24.4	+0.6	127.2	+9.0
Portfolio investment	423.2	+13.2	320.6	+35.5	102.6	-22.2
Equity and investment fund shares	153.6	+10.1	186.9	+17.8	-33.3	-7.7
Debt securities	269.5	+3.2	133.6	+17.7	135.9	-14.5
Long-term	264.3	+3.5	72.6	+8.2	191.7	-4.7
Short-term	5.2	-0.3	61.0	+9.5	-55.8	-9.8
Financial derivatives (other than reserves)	45.0	-11.3	45.6	-14.0	-0.6	+2.7
Other investment	180.4	-2.6	219.0	+8.4	-38.5	-11.0
Of which: Loans	126.3	-3.8	158.2	+1.5	-31.9	-5.3
Reserve assets	148.6	-2.5	—	—	148.6	-2.5

Figure 7: Contribution to Year-on-Year Changes in the IIP by Component

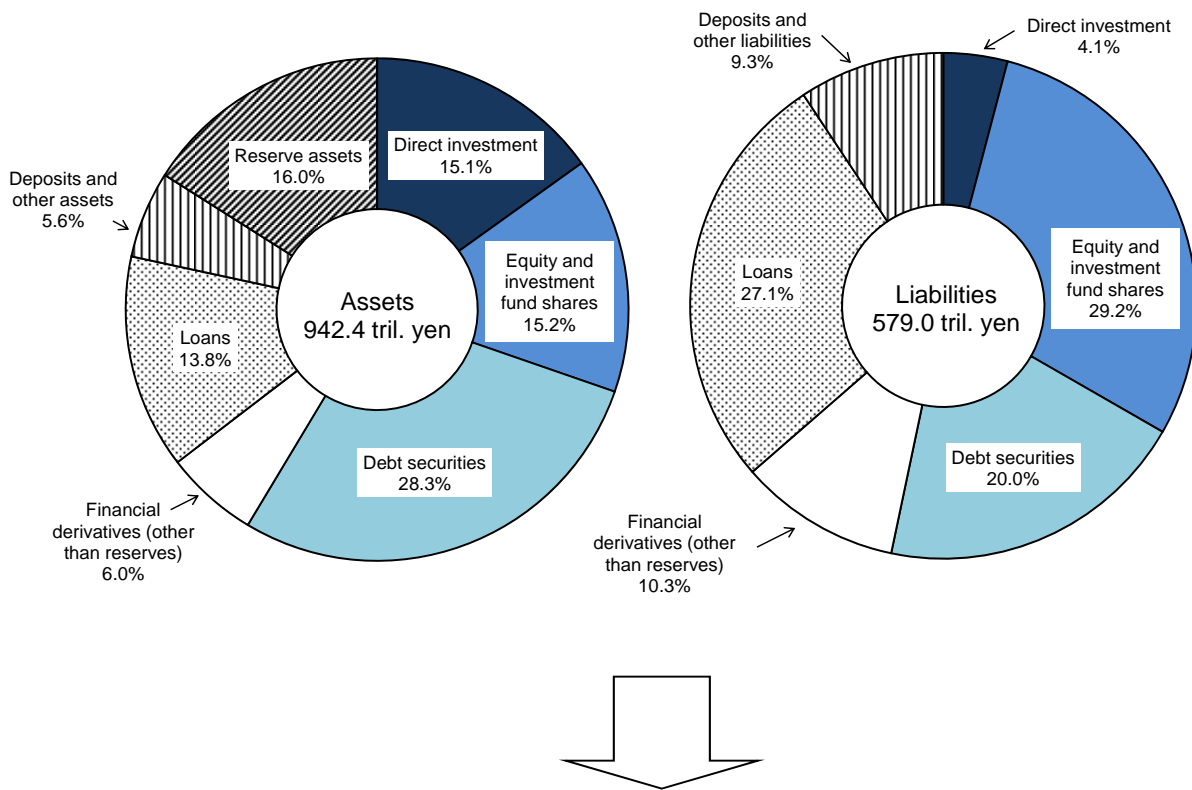


3. Share by component

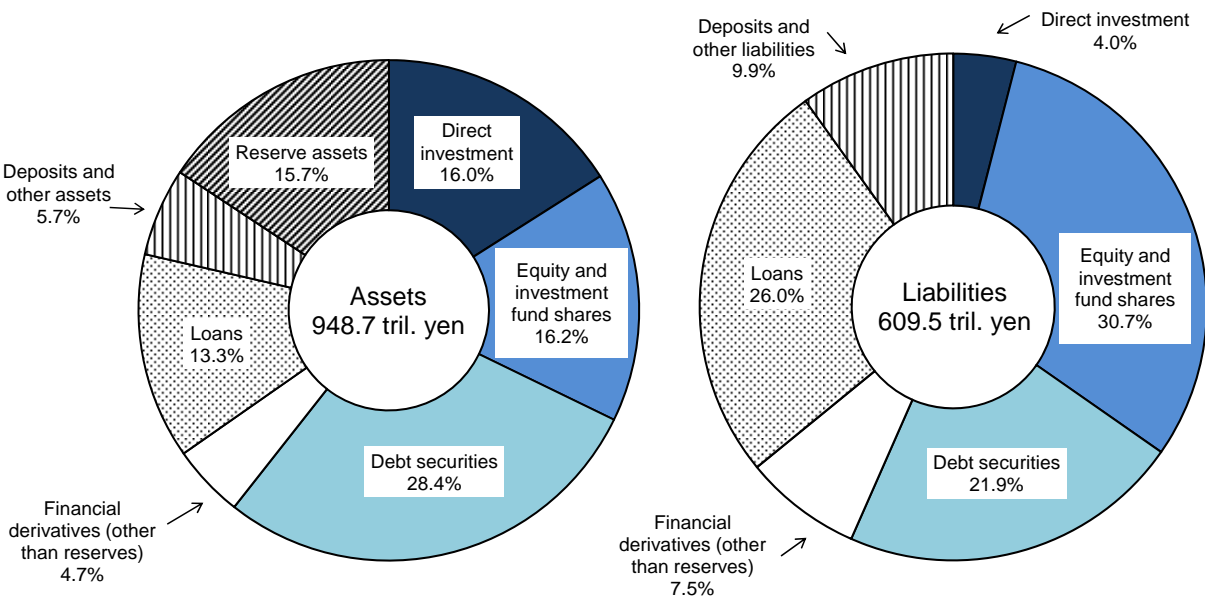
On the asset side, the shares of direct investment and of equity and investment fund shares, among others, increased, while on the liability side, in particular the shares of equity and investment fund shares and of debt securities increased.

Figure 8: Share by Component

(1) At Year-End 2014



(2) At Year-End 2015



4. By sector¹⁹

Breaking down changes in net assets held by residents in Japan by sector shows the following.

Net assets held by the central bank and general government decreased by 19.1 trillion yen from year-end 2014, mainly due to an increase in liabilities in the form of debt securities.

Net assets of deposit-taking corporations, except the central bank, decreased by 7.3 trillion yen, mainly due to a decrease in assets in the form of financial derivatives (other than reserves) and to an increase in liabilities in the form of loans.

The net asset holdings of other financial corporations increased by 15.7 trillion yen. This was mainly due to (1) increases in Japanese holdings of foreign equity and investment fund shares and of foreign debt securities, and (2) a decrease in liabilities in the form of financial derivatives (other than reserves).

Net assets of others decreased by 13.4 trillion yen, mainly due to an increase in foreign holdings of Japanese equity securities reflecting the rise in Japanese equity prices.

Table 16: IIP by Sector at Year-End 2015

tril. yen

	Assets		Liabilities		Net assets	
		y/y chg.		y/y chg.		y/y chg.
Total	948.7	+6.3	609.5	+30.5	339.3	-24.1
Central bank and general government	178.8	-1.9	127.8	+17.2	51.0	-19.1
Sectors other than the central bank and general government	770.0	+8.3	481.7	+13.3	288.3	-5.0
Deposit-taking corporations, except the central bank	221.3	-2.8	168.3	+4.5	53.0	-7.3
Other financial corporations	356.7	+7.3	117.1	-8.4	239.6	+15.7
Others	192.0	+3.8	196.3	+17.2	-4.3	-13.4

¹⁹ From year-end 2014, the following five sectors are distinguished: (1) central bank; (2) general government, which includes governmental financial institutions; (3) deposit-taking corporations, except the central bank, which include cooperative-type financial institutions; (4) other financial corporations, which include trust accounts of trust banks, life and non-life insurance companies, investment trusts, and financial instruments firms; and (5) others, which include nonfinancial corporations and individuals.

The assets and liabilities for each sector refer to the external assets and liabilities held by that sector.

5. By maturity²⁰

On the asset side, the share of short-term instruments decreased from year-end 2014, reflecting decreases in financial derivatives (other than reserves) and short-term loans. On the liability side, the share of short-term instruments decreased, reflecting a decrease in financial derivatives (other than reserves).

For long-term instruments, assets exceeded liabilities. For short-term instruments, liabilities exceeded assets.

Table 17: Share by Maturity at Year-End 2015

tril. yen

	Assets			Liabilities		
		Percentage share			Percentage share	
			y/y chg. (% points)			y/y chg. (% points)
Total	948.7	100.0	—	609.5	100.0	—
Long-term	654.8	69.0	+2.5	299.0	49.1	+2.0
Short-term	293.9	31.0	-2.5	310.5	50.9	-2.0

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

Long-term: direct investment; equity and investment fund shares; debt securities (long-term); other equity; loans (long-term); trade credit and advances (long-term); other accounts receivable/payable (long-term); and special drawing rights (under other investment).

Short-term: debt securities (short-term); financial derivatives (other than reserves); currency and deposits; loans (short-term); insurance and pension reserves; trade credit and advances (short-term); other accounts receivable/payable (short-term); and reserve assets.

²⁰ For both assets and liabilities, long-term instruments are those with an original maturity of more than one year and those with no stated maturity, while short-term instruments are those with an original maturity of one year or less. Reserve assets, for which a maturity breakdown is not publicly available, are classified as short-term instruments here, given that they are external assets that are readily available to and controlled by the monetary authorities. In addition, currency and deposits as well as insurance and pension reserves are also classified as short-term instruments due to data limitations and other practical reasons.

6. By region²¹

Developments by region in the direct and portfolio investment positions can be summarized as follows.

On the asset side, investment in North America increased because of net investments by Japanese investors under direct investment and portfolio investment. Investment in Central and South America also increased due to net purchases of securities by Japanese investors.

On the liability side, investment from North America and the European Union (EU) increased due to net acquisitions of Japanese financial instruments as well as the rise in Japanese equity prices.

Table 18: Direct and Portfolio Investment Positions by Region at Year-End 2015

Assets

tril. yen

	Total (a+b)		Direct investment (a)		Portfolio investment (b)	
		y/y chg.		y/y chg.		y/y chg.
Total	574.8	+22.8	151.6	+9.6	423.2	+13.2
Asia	58.1	+1.5	43.2	+1.8	14.8	-0.3
North America	224.1	+20.5	52.4	+4.6	171.7	+15.9
EU	153.0	-6.7	34.8	+2.7	118.2	-9.4
Central and South America	90.2	+9.5	8.5	-0.3	81.7	+9.8
Oceania	25.4	+0.3	8.9	+0.7	16.5	-0.4
Others	24.0	-2.4	3.8	+0.0	20.2	-2.4

Liabilities

tril. yen

	Total (a+b)		Direct investment (a)		Portfolio investment (b)	
		y/y chg.		y/y chg.		y/y chg.
Total	344.9	+36.1	24.4	+0.6	320.6	+35.5
Asia	37.7	+4.1	4.3	+0.6	33.4	+3.5
North America	127.7	+16.8	7.0	-0.1	120.6	+16.9
EU	126.6	+13.7	10.1	+0.2	116.5	+13.5
Central and South America	11.0	+1.2	1.5	+0.1	9.5	+1.2
Oceania	6.1	+1.3	0.3	-0.1	5.8	+1.4
Others	35.9	-1.1	1.2	-0.0	34.7	-1.1

²¹ Regional data are compiled and released for the direct and portfolio investment positions as well as the financial derivatives (other than reserves) position.

C. International Comparison of Net IIP

Among major countries that release IIP data, Japan appears to be the country with the largest net asset position at year-end 2015.

Table 19: International Comparison of Net IIP at Year-End 2015

tril. yen

Country	Net IIP
Japan	339.3
Germany	195.2
P.R. China	192.4
Hong Kong	118.0
Norway	85.3
Canada	56.9
Russia	37.8
U.K.	-11.8
France	-49.9
Italy	-57.2
U.S.A.	-886.5

Source: Ministry of Finance.

D. Market Value Estimates of Direct Investment Position

The market value estimates of the direct investment position show that assets and liabilities amounted to 152.5 trillion yen and 29.2 trillion yen, respectively, with both exceeding the amounts on a book value basis.

Japan's net asset position at year-end 2015 calculated using the market value estimates of the direct investment position amounted to 335.4 trillion yen.

Table 20: Market Value Estimates of Direct Investment Position

tril. yen

	Year-end 2014		Year-end 2015	
		Book value		Book value
Assets	143.3	142.0	152.5	151.6
Liabilities	27.0	23.7	29.2	24.4

Table 21: Japan's IIP Estimated Using Market Value Estimates of Direct Investment Position

tril. yen

	Assets		Liabilities		Net assets	
		Of which: Direct investment		Of which: Direct investment		Of which: Direct investment
Year-end 2014	943.7	143.3	582.2	27.0	361.5	116.4
Year-end 2015	949.6	152.5	614.2	29.2	335.4	123.4

Appendix 1. Japan's Balance of Payments (2011-2015)

bil. yen, %

	2011	2012	2013	2014	2015
1. Current account	10,401.3	4,764.0	4,456.6	3,880.5	16,412.7
y/y chg.	-8,981.5	-5,637.3	-307.4	-576.1	+12,532.2
y/y % chg.	-46.3	-54.2	-6.5	-12.9	4.2 times
Goods and services	-3,110.1	-8,082.9	-12,252.1	-13,498.8	-2,307.2
y/y chg.	-9,967.3	-4,972.8	-4,169.2	-1,246.8	+11,191.6
Goods	-330.2	-4,271.9	-8,773.4	-10,465.3	-628.8
y/y chg.	-9,846.2	-3,941.7	-4,501.5	-1,691.8	+9,836.4
y/y % chg.	Negative	12.9 times	2.1 times	+19.3	-94.0
Exports	62,965.3	61,956.8	67,829.0	74,074.7	75,265.3
Imports	63,295.5	66,228.7	76,602.4	84,540.0	75,894.1
Services	-2,779.9	-3,811.0	-3,478.6	-3,033.5	-1,678.4
Transport	-620.2	-990.7	-718.3	-665.3	-662.4
Travel	-1,296.3	-1,061.7	-654.5	-44.4	1,090.5
Other services	-863.4	-1,758.6	-2,105.8	-2,323.9	-2,106.5
Primary income	14,621.0	13,991.4	17,697.8	19,373.8	20,652.6
Of which: Direct investment	4,404.4	3,933.2	6,609.1	7,786.2	8,115.1
Portfolio investment	9,538.6	9,396.0	10,517.9	11,004.4	12,109.9
Secondary income	-1,109.6	-1,144.5	-989.2	-1,994.5	-1,932.7
2. Capital account	28.2	-80.4	-743.6	-208.9	-271.3
3. Financial account	12,629.4	4,192.5	-408.7	6,237.1	21,145.2
Direct investment	9,310.1	9,359.1	14,245.9	12,546.6	15,845.1
Assets	9,240.8	9,399.8	15,296.0	14,470.9	15,828.7
Liabilities	-69.3	40.7	1,050.1	1,924.3	-16.4
Portfolio investment	-15,296.5	6,116.0	-23,932.7	-4,833.0	16,062.0
Assets	6,122.8	14,696.8	-6,068.7	12,248.6	36,944.1
Equity and investment fund shares	928.8	-2,135.1	-6,616.1	6,632.2	20,160.4
Long-term debt securities	5,925.8	17,048.4	318.5	4,515.8	16,414.1
Short-term debt securities	-731.8	-216.5	228.9	1,100.6	369.7
Liabilities	21,419.3	8,580.8	17,864.0	17,081.6	20,882.1
Equity and investment fund shares	550.7	2,351.2	17,035.0	3,766.2	1,269.0
Long-term debt securities	4,175.2	2,719.5	-1,416.1	12,279.9	9,884.7
Short-term debt securities	16,693.4	3,510.0	2,245.1	1,035.5	9,728.4
Financial derivatives (other than reserves)	-1,347.0	590.3	5,551.6	3,764.4	2,142.4
Other investment	6,779.8	-8,250.5	-123.4	-6,130.6	-13,529.3
Reserve assets	13,789.7	-3,051.5	3,850.4	889.8	625.1
4. Net errors and omissions	2,199.8	-491.1	-4,121.7	2,565.6	5,003.8

Note: Figures for portfolio investment and other investment in the financial account exclude securities lending transactions. Therefore, figures in the financial account before 2014 do not add up to the total.

Appendix 2. Japan's External Financial Assets (Year-Ends 2011-2015)

bil. yen

Assets	2011	2012	2013	2014	2015
1. Direct investment	75,565	91,232	119,302	142,017	151,615
Equity other than reinvestment of earnings	54,847	65,868	86,286	96,617	103,594
Reinvestment of earnings	16,341	19,903	26,413	33,140	34,564
Debt instruments	4,377	5,461	6,603	12,259	13,457
2. Portfolio investment	262,639	308,099	361,253	409,939	423,159
Equity and investment fund shares	51,750	59,475	126,224	143,576	153,643
Equity securities other than investment fund shares	—	—	—	64,347	68,051
Central bank	—	—	—	16	16
Deposit-taking corporations, except the central bank	—	—	—	574	355
General government	—	—	—	8	9
Other financial corporations	—	—	—	59,850	64,266
Others	—	—	—	3,899	3,405
Investment fund shares or units	—	—	—	79,229	85,592
Deposit-taking corporations, except the central bank	—	—	—	14,813	15,160
General government	—	—	—	1	3
Other financial corporations	—	—	—	58,153	65,124
Others	—	—	—	6,262	5,305
Debt securities	210,889	248,624	235,029	266,363	269,516
Long-term	208,890	246,322	230,260	260,819	264,307
Deposit-taking corporations, except the central bank	—	—	—	99,207	101,980
General government	—	—	—	718	614
Other financial corporations	—	—	—	138,770	143,286
Others	—	—	—	22,124	18,427
Short-term	1,999	2,302	4,768	5,544	5,209
Deposit-taking corporations, except the central bank	—	—	—	3,670	3,365
General government	—	—	—	—	2
Other financial corporations	—	—	—	999	1,095
Others	—	—	—	876	747
3. Financial derivatives (other than reserves)	4,188	4,623	8,207	56,288	44,969
Deposit-taking corporations, except the central bank	—	—	—	11,081	8,709
General government	—	—	—	31	16
Other financial corporations	—	—	—	45,175	36,243
Others	—	—	—	0	0
4. Other investment	140,192	145,509	175,394	183,057	180,433
Other equity	5,504	5,704	5,971	7,813	8,042
Currency and deposits	14,661	15,301	14,712	16,105	15,485
Deposit-taking corporations, except the central bank	—	—	—	5,938	4,668
General government	—	—	—	12	12
Other financial corporations	—	—	—	6,700	7,411
Others	—	—	—	3,455	3,393
Loans	82,284	87,314	115,079	130,085	126,316
By maturity:					
Long-term	42,271	48,904	57,645	66,889	70,589
Short-term	40,013	38,410	57,434	63,196	55,728
By sector:					
Deposit-taking corporations, except the central bank	—	—	—	77,365	74,908
General government	—	—	—	21,942	22,389
Other financial corporations	—	—	—	30,472	28,497
Others	—	—	—	305	523
Insurance and pension reserves	—	—	692	741	772
Other financial corporations	—	—	—	683	714
Others	—	—	—	57	58
Trade credit and advances	4,511	4,793	7,500	7,998	7,329
By maturity:					
Long-term	899	613	556	534	677
Short-term	3,612	4,180	6,944	7,463	6,652
By sector:					
General government	—	—	—	234	331
Other financial corporations	—	—	—	24	39
Others	—	—	—	7,740	6,959
Other accounts receivable	33,232	32,397	31,442	20,315	22,489
By maturity:					
Long-term	9,275	8,554	5,233	5,306	5,921
Short-term	23,957	23,843	26,209	15,009	16,568
By sector:					
Deposit-taking corporations, except the central bank	—	—	—	10,960	11,701
General government	—	—	—	391	397
Other financial corporations	—	—	—	7,456	8,850
Others	—	—	—	1,508	1,541
5. Reserve assets	100,517	109,464	133,529	151,080	148,553
Total assets	583,100	658,927	797,686	942,381	948,729

Note: Figures for "Others" include nonfinancial corporations, households, and nonprofit institutions serving households.

The same applies in Appendix 3.

Appendix 3. Japan's External Financial Liabilities and Net Assets (Year-Ends 2011-2015)

bil. yen

Liabilities	2011	2012	2013	2014	2015
1. Direct investment	18,824	19,227	19,551	23,748	24,384
Equity other than reinvestment of earnings	14,639	14,810	14,817	15,385	15,465
Reinvestment of earnings	2,079	2,208	2,398	5,169	5,793
Debt instruments	2,105	2,209	2,336	3,194	3,127
2. Portfolio investment	157,481	180,504	252,008	285,081	320,550
Equity and investment fund shares	65,841	83,556	152,323	169,144	186,919
Equity securities other than investment fund shares	—	—	—	167,634	185,389
Deposit-taking corporations, except the central bank	—	—	—	13,223	14,799
Other financial corporations	—	—	—	8,505	8,480
Others	—	—	—	145,905	162,110
Investment fund shares or units	—	—	—	1,510	1,530
Other financial corporations	—	—	—	1,510	1,530
Debt securities	91,639	96,948	99,685	115,938	133,631
Long-term	45,730	49,504	50,168	64,434	72,623
Deposit-taking corporations, except the central bank	—	—	—	7,076	8,247
General government	—	—	—	51,769	58,179
Other financial corporations	—	—	—	2,216	2,366
Others	—	—	—	3,372	3,831
Short-term	45,909	47,444	49,517	51,504	61,008
Deposit-taking corporations, except the central bank	—	—	—	356	143
General government	—	—	—	50,901	60,616
Other financial corporations	—	—	—	19	0
Others	—	—	—	227	249
3. Financial derivatives (other than reserves)	5,641	5,326	8,656	59,555	45,553
Deposit-taking corporations, except the central bank	—	—	—	14,620	10,305
General government	—	—	—	231	158
Other financial corporations	—	—	—	44,694	35,056
Others	—	—	—	10	34
4. Other investment	135,413	154,568	191,739	210,586	218,979
Other equity	—	—	—	789	857
Currency and deposits	11,176	12,133	11,236	14,842	21,597
Central bank	—	—	—	1,145	6,385
Deposit-taking corporations, except the central bank	—	—	—	13,696	15,212
Loans	85,513	101,944	134,276	156,726	158,218
By maturity:					
Long-term	13,596	11,910	11,599	11,153	11,029
Short-term	71,917	90,034	122,677	145,574	147,189
By sector:					
Central bank	—	—	—	3,987	—
Deposit-taking corporations, except the central bank	—	—	—	94,843	99,582
General government	—	—	—	—	—
Other financial corporations	—	—	—	56,663	57,186
Others	—	—	—	1,234	1,450
Insurance and pension reserves	—	—	178	208	218
Other financial corporations	—	—	—	208	218
Trade credit and advances	2,411	2,517	3,429	3,879	3,493
By maturity:					
Long-term	129	129	125	293	325
Short-term	2,282	2,388	3,305	3,586	3,167
By sector:					
Other financial corporations	—	—	—	5	13
Others	—	—	—	3,874	3,480
Other accounts payable	34,851	36,344	40,626	32,010	32,546
By maturity:					
Long-term	2,457	1,457	428	591	785
Short-term	32,394	34,887	40,198	31,419	31,762
By sector:					
Deposit-taking corporations, except the central bank	—	—	—	19,965	20,005
General government	—	—	—	421	400
Other financial corporations	—	—	—	10,986	11,514
Others	—	—	—	637	628
Special drawing rights	1,463	1,630	1,993	2,133	2,050
Total liabilities	317,359	359,625	471,955	578,971	609,466
Total net assets	265,741	299,302	325,732	363,409	339,263
Central bank and general government	33,990	41,357	63,193	70,113	50,978
Sectors other than the central bank and general government	231,751	257,944	262,539	293,296	288,284
Deposit-taking corporations, except the central bank	54,484	54,780	62,370	60,255	52,978
Other financial corporations	—	—	—	223,923	239,625
Others	—	—	—	9,118	-4,318