# Japan's Balance of Payments Related Statistics Methodologies by Item

# March 2022 International Department Bank of Japan

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#### **Foreword**

The balance of payments (BOP) related statistics show the economic relationships between Japan and the rest of the world, comprising the BOP, the international investment position (IIP), and more detailed data of the BOP and IIP statistics such as breakdowns by partner economy. The BOP related statistics are compiled in accordance with the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) published by the International Monetary Fund (IMF) in 2008. In Japan, these statistics are compiled based on the BPM6 for data from January 2014 onward.

In Japan, under the Foreign Exchange and Foreign Trade Act (FEFTA), the Minister of Finance must prepare the BOP and IIP. The main data sources for the statistics are various reports submitted under the FEFTA. The statistics are compiled by aggregating reported data, while some components are estimated. The Bank of Japan has been entrusted with the work related to collecting the reports, as well as the aggregation and estimation of data, under the FEFTA. The statistics are jointly released by the Ministry of Finance and the Bank.

This document summarizes the methodologies used for compiling the BOP and IIP by item. It also includes an overview of the methodologies used for compiling data by partner economy and by currency. It is intended to promote a better understanding of the statistics by presenting examples of various transactions as well as the specific reports that are used as data sources for the different items.

For more details on the framework for the compilation of the statistics, see also Explanation of "Balance of Payments Related Statistics (Data Based on the BPM6)" on the Bank's website. For information on the release methods and specific release items, see Balance of Payments Related Statistics (Data Based on the BPM6).

# **Notes**

- 1. This document explains the main data sources.
- 2. In this document,
  - the Foreign Exchange and Foreign Trade Act is referred to as "FEFTA";
  - the "ministerial ordinance concerning reporting of foreign exchange transactions, etc." is referred to as the "ministerial ordinance"; and
  - the "reports on payment or receipt of payment" are referred to as "Payment Reports."
- 3. For the Payment Reports, the corresponding BOP item numbers are shown in parentheses. These numbers are listed at the end of this document together with a list of the reports under the FEFTA used for the compilation of the BOP related statistics. The names of these reports provided in the list are tentative translations prepared for understanding the statistics and should therefore be used as reference only.

# I. Balance of Payments Statistics

The balance of payments (BOP) statistics record Japan's economic transactions with the rest of the world. Transactions are classified as falling under one of the following major accounts, depending on the nature of the transaction: the "current account"; the "capital account"; and the "financial account."

#### 1 Current Account

The current account shows transactions in goods and services, receipts and payments of income, and current transfers. It comprises "goods," "services," "primary income," and "secondary income" -- the first two of which are collectively referred to as "goods and services."

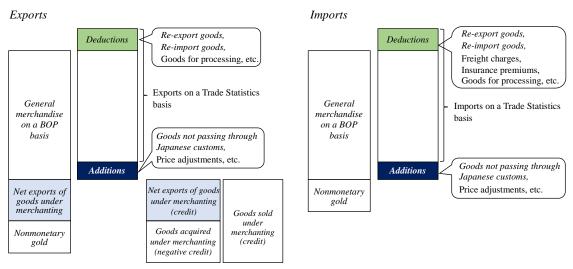
#### 1.A Goods and Services

The goods and services account shows transactions in items that are outcomes of production activities and is divided into "goods" and "services."

#### 1.A.a Goods

This item shows transactions in goods, that is, exports and imports of goods. It is divided into "general merchandise on a balance of payments basis," "net exports of goods under merchanting (credit)," and "nonmonetary gold." The composition of "goods" is illustrated below.

**Exhibit 1: Composition of "Goods"** 



Note: Data are available for items in italics.

#### 1.A.a.1 General merchandise on a balance of payments basis

This item covers goods whose economic ownership has changed between a resident and a nonresident and that are included in neither "net exports of goods under merchanting (credit)" nor "nonmonetary gold." <sup>1</sup>

The main data source for this item is the Trade Statistics of Japan (referred to as "Trade Statistics" hereafter) published by the Ministry of Finance. However, the definitions of exports and imports of goods differ between the Trade Statistics and the BOP. Therefore, data are compiled by adjusting the valuation, coverage, and time of recording as shown in Exhibit 2.

**Exhibit 2: Differences in Definitions and Adjustment Factors** 

	Trade Statistics	General merchandise on a balance of payments basis in the BOP	Adjustments
Valuation	Exports: FOB Imports: CIF	Both exports and imports: FOB	Insurance premiums and freight charges are deducted from imports.
Coverage	Goods that have crossed Japan's customs frontier regardless of changes in ownership	Goods whose ownership has changed between residents and nonresidents	Certain additions and deductions are made to/from exports and imports in the Trade Statistics depending on whether there have been changes in ownership.
Time of recording	Exports: When the ship or aircraft carrying the goods leaves the port Imports: When import of the goods is permitted	Both exports and imports: When ownership changes	

Notes: 1. FOB stands for "free on board." The price of goods at the frontier of the exporting economy is recorded. Excludes insurance premiums and freight charges incurred after the goods have been loaded on board.

2. CIF stands for "cost, insurance, and freight." Includes insurance premiums and freight charges, in addition to the price of goods.

For adjustments of the coverage and time of recording, additions are made using Payment Reports based on the specific BOP item numbers filled in by reporters (014, 062, 074, 075, etc.), whereas deductions are made using the Trade Statistics data.

<sup>&</sup>lt;sup>1</sup> Some transactions in goods are recorded as "services" under items such as "travel." For details, see each item under "services."

Insurance premiums and freight charges to be deducted in the valuation adjustments are estimated by multiplying the value of imports adjusted for coverage and time of recording by premium rates and freight rates, respectively. Premium rates are estimated from reports submitted by non-life insurance companies. Freight rates are estimated by dividing the total amount of freight charges for imported goods, which is estimated from reports on transport and the market share of Japanese carriers, by the total value of imports.<sup>2</sup>

In Japan's BOP statistics, the sub-items "additions to exports/imports on a Trade Statistics basis" and "deductions from exports/imports on a Trade Statistics basis" show the adjustments made to data for goods in the Trade Statistics. The former includes "goods not passing through Japanese customs," while the latter includes "re-export goods" and "re-import goods."

#### 1.A.a.1.1 Additions to exports/imports on a Trade Statistics basis

Additions to exports and imports in the Trade Statistics include (1) transactions in goods whose economic ownership has changed between a resident and a nonresident without passing through Japanese customs, excluding transactions falling under "net exports of goods under merchanting (credit)" and "nonmonetary gold," and (2) receipts and payments resulting from price adjustments.

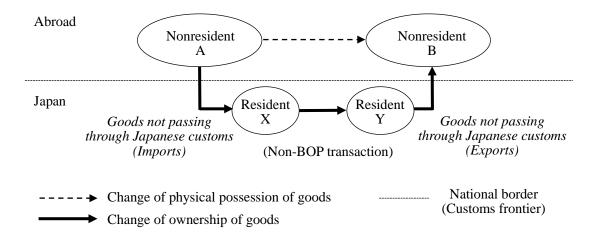
#### 1.A.a.1.1.1 Goods not passing through Japanese customs

This item includes (1) goods for resale through transactions between resident merchants (for example, cases where a resident in Japan purchases goods from a nonresident and resells them to another resident, who then resells them to another nonresident, without the goods ever passing through Japanese customs in the course of the trade, (2) goods purchased abroad for the purpose of offering them on the basis of operating leases outside Japan, and (3) metals other than gold that are delivered through allocated accounts<sup>3</sup> held at overseas banks or other institutions.

<sup>&</sup>lt;sup>2</sup> For the data sources for insurance premiums and freight charges, see 1.A.b.3.4 Insurance and pension services and 1.A.b.1. Transport.

<sup>&</sup>lt;sup>3</sup> Allocated accounts are accounts in which the stored metals are identifiable by serial number, brand, or weight, etc.

**Exhibit 3: Resale through Transactions between Resident Merchants** 



#### 1.A.a.1.2 Deductions from exports/imports on a Trade Statistics basis

Deductions from exports and imports in the Trade Statistics include transactions in goods that have passed through Japanese customs but for which economic ownership has not changed between a resident and a nonresident. Examples are (1) returned goods, that is, re-exports of previously imported goods of foreign origin<sup>4</sup> and re-imports of previously exported goods of Japanese origin due to the cancelation of contracts and other reasons; and (2) exports and imports of material inputs and final goods under processing arrangements.<sup>5</sup> Moreover, for imports, deductions also include insurance premiums and freight charges, which are subject to valuation adjustments.

With respect to returned goods, re-exported goods are deducted from exports for the month in which the goods are returned, and ideally, also from imports for the period when the goods were imported. However, as it is difficult to identify when the goods were initially imported, adjustments are made by deducting re-exported goods -- recorded as "re-export goods" -- from both exports and imports for the month in which the goods are returned. The same adjustments are made to re-imported goods. 6

<sup>&</sup>lt;sup>4</sup> The economy of origin of a good is the economy where the good is (1) wholly produced/obtained or (2) produced by manufacturing or processing operations that bring about a substantial transformation of the good.

<sup>&</sup>lt;sup>5</sup> Under processing arrangements, the owner of goods used as input -- that is, the consignor -- pays a fee to another entity -- the processor -- for manufacturing services such as the processing and assembly of the material inputs.

<sup>&</sup>lt;sup>6</sup> Meanwhile, re-exported goods under processing arrangements etc., are deducted in advance from the imports for the period when the goods were initially imported and therefore do not need to be deducted from imports when they are re-exported; therefore, the value of such re-exported goods is

#### 1.A.a.1.2.1 Re-export goods

This item covers exports of goods of foreign origin.

#### 1.A.a.1.2.2 Re-import goods

This item covers imports of goods of Japanese origin.

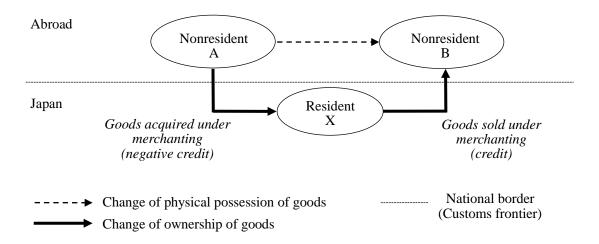
#### 1.A.a.2 Net exports of goods under merchanting (credit)

This item shows the value of transactions in goods under merchanting.

In the BOP statistics, merchanting is defined as the purchase of goods by a resident from a nonresident combined with the subsequent resale of the same goods to another nonresident without the goods passing through the compiling economy.

The purchase of goods ("goods acquired under merchanting") by a resident from a nonresident is recorded as a negative export, while the subsequent resale to another nonresident ("goods sold under merchanting") is recorded as a positive export. Merchanting entries are valued at transaction prices as agreed by the parties, unlike general merchandise entries which are valued on an FOB basis.

**Exhibit 4: Merchanting** 



Data sources: Payment Reports (BOP item numbers: 061, 071, and 076).

added back to the imports to offset the excessive deduction for "re-export goods." Similarly, the value of re-imported goods under processing arrangements etc. is added back to the exports to offset the excessive deduction for "re-import goods."

### 1.A.a.3 Nonmonetary gold

This item covers transactions in gold bullion other than those included in monetary gold.<sup>7</sup> It covers not only physical deliveries of gold bullion but also deliveries through allocated accounts held at overseas banks or other institutions.

Data sources: Trade Statistics; Payment Reports (BOP item number: 013).

#### 1.A.b Services

This item shows service transactions and is divided into "transport," "travel," and "other services."

#### 1.A.b.1 Transport

This item covers transactions in passenger and freight services as well as services auxiliary to transport. Charter fees for vessels and aircraft with crew are recorded as passenger or freight services depending on what is carried.<sup>8</sup>

"Transport" contains the sub-items "sea transport" and "air transport," classified according to the mode of transport. Each is further divided according to the nature of the service into "passenger," "freight," and "other."

#### (Passenger)

This item covers fares and other expenditures for the international transport of nonresidents by resident carriers (credit) -- such as vessels and aircraft -- and of residents by nonresident carriers (debit).

#### (Freight)

This item covers transport related to the export and import of goods and the transport of goods between foreign economies. In the BOP statistics, exports and imports of goods are valued at the customs frontier of the exporting economy (i.e., FOB) regardless of the actual terms of contract, and freight charges beyond the frontier are treated as services

<sup>&</sup>lt;sup>7</sup> Monetary gold is gold held by monetary authorities as a reserve asset.

<sup>8</sup> Charter fees for vessels and aircraft without crew are recorded as operating leasing payments under "technical, trade-related, and other business services."

<sup>&</sup>lt;sup>9</sup> Other modes of transport (e.g., land transport and satellite launches using a rocket) and postal services are included in the difference between the total value of "transport" and the sum of sea and air transport.

incurred by the importer.<sup>10</sup> Therefore, freight charges received by resident carriers for exports from Japan (credit) and freight charges paid to nonresident carriers for imports into Japan (debit) are recorded under transport. As for the transport of goods between foreign economies, freight charges received by resident carriers are recorded as credits.

#### (Other)

This item covers service transactions that are auxiliary to transport and includes, for example, cargo handling charges, storage and warehousing charges, towing charges, and agents' fees.

The main data sources for "transport" are reports on transport submitted by airline and shipping companies engaged in international transport operations (Forms 45-48; hereinafter collectively referred to as "Revenue/Expenditure Reports"). The reports cover receipts and payments of fare and freight charges, operational costs, and other revenues and expenditures. Branches and agents of foreign airline or shipping companies located in Japan report operational costs and other revenues and expenditures received from or paid to residents. In addition, Payment Reports (BOP item numbers: 223-226, 228, 230, and 232-234) are used to cover transactions conducted by residents other than the reporters of the Revenue/Expenditure Reports.

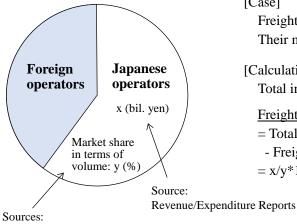
Export freight charges are recorded using freight revenue data reported by Japanese airline and shipping companies. These charges received from residents are also recorded as credits since nonresidents ultimately incur these charges based on the recording principle described above. By contrast, import freight charges are calculated by estimation because it is difficult to directly obtain data on the charges received by nonresident carriers from nonresident exporters under the FEFTA.

<sup>&</sup>lt;sup>10</sup> The same principle applies for insurance services for exported and imported goods.

#### **Box 1. Estimation Method for Import Freight Charges (Debit)**

Payments for import freight charges (debit) are calculated as follows.

Data on freight revenue for imports are collected from the Revenue/Expenditure Reports filed by Japanese shipping and airline companies. The total amount of import freight charges is estimated by dividing the freight revenue data by the market share of Japanese transport operators in terms of the volume of imported goods. 11 Freight charges paid to foreign operators are estimated by deducting the freight revenue of Japanese operators from the total amount of import freight charges.



[Case]

Freight revenue of Japanese operators: x (bil. yen) Their market share in terms of volume: y (%)

#### [Calculation]

Total import freight charges = x/y\*100 (bil. yen)

#### Freight revenue of foreign operators

- = Total import freight charges
- Freight revenue of Japanese operators
- = x/y\*100 (bil. yen) x (bil. yen)

"Kaiji Report" for sea transport; the Trade Statistics for air transport

<sup>&</sup>lt;sup>11</sup> For sea freight charges, the market shares are calculated based on data from the "Kaiji Report" [MLIT Maritime Bureau Annual Report] (Ministry of Land, Infrastructure, Transport and Tourism [MLIT]) (available in Japanese only). The shares are separately calculated for liner, tramper, and tanker services, as unit prices vary substantially depending on the type of ship. Because of the timing of the release of data, in principle, for the January to March figures -- as well as for the January to May preliminary figures -- data for the second preceding year are used; for the April to December figures -- as well as for the June to December preliminary figures -- data for the preceding year are used. For air freight charges, the market share is calculated in terms of the weight of loaded goods for aircraft with Japanese nationality, using data for the relevant month from the "Statistics on Arrival of Aircraft and Entrance of Vessels" in the Trade Statistics.

#### 1.A.b.2 Travel

This item covers goods and services acquired by nonresidents (i.e., travelers) in an economy for their own use or as a gift during a visit to that economy. It includes, for example, accommodation, food, recreation, local transport, and souvenirs. 12

In Japan's BOP statistics, travelers, in principle, are persons who stay in Japan for not more than one year as well as international students regardless of their length of stay. Credits (receipts) cover expenditures of foreign travelers to Japan and debits (payments) cover expenditures of Japanese travelers abroad.

"Travel" is broadly classified by purpose of travel into "business" and "personal," the latter of which is further divided into "education-related" and "other." <sup>13</sup>

#### 1.A.b.2.1 Business

This item covers goods and services acquired for personal use by persons whose primary purpose of travel is commercial or official business. (Business transactions are recorded elsewhere under the relevant category.)

#### 1.A.b.2.2 Personal

This item covers goods and services acquired by persons whose purpose of travel is other than business.

#### 1.A.b.2.2.1 Education-related

This item covers tuition fees as well as living and other expenses paid by students.

#### 1.A.b.2.2.2 Other

This item covers expenditures such as of persons going abroad for vacation, to participate in recreational and cultural activities, and to receive medical treatment. Credits (receipts) cover expenditures of foreign cruise travelers to Japan. <sup>14</sup>

<sup>&</sup>lt;sup>12</sup> While fares to and from a foreign economy are recorded under "transport," they are also included in "tourism-related services in travel and passenger transport," which is the sum of "travel" and passenger transport.

<sup>&</sup>lt;sup>13</sup> Data by purpose of travel are released in the second preliminary figures.

<sup>&</sup>lt;sup>14</sup> Expenditures of foreign cruise travelers are included from figures for January 2018 onward.

#### **Box 2. Estimation Method for Travel**

Data on "travel" are primarily estimated by multiplying the per capita expenditure of travelers from questionnaire surveys by the number of travelers. In addition, expenditures that are difficult to fully capture in those surveys -- such as expenditures of international students, payments for expensive medical treatments, and accommodation expenses of business travelers paid in advance by the host company and settled between companies later -- are recorded separately.

Expenditures of travelers excluding international students	Per capita expenditure of travelers from questionnaire surveys  x  Number of foreign travelers to Japan (credit) or Japanese travelers abroad (debit) from the Immigration Control Statistics
Expenditures of long-term international students	Per capita expenditure of international students  x  Number of international students (both from data published by government agencies and other organizations)
Expenditures of short-term international students and patients, settlements between companies, etc.	Payment Reports (BOP item number: 114) for transactions in which the amount of a single receipt or payment is equivalent to more than 30 million yen.

The main sources for the per capita expenditure of travelers are the following questionnaire surveys. The data are calculated for each partner economy by aggregating the expenditure amount and the number of travelers by type of travel arrangement and purpose of travel.<sup>15</sup>

Credits: "International Visitor Survey" (Japan Tourism Agency)

Debits: "Factual Survey of the Overseas Travel Situation" (JTB Tourism Research & Consulting Co.)

The main source for the number of travelers is the "Immigration Control Statistics" (Ministry of Justice). Foreign visitors to Japan are classified as "travelers" mainly based on their visa status at the time of entry into Japan, and data on the number of travelers by economy and purpose of travel are obtained. The number of Japanese travelers abroad are

<sup>&</sup>lt;sup>15</sup> At the preliminary stage, however, as some data are unavailable, the expenditures of travelers are estimated by multiplying the most recent data for the average per capita expenditure of travelers to Japan from all economies (and vice versa) by estimates of the number of travelers.

estimated by multiplying the number of Japanese departures and the share of short-term travelers (those staying abroad for not more than one year) based on data on the length of stay of Japanese travelers returning from abroad. The number of travelers by destination and purpose of travel are estimated using data from the MLIT.

The main data sources for the expenditure of long-term international students are data compiled by the Japan Student Services Organization (JASSO) for credits and the Ministry of Education, Culture, Sports, Science and Technology (MEXT) for debits.<sup>16</sup>

Data by purpose of travel are compiled as follows. First, expenditures of international students are recorded as "education-related" and those of cruise travelers are recorded as "other," respectively, under "personal." The total amount of "travel" excluding these expenditures is then divided into "business" and "other" under "personal," at a proportional rate calculated based on the share of the respective number of travelers and per capita expenditure.

#### 1.A.b.3 Other services

"Other services" is a category specific to Japan's BOP statistics and includes all service transactions other than "transport" and "travel."

While the main data source for "other services" is the Payment Reports, many of the transactions in this category are of small value and fall under the reporting threshold.<sup>17</sup> Therefore, data for this category are supplemented with estimates of such small-value transactions.

 $<sup>^{16}</sup>$  The latest data available at the time of compilation of the preliminary and second preliminary figures are used.

<sup>&</sup>lt;sup>17</sup> Reporting is not required for transactions amounting to 30 million yen or less per settlement.

# Box 3. Method of Supplementing Data for "Other Services" with Estimates of Small-Value Transactions

In supplementing data for "other services" with estimates of small-value transactions, figures for each item in "other services" are calculated by multiplying the aggregate value reported in the Payment Reports by an adjustment ratio for each item.

The adjustment ratio is calculated separately for credits and debits of the following items: "manufacturing services on physical inputs owned by others," "maintenance and repair services n.i.e.," "construction," "insurance and pension services," "financial services," "charges for the use of intellectual property n.i.e.," "telecommunications, computer, and information services," "other business services," and "personal, cultural, and recreational services." However, data are not supplemented for "government goods and services n.i.e." because the main data source for this item is not the Payment Reports but other reports from government agencies and other organizations.

The adjustment ratio for each item is calculated based on the assumption that the population of transactions in each item underlying the sample of transaction data reported in the Payment Reports follows a Pareto distribution. The reason for assuming a Pareto distribution, which has a thick left tail and a thin right tail, is that in the frequency distribution of amounts reported in the Payment Reports for each item under "other services," the number of reports decreases substantially as the amount per settlement increases.

The adjustment ratio is calculated annually for each item based on the corresponding data from the Payment Reports for the previous year. However, in principle, for the preliminary figures for January through March, the ratio is calculated based on the data for the second preceding year.

#### 1.A.b.3.1 Manufacturing services on physical inputs owned by others

This item covers the fees charged when the owner of the goods commissions another entity to process or assemble the goods. Examples include the assembly of electronics such as semiconductor-related manufacturing or processing, the assembly of clothing, oil refining, and the liquefaction of natural gas.

Data source: Payment Reports (BOP item numbers: 081 and 082).

#### 1.A.b.3.2 Maintenance and repair services n.i.e.

This item covers maintenance and repair work by residents on goods that are owned by nonresidents (and vice versa). Examples include repairs and maintenance of movable property such as vessels and aircraft as well as after-sales services incurred by the seller under the sales contract, such as repairs and maintenance during the warranty period. Also included are expenses for when (1) a resident responsible for the maintenance and repair of goods owned by a nonresident commissions another nonresident to undertake the work and (2) a nonresident responsible for the maintenance and repair of goods owned by a resident commissions another resident to undertake the work.

Data sources: Revenue/Expenditure Reports (Forms 45-48); Payment Reports (BOP item number: 091).

#### 1.A.b.3.3 Construction

This item covers construction and installation work abroad undertaken by residents (construction companies, engineering companies, trading companies, etc.) and such work undertaken by nonresidents in Japan. It includes (1) expenditures for materials acquired from the location of the construction work or third economies; (2) payments for construction work to subcontractors; and (3) operating costs incurred at the local construction site, including payrolls, electricity and heating bills, and costs of consumable supplies. For example, when a resident undertakes construction work abroad, payments such as for materials, payrolls, and equipment incurred at the local construction site are recorded as debits and receipts from the client as payment for the construction work are recorded as credits. Sales of buildings for embassies or consulates are also included under this item.

Data source: Payment Reports (BOP item number: 421).

However, receipts and payments of funds for construction work abroad settled through accounts overseas are reported during a given time period in the Payment Reports (i.e., the reporting deadline is set within three months following the month in which the receipts and payments of funds are made) and the data are not available in time for use in the compilation of the preliminary figures. In order to supplement for this lack of data, preliminary figures for "construction" are estimated by dividing the aggregate value reported in time for the compilation of the preliminary figures by a capture ratio. <sup>18</sup>

<sup>-</sup>

<sup>&</sup>lt;sup>18</sup> The capture ratio is calculated as the ratio of the aggregate value reported in time for the compilation

#### 1.A.b.3.4 Insurance and pension services

This item covers reinsurance, freight insurance, and other types of non-life insurance services, as well as auxiliary services to insurance and pension schemes. Insurance services in Japan's BOP statistics are estimated by multiplying gross premiums on an accrual basis by the ratio of service charges to premiums.<sup>19</sup>

Data sources: Payment Reports (BOP item numbers: 313, 317, and 319); reports from non-life insurance companies (Form 49 and Separate Notices <sup>20</sup>); The General Insurance Association of Japan; Trade Statistics; etc.

#### **Box 4. Recording Method of Non-life Insurance Transactions**

Transactions regarding non-life insurance are recorded not only under "insurance and pension services" but also under "secondary income" and the "financial account." Specifically, data on these transactions are collected and recorded as follows.

(1) Reinsurance and non-life insurance (excluding freight insurance)

Insurance premiums are assumed to be paid in a lump sum for the year, and one-twelfth of actual premium receipts and payments are recorded as "premiums" for each of the 12 months from the month when such receipts and payments are made. That is, while transactions in premiums are collected through the Payment Reports (BOP item numbers: 313 and 317) in the month of the actual transaction, one-twelfth of the reported amount is recorded as premium receipts and payments in that month and the remaining eleventwelfth is recorded as an increase in assets and liabilities under "insurance and pension reserves" under the "financial account." Over the following 11 months, the remaining amounts are recorded as premium receipts and payments and decreases in assets and liabilities under "insurance and pension reserves" in a similar fashion. In other words, the

of the preliminary figures to that reported in time for the compilation of the second preliminary figures. The moving average for the most recent 12 months for which data are available is used for the calculation.

<sup>&</sup>lt;sup>19</sup> In Japan's BOP statistics, services that form part of the premiums on life insurance and pensions are not estimated because the volume of transactions in premiums is insubstantial.

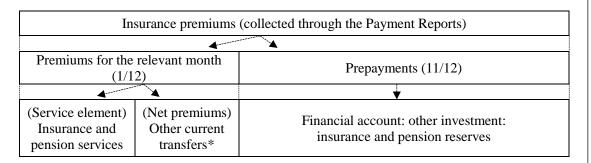
 $<sup>^{20}</sup>$  "Separate Notices" are reports on certain matters based on separate notices issued by the Minister of Finance.

<sup>&</sup>lt;sup>21</sup> This assumption is made because the actual period covered by premiums differs depending on the insurance contract and it is difficult to record premiums taking the terms of individual contracts into account.

premiums recorded in each month are the 12-month moving averages of the reported premiums multiplied by the adjustment ratio for data supplementation.

The premiums in each month calculated as above are divided into the service element and net premiums by applying a service charge ratio, which is calculated as the ratio of business expenses to premium revenue based on the financial statements of insurance companies. The service element is recorded under "insurance and pension services" and net premiums are recorded under "other current transfers" under "secondary income."

Data on insurance claim receipts and payments are collected through the Payment Reports (BOP item numbers: 314 and 318). The reported amount is multiplied by the adjustment ratio and is recorded under "other current transfers" under "secondary income." <sup>22</sup>



Insurance claims (collected through the Payment Reports)		
₩		
Other current transfers*		

<sup>\* &</sup>quot;Other current transfers" is an item under "financial corporations, nonfinancial corporations, households, and NPISHs" under "secondary income."

#### (2) Freight insurance

For freight insurance, premium receipts and payments are recorded in full in the month of the transaction based on the assumption that they cover the risks incurred in that month.

Analogous to freight charges, premiums received for freight insurance underwritten by resident insurers for goods exported from Japan or transported between foreign

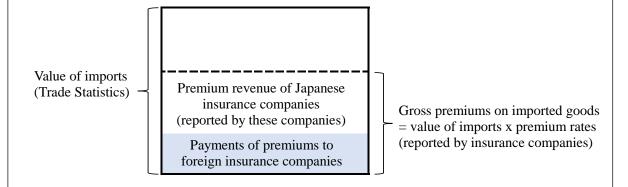
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<sup>&</sup>lt;sup>22</sup> Transactions between policyholders and insurance companies are regarded as transfers because the right to pursue claims corresponding to the premiums is contingent; therefore, net premiums and claims are recorded under "secondary income." By contrast, for life insurance and pensions, premiums and claims are treated as financial assets managed by the insurance companies for policyholders; therefore, they are recorded under "insurance and pension reserves" under "other investment" in the "financial account."

economies are recorded as credits, and premiums paid to nonresident insurers for imports into Japan are recorded as debits.

Insurance premiums for goods exported or transported between foreign economies are recorded based on the premium revenue reported by Japanese non-life insurance companies. Premiums received from residents are also recorded as credits since such premiums are assumed to be ultimately incurred by nonresidents.

Insurance premiums for imports are estimated because it is difficult to directly obtain data on the premiums received by nonresident insurers from nonresident policyholders based on the FEFTA. Specifically, gross premiums on imported goods are estimated by multiplying the premium rates for imported goods reported by Japanese non-life insurance companies by the value of imports based on the Trade Statistics. Premiums paid to foreign insurance companies are then estimated by deducting the amount of premium revenue reported by Japanese non-life insurance companies from the gross premiums on imported goods.



Insurance premiums calculated as above are divided into insurance services and net premiums by applying the business expenses ratio for freight insurance reported by Japanese non-life insurance companies. As in (1) above, the service element is recorded under "insurance and pension services" and net premiums are recorded under "other current transfers" under "secondary income."

Receipts of insurance claims from nonresidents are recorded based on the Payment Reports (BOP item number: 312), and payments of claims for goods exported or transported between foreign economies are recorded based on reports from Japanese non-life insurance companies.

#### 1.A.b.3.5 Financial services

This item covers financial intermediary and auxiliary services. Examples are fees related to (1) transactions in securities or financial derivatives, (2) the issuance or offering of securities, (3) asset management, and (4) banking activities such as the opening of letters of credit, the setting up of lines of credit, guarantees, and foreign exchange transactions. Also included are late or early repayment fees or penalties.

Data sources: Payment Reports (BOP item number: 431); Report on Payment or Receipt of Payment of Interest, Dividends, or Fees etc. (Form 40); Report on Issuance/Offering of Securities (Form 21).

In addition, fees indirectly charged as margins on interest rates on loans and deposits as well as on transactions in financial instruments are recorded as financial services. Such implicit fees are recorded as follows.

#### (a) Financial intermediation services indirectly measured (FISIM)

Banks and other financial corporations provide intermediation services through their lending and deposit operations, and fees for such services are usually indirectly charged as part of the margins on interest rates on loans and deposits.

In Japan' BOP statistics, FISIM are estimated for (1) loans from "deposit-taking corporations, except the central bank" to nonresidents excluding those through interoffice accounts and (2) deposits by nonfinancial corporations etc. at nonresident financial corporations. FISIM on loans are recorded as credits and FISIM on deposits are recorded as debits. Along with this, FISIM on loans are deducted from credits of "interest on loans" under "other investment income" under "primary income" and FISIM on deposits are added to credits of "interest on deposit" under "other investment income" under "primary income" under "primary income."

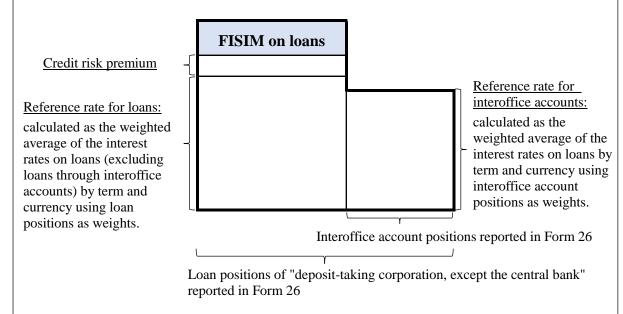
#### **Box 5. Estimation Method of FISIM**

FISIM are estimated by comparing the interest actually received on loans and deposits and the interest calculated by multiplying loan and deposit positions by the reference rate that contains no service element but reflects the risk and maturity structure of loans and deposits.<sup>23</sup>

Data on the interest received on loans and deposits are collected through the Payment Reports and reports on investment income (Form 40). To avoid short-term fluctuations in interest rates from being recorded as changes in the quality and quantity of services, the 12-month moving averages of interest received are used.

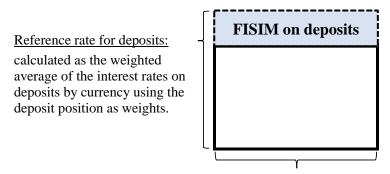
Data on loan and deposit positions are collected through reports from banks (Form 26) and reports on overseas deposits (Form 54), respectively.

The prevailing benchmark interest rates are employed as the reference rate. Meanwhile, in calculating FISIM, a credit risk premium is deducted from the interest on loans, because such a premium can be regarded as compensation for the expected cost of credit rather than charges for financial intermediation services.



Note: The box with thick lines represents the interest received on loans collected through the Payment Reports and Form 40.

<sup>23</sup> Reference rates are calculated as the weighted averages of interest rates on yen, U.S. dollar, and euro loans and deposits using loan and deposit positions as weights.



Deposit positions for nonfinancial corporations etc. reported in Form 54

Note: The box with thick lines represents interest received on deposits by nonfinancial corporations etc. collected through the Payment Reports.

#### (b) Financial dealers' margins

Service charges for transactions in financial instruments include explicit charges as well as implicit charges through the spread between buying and selling prices (referred to as "financial dealers' margins" hereafter).

In Japan's BOP statistics, financial dealers' margins are estimated by multiplying the turnover in debt securities by the relevant average spread.<sup>24</sup> Consequently, transaction prices excluding financial dealers' margins are recorded under "portfolio investment" in the "financial account."

#### 1.A.b.3.6 Charges for the use of intellectual property n.i.e.

This item covers (1) charges for the use of proprietary rights arising from research and development as well as from marketing, (2) charges for licenses to reproduce or distribute copyrighted materials, and (3) charges for screening and broadcasting rights. In Japan's BOP statistics, this item is further divided into "charges for the use of industrial property n.i.e." and "charges for the use of copyrights n.i.e."

#### 1.A.b.3.6.1 Charges for the use of industrial property n.i.e.

This item covers (1) charges for the use of industrial property rights such as patents, utility model rights, design rights, and trademarks; (2) charges for the use of know-how or technical information; (3) various expenses related to franchising; and (4) receipts and payments for grants of distribution rights. Also included are technical assistance or

<sup>&</sup>lt;sup>24</sup> For details on the turnover in debt securities, see 3.B.2 Debt securities under "portfolio investment."

management fees related to such rights. Examples include (1) royalties received by automobile manufacturers from their overseas production affiliates based on the number of vehicles produced, and (2) receipts and payments associated with the licensing of the development and sales of pharmaceuticals (such as upfront payments and royalties based on sales).

Data source: Payment Reports (BOP item number: 451).

#### 1.A.b.3.6.2 Charges for the use of copyrights n.i.e.

This item covers charges for licenses to reproduce and distribute -- regardless of whether or not compensation is received -- copyrighted materials such as computer software, music, video recordings, characters, as well as literary, academic, and artistic works. Examples include (1) license fees paid by a computer manufacturer to the copyright holder for the right to install software, such as an operating system or an application, in computers that the manufacturer produces; (2) license fees paid by an entity to a copyright holder for the use of video or music to be sold, leased, or distributed in the form of disks or files; (3) license fees for the use of characters; (4) charges for screening and broadcasting rights for films; (5) charges for the distribution rights for films; and (6) license fees for releasing films on video.

Data source: Payment Reports (BOP item number: 452).

#### **Box 6. Recording of Intellectual Property Transactions**

Transactions in intellectual property rights are recorded under various items depending on the type of intellectual property right and the subject of transaction (i.e., whether the transaction involves an ownership right or a license). Specifically, the licensing of copyrights is recorded under different items depending on the scope of permission (i.e., whether it falls under either "reproduction and/or distribution" or "use by end-users") and the type of copyrighted materials (i.e., whether they are music and/or visual work or not).

	Sale/purchase of ownership rights	Use of intellectual property	
Patent etc.*	"Research and development services"	"Charges for the use of industrial property n.i.e."	
Copyrights	Computer software: "Computer services"  Items other than computer software: "Audiovisual and related services"	E.g., royalties associated with production technology.  License to reproduce and/or distribute:  "Charges for the use of copyrights n.i.e."  E.g., license fees to install software on computers for sale.  License to use excluding reproduction and distribution (i.e., paid by end-users):  (a) Music and visual works: "audiovisual and related services."  E.g., charges for downloading music.  (b) Other than (a): "computer services."  E.g., charges for downloading of or subscribing to game software.  (Packaged software provided on physical media is included in "goods.")	
Marketing assets	"Gross acquisitions/ disposals of nonproduced nonfinancial assets" under the "capital account"	"Charges for the use of industrial property n.i.e." E.g., charges for the use of trademarks.	

<sup>\*</sup> Rights obtained as an outcome of research and development.

#### 1.A.b.3.7 Telecommunications, computer, and information services

This item covers services related to information technology. It is further broken down into "telecommunications services," "computer services," and "information services."

#### 1.A.b.3.7.1 Telecommunications services

This item covers charges for using communication tools such as the internet, telephones, and satellites. Charges for backbone network services are also included.

Data source: Payment Reports (BOP item number: 411).

1.A.b.3.7.2 Computer services

This item covers service transactions such as (1) the development of customized software,

(2) computerized data-processing services, (3) web design and development, (4) hardware

consultancy, maintenance and repair, and (5) hardware and software installation. Also

included are license fees paid by end-users who obtain games or other packaged software

online, including through subscription services, as well as outright sales of copyrights for

software.<sup>25</sup>

Data source: Payment Reports (BOP item numbers: 441 and 721).

1.A.b.3.7.3 Information services

This item covers the provision of news by the media and online services that provide

content other than audio, video, and computer software. Also included are database

services, search engine services, as well as library and archive services.

Data source: Payment Reports (BOP item number: 442).

1.A.b.3.8 Other business services

This item covers various services for businesses that are not included in the above service

categories. It is further broken down into "research and development services,"

"professional and management consulting services," and "technical, trade-related, and

other business services."

1.A.b.3.8.1 Research and development services

This item covers services that are associated with research and development such as basic

research, applied research, and the development of new products. Also included are

outright sales of the industrial property rights obtained as an outcome of research and

development (such as represented in patents, utility model rights, and design rights).

Data source: Payment Reports (BOP item numbers: 464 and 720).

<sup>25</sup> License fees paid by end-users and outright sales of copyrights for music and video software are

included in "audiovisual and related services."

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1.A.b.3.8.2 Professional and management consulting services

This item covers legal services, accounting and management consulting services, public

relations services, as well as advertising and market research services. Examples include

sales of online advertising space and sponsorship fees for sporting events.

Data source: Payment Reports (BOP item numbers: 462 and 463).

1.A.b.3.8.3 Technical, trade-related, and other business services

This item covers (1) architectural, engineering, and other technical services; (2)

agricultural and mining services; (3) operating leasing services; (4) trade-related services;

and (5) other professional business services. Examples include (1) the design of buildings

and urban development projects, (2) the exploration and mining of natural resources such

as oil and natural gas, (3) operating leases for vessels and aircraft, and (4) back and middle

office services. Administrative expenses of transportation businesses and expenses for

the maintenance of overseas offices are also included.

Data sources: Payment Reports (BOP item numbers: 077, 229, 231, 461, 468, and 469);

Revenue/Expenditure Reports (Forms 45-48).

1.A.b.3.9 Personal, cultural, and recreational services

This item covers services for individuals as well as services related to cultural and

recreational activities. It is further broken down into "audiovisual and related services"

and "other personal, cultural, and recreational services."

1.A.b.3.9.1 Audiovisual and related services

This item covers services related to the production of motion pictures, radio and television

programs, and musical recordings. Also included are services related to theatrical and

musical productions, circuses, and other similar events, such as expenditures on venues

and advertising as well as compensation for performers, directors, and producers involved

in such events. Moreover, outright sales of copyrights for works other than computer

software are also included.

Data source: Payment Reports (BOP item numbers: 472 and 722).

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#### 1.A.b.3.9.2 Other personal, cultural, and recreational services

This item covers services related to education, such as correspondence courses and education via television or the internet, as well as services associated with museums and other cultural activities. For sporting competitions, (1) transactions between the headquarters and the host economy, such as expenses for staging the competition and revenue from ticket sales settled, and (2) rewards, prizes, and fees for athletes are included.

Data source: Payment Reports (BOP item number: 471).

#### 1.A.b.3.10 Government goods and services n.i.e.

This item covers the expenditures of embassies, consulates, and military bases<sup>26</sup> as well as service transactions of governments or international organizations that are not included in other categories. Examples include (1) goods and services acquired by the U.S. forces in Japan from Japanese residents, (2) official fees paid by shipping and airline companies at ports of call, and (3) the overseas support activities by the Japan Self-Defense Forces. Moreover, compensation of Japanese staff working at the U.S. forces in Japan is recorded as credits under this item, since the staff have employment contracts with the Japanese government and such compensation is therefore regarded as payments for staffing services provided by the Japanese government to the U.S. forces.<sup>27</sup>

Data sources: data from government agencies; Payment Reports (BOP item number: 481); Revenue/Expenditure Reports (Forms 45-48).

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<sup>&</sup>lt;sup>26</sup> All goods and services, except for those related to construction, purchased by embassies, consulates, and military bases are recorded under this item. This includes not only official expenditures but also the personal expenditures of staff and their dependents.

<sup>&</sup>lt;sup>27</sup> Of the expenses for such compensation, those not borne by the U.S. forces are regarded as gifts from the Japanese government and are therefore recorded as debits under "general government" under "secondary income." Similarly, other stationing costs of the U.S. forces borne by the Japanese government are recorded as credits under "government goods and services n.i.e." and debits under "secondary income."

#### 1.B Primary Income

The primary income account shows income associated with the production process as well as income on assets. It is broken down into "compensation of employees," "investment income," and "other primary income."

#### 1.B.1 Compensation of employees

This item covers remuneration in return for the labor input provided by an individual in an employer-employee relationship with the enterprise. If such a relationship does not exist, payment of remuneration is treated as a service provided by a self-employed individual and recorded under the relevant service item.

Major examples of "compensation of employees" in Japan's BOP statistics are (1) compensation paid by Japanese embassies or consulates overseas to local staff and compensation received by residents from foreign embassies or consulates in Japan, and (2) compensation paid to nonresident crew members working on vessels or aircraft operated by residents and compensation received by resident crew members working on vessels or aircraft operated by nonresidents.

Data sources: data from government agencies; Payment Reports (BOP item number: 511); Revenue/Expenditure Reports (Forms 45-48).

#### 1.B.2 Investment income

This item covers dividends, interest, etc., which are the return for the provision of financial assets. It is broken down into income on "direct investment," "portfolio investment," and "other investment," depending on the functional category of the principal. Income from reserve assets falls into either "portfolio investment income" or "other investment income," depending on the type of instrument of the principal. <sup>28</sup> Holdings of financial derivatives do not give rise to investment income. <sup>29</sup>

 $<sup>^{28}</sup>$  For example, interest on U.S. government bonds is included under "interest" in "portfolio investment income."

<sup>&</sup>lt;sup>29</sup> Receipts and payments of interest on financial derivatives such as interest swaps are recorded as financial transactions under "financial derivatives (other than reserves)" in the "financial account," because they are settlements based on the reference prices of the underlying items and not the return for the provision of financial assets.

The amount of income before the deduction of withholding taxes is recorded under "investment income." For example, when a Japanese company pays dividends to a nonresident investor, the payment amount before the deduction of withholding taxes is recorded as debit under "investment income," and the tax amount is recorded as credit under "general government" under "secondary income."

#### 1.B.2.1 Direct investment

This item covers income on direct investment assets/liabilities. For the definition of direct investment, see "direct investment" in the "financial account" (3.A Direct Investment).

It is divided into "income on equity and investment fund shares" and "interest," depending on the form of direct investment from which the income accrues. The former is further broken down into "dividends and withdrawals from income of quasi-corporations" and "reinvested earnings."

#### 1.B.2.1.1 Income on equity and investment fund shares

This item covers parent companies' shares in the current earnings (excluding holding gains and losses such as profits on the sale of assets) of direct investment enterprises such as subsidiaries

The earnings actually distributed to parent companies are recorded under "dividends and withdrawals from income of quasi-corporations." For retained earnings of subsidiaries, 30 it is assumed that parent companies' shares of such earnings are distributed to the parents and immediately reinvested by them, and the same amounts are recorded for both "reinvested earnings" and "reinvestment of earnings" under "direct investment" in the "financial account."

With regard to direct investment, dividend payments tend to be irregular, depending on the financial strategy of the parent company, and there are many cases in which profits for several years are distributed all at once. While dividend payments exceeding the profits earned in a particular period can be regarded as withdrawals of investment, in Japan's BOP statistics, such payments in principle are first recorded as payments of "dividends and withdrawals from income of quasi-corporations," and the same amounts

<sup>&</sup>lt;sup>30</sup> Retained earnings of indirectly held enterprises on a consolidated basis are also reflected.

are then reflected as negative values in "reinvested earnings" and "reinvestment of earnings."

#### 1.B.2.1.1.1 Dividends and withdrawals from income of quasi-corporations

This item covers the dividends paid out of earnings<sup>31</sup> that are distributed to a parent company from its subsidiary as well as branch profits remitted to the head office. Remittances to compensate for the deficits registered in branches' settlement of accounts and remittances to compensate for subsidiaries' losses in order to support their business are recorded as negative values. Rent for real estate assets are also included.<sup>32</sup>

Data sources: Payment Reports (BOP item numbers: 512, 521, 565, and 568); report on investment income (Form 40).

#### 1.B.2.1.1.2 Reinvested earnings

"direct investment" in the "financial account."

This item covers retained earnings of subsidiaries, which are recorded in proportion to the parent company's ownership share.<sup>33</sup> Retained earnings for a certain accounting year are deemed to be earned equally over that year, and one twelfth of the retained earnings are recorded every month of the year.

Data sources: reports on direct investment (Forms 51 and 52) that are based on firms' financial statements.<sup>34</sup>

Other dividends such as liquidating dividends and those made out of capital are treated as withdrawals of investment and recorded under "equity other than reinvestment of earnings" under

<sup>&</sup>lt;sup>32</sup> In the BOP statistics, land ownership by nonresidents is recorded as direct investment.

<sup>&</sup>lt;sup>33</sup> Data on retained earnings are collected on a consolidated basis to reflect retained earnings of indirectly held enterprises. Retained earnings are calculated as current profits/losses adjusted for holding gains/losses and dividend payments. For practical reasons, they are calculated before taxes.

<sup>&</sup>lt;sup>34</sup> Figures are first compiled based on the most recent reports from firms whose accounting year ends in March and are then replaced with data for the relevant period in which the earnings accrue when the reported amounts are aggregated. See <u>FAQs on the Balance of Payments Related Statistics</u> on the Bank of Japan's website for details on the revision of reinvested earnings.

#### **1.B.2.1.2** Interest

This item covers interest payments on loans and debt securities between direct investors such as parent companies and direct investment enterprises (DIEs), including indirectly held enterprises, as well as between fellow enterprises.

Data sources: Payment Reports (BOP item numbers: 531 and 541); report on investment income (Form 40).

#### 1.B.2.2 Portfolio investment

This item covers dividends and interest on debt securities that do not fall under "direct investment" under "investment income."

It comprises (1) "investment income on equity and investment fund shares," which is further broken down into "dividends on equity excluding investment fund shares" and "investment income attributable to investment fund shareholders"; and (2) "interest," which is further broken down into interest on "long-term" and "short-term" debt securities. These breakdowns correspond to those under "portfolio investment" in the "financial account."

#### 1.B.2.2.1 Investment income on equity and investment fund shares

#### 1.B.2.2.1.1 Dividends on equity excluding investment fund shares

This item covers dividends on equity securities paid out of earnings.

Data sources: Payment Reports (BOP item number: 529); report on investment income (Form 40).

#### 1.B.2.2.1.2 Investment income attributable to investment fund shareholders

This item covers the distribution of income by investment trusts (both corporate- and contract-type).

Data sources: Payment Reports (BOP item number: 551); report on investment income (Form 40).

**1.B.2.2.2 Interest** 

This item covers interest on debt securities and is divided into interest on "long-term" and

"short-term" debt securities. While data on coupon payments are collected and recorded

at the time of remittance, for discounted long-term debt securities, the amount of interest

accrual is estimated because there are no actual remittances made during the period in

which the interest accrual should be recorded. In addition, payments of interest on short-

term debt securities are estimated altogether based on the outstanding amount of liabilities

in such securities and representative short-term interest rates. A corresponding entry is

made under "portfolio investment" in the "financial account" for these interest payment

estimates. In cases where the estimates are negative, they are recorded as negative values.

Data sources: Payment Reports (BOP item numbers: 542-546); reports on investment

income (Forms 39 and 40); and materials prepared by the Bank of Japan.

1.B.2.3 Other investment

This item covers all investment income that does not fall under "direct investment" or

"portfolio investment" under "investment income."

It comprises "withdrawals from income of quasi-corporations" and "interest." In Japan's

BOP statistics, "interest" is further broken down into "interest on trade credit and

advances," "interest on loans," "interest on deposit," and "other interest." This breakdown

corresponds to that under "other investment" in the "financial account."

1.B.2.3.1 Withdrawals from income of quasi-corporations

This item covers the distributed income on investments in equity in quasi-corporations

such as partnerships and other institutions.

Data source: Payment Reports (BOP item number: 573).

1.B.2.3.2 Interest

1.B.2.3.2.1 Interest on trade credit and advances

This item covers interest on trade credit.

Data sources: Payment Reports (BOP item numbers: 564 and 566); Survey on Trade

Credit (Separate Notices).

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1.B.2.3.2.2 Interest on loans

This item covers interest on "loans." It also includes the part of lease payments in financial

leases that corresponds to interest payments. Interest received by "deposit-taking

corporations, except the central bank" is recorded after deducting FISIM on loans.

Data sources: Payment Reports (BOP item numbers: 532, 533, and 567); report on

investment income (Form 40); Revenue/Expenditure Reports (Forms 45-

48).

1.B.2.3.2.3 Interest on deposit

This item covers interest on deposits. Interest received by nonfinancial corporations etc.

is recorded after adding FISIM on deposits.

Data sources: Payment Reports (BOP item number: 563); report on investment income

(Form 40); materials prepared by the Bank of Japan.

**1.B.2.3.2.4** Other interest

This item covers all investment income that is not included in the above investment

income categories. It also includes fees on securities lending and the distribution of

income by money trusts.

Data sources: Payment Reports (BOP item numbers: 570 and 579); report on investment

income (Form 40).

1.B.3 Other primary income

This item covers rent for natural resources (such as charges for the use of mining rights)

as well as taxes and subsidies on products and production (including taxes levied based

on aspects such as the volume and price of oil, natural gas, etc. that is extracted). Refunds

of such taxes are recorded as negative values.

Data source: Payment Reports (BOP item numbers: 453, 621, and 623).

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#### **Box 7. Treatment of Taxes**

Taxes are recorded under various items depending on what is taxed and the entity levying the tax.

	Item	Levied on nonresidents by the Japanese government	Levied on residents by foreign governments
Current taxes on income etc.	"Secondary income"		"Financial corporations,
Taxes on capital transfers such as inheritance taxes and gift taxes	"Capital transfers" under the "capital account"	"General government"	nonfinancial corporations, households, and NPISHs"
Taxes on products and production	"Other primary income" under "primary income"		

## 1.C Secondary Income

This category shows the redistribution of income through current transfers. Transfers are transactions that differ from exchanges in that they involve a provision of an economic value (i.e., goods, services, financial assets, or nonproduced nonfinancial assets) by one party without the receipt of a corresponding item of economic value. The BOP statistics apply the double-entry system, so when something of economic value is provided without a corresponding return of an item of economic value, the corresponding entry is made as a transfer.<sup>35</sup>

"Secondary income" is divided into current transfers to and from "general government" and those to and from "financial corporations, nonfinancial corporations, households, and NPISHs" depending on the sector of the residents involved.

# 1.C.1 General government

This item covers current transfers involving the Japanese government, including the central government, local governments, and social security funds. In Japan's BOP

<sup>&</sup>lt;sup>35</sup> Transfers are classified as "current transfers" or "capital transfers" depending on the nature and use of the items provided. See 2.A for more details on "capital transfers."

statistics, this item contains the sub-items "grant aid" and "contributions to international organizations."

#### 1.C.1.1 Grant aid

This item covers official development assistance (ODA) grant aid extended (1) as emergency assistance for victims of natural disasters or refugees, (2) as food aid, and (3) for food security projects for underprivileged farmers.

Data sources: Payment Reports (BOP item number: 611); data from government agencies.

#### 1.C.1.2 Contributions to international organizations

This item covers regular contributions paid by the Japanese government to international organizations but excludes capital subscriptions and contributions to funds engaging in lending activities.

Data sources: Payment Reports (BOP item number: 612); data from government agencies.

**Box 8. Treatment of Capital Subscriptions and Contributions to International Organizations** 

Capital subscriptions and contributions to international organizations are recorded under various items depending on the payee.

		Payee	Item
Capital subscriptions		International Monetary Fund (IMF)	"Reserve position in the IMF" under "reserve assets" in the "financial account"
	ns	Bank for International Settlements (BIS)	"Equity securities other than investment fund shares" under "equity and investment fund shares" under "portfolio investment" in the "financial account"
		Other organizations	"Subscriptions to international organizations" under "other equity" under "other investment" in the "financial account"
Contributions		Funds engaging in lending activities	"Other capital transfers" under "general government" under "capital transfers" in the "capital account"
	DIIS	Other organizations	"Contributions to international organizations" under "general government" under "secondary income"

#### (Other)

In addition to the above, "general government" includes receipts of current taxes on nonresidents' income and property holdings levied by the Japanese government, including withholding taxes. Payments for the refund of such taxes are recorded as negative credits. In addition, (1) services provided free of charge by the Japan Self-Defense Forces in overseas activities and (2) stationing costs of the U.S. forces in Japan borne by the Japanese government are recorded as debits in this item.<sup>36</sup>

Data sources: Payment Reports (BOP item numbers: 622 and 625); report on investment income (Form 40); data from government agencies.

# 1.C.2 Financial corporations, nonfinancial corporations, households, and NPISHs

This item covers current transfers between residents other than the Japanese government and nonresidents including foreign governments and international organizations. It is divided into "personal transfers" and "other current transfers."

# 1.C.2.1 Personal transfers (current transfers between resident and nonresident households)

This item covers, for example, workers' remittances in cases where persons employed in a host economy and treated as residents send remittances of earnings gained in that economy to family members in their economy of origin.

Data sources: Payment Reports (BOP item number: 615); "Survey on Personal Transfers" (Separate Notices) submitted by banks and funds transfer service providers.

#### 1.C.2.2 Other current transfers

This item covers current transfers involving residents other than the Japanese government that do not fall under "personal transfers." Various types of transactions are included as follows.

For current taxes on income, wealth, etc. levied by foreign governments, examples include (1) income taxes withheld when residents receive investment income and

<sup>&</sup>lt;sup>36</sup> These entries correspond to the credit entries in "government goods and services n.i.e."

royalties from nonresidents, and (2) taxes levied on income on and holdings of interest in mining businesses. Refunds of such taxes are recorded as negative values.

For non-life insurance transactions, net premiums (i.e., premiums excluding the service element) and claims are included in this item.

Also included are (1) damages and settlements received from or paid to nonresidents; (2) fines and penalties paid to foreign governments; and (3) expenses incurred by residents related to product recalls abroad. In addition, (4) private disaster relief; (5) payments of salaries by a head office to employees of overseas branches; and (6) regular contributions to charities and religious, scientific, or cultural institutions.

Data sources: Payment Reports (BOP item numbers: 624 and 626) and report on investment income (Form 40).<sup>37</sup>

<sup>&</sup>lt;sup>37</sup> See Box 4 for the data sources for non-life insurance premiums and claims.

2 Capital Account

The capital account shows "capital transfers" and "gross acquisitions (DR.)/disposals

(CR.) of nonproduced nonfinancial assets."

2.A Capital Transfers

This item covers transfers (1) in which the ownership of an asset (other than cash or

inventories) changes; (2) which oblige one or both parties to acquire or dispose of an asset

(other than cash or inventories), such as investment grants; or (3) where a liability is

forgiven by the creditor.

"Capital transfers" are divided into those to and from "general government" and those to

and from "financial corporations, nonfinancial corporations, households, and NPISHs"

depending on the sector of the residents involved.

2.A.1 General government

This item covers capital transfers involving the Japanese government. It is broken down

according to the nature of the transaction into "debt forgiveness" and "other capital

transfers." In Japan's BOP statistics, "grant aid" is separated from "other capital transfers"

and is provided as another item.

2.A.1.1 Grant aid

This item covers grant aid under ODA such as grant aid extended to support facility

improvements.

Data source: data from government agencies.

2.A.1.2 Debt forgiveness

Debt forgiveness is the voluntary cancellation of all or part of a debt obligation within a

contractual agreement between a creditor and a debtor. Specifically, when a resident

cancels a loan to a nonresident, the decrease in the asset is recorded under the relevant

items in the "financial account" and the same amount is recorded as a debit under "debt

forgiveness."

Data source: materials submitted by public financial corporations.

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2.A.1.3 Other capital transfers

This item covers (1) taxes on capital transfers such as inheritance taxes and gift taxes, and

(2) contributions to the funds of international organizations that engage in lending

activities.

Data sources: Payment Reports (BOP item numbers: 618 and 619); data from

government agencies.

2.A.2 Financial corporations, nonfinancial corporations, households,

and NPISHs

This item is divided into "debt forgiveness" and "other capital transfers."

2.A.2.1 Debt forgiveness

The definitions and treatment of this item are the same as those for the corresponding

item under "general government."

Data sources: reports on loans (Forms 31 and 41); Survey on Trade Credit (Separate

Notices).

2.A.2.2 Other capital transfers

This item covers investment grants by the private sector, transfers of assets involving

inheritances or testamentary gifts, and payments of inheritance taxes and gift taxes to

foreign governments.

Data source: Payment Reports (BOP item numbers: 617-619).

2.B Gross Acquisitions (DR.)/Disposals (CR.) of Nonproduced

**Nonfinancial Assets** 

This item covers transactions in (1) natural resources such as mineral rights and land; (2)

contracts, leases, and licenses that are recognized as economic assets such as emissions

permits and transfer fees; and (3) marketing assets such as trademarks.

For transactions involving mineral rights and trademarks, only the outright sales of rights

are included in this item.

Data source: Payment Reports (BOP item numbers: 711 and 723).

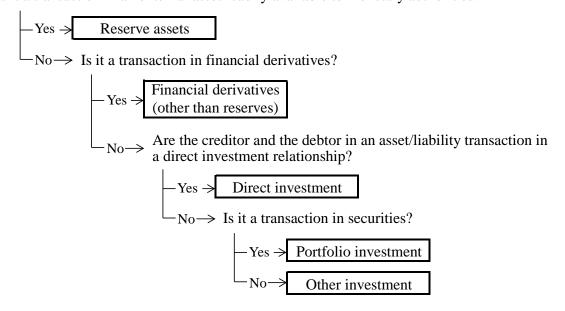
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## 3 Financial Account

The financial account records transactions that involve financial assets and liabilities and that take place between residents and nonresidents. It is broken down into the following functional categories: "direct investment," "portfolio investment," "financial derivatives (other than reserves)," "other investment," and "reserve assets." These categories build on the classification of financial instruments, with an additional dimension that takes into account aspects such as the relationship between the creditor and the debtor. Further, each category is classified into "assets" -- that is, claims on nonresidents -- and "liabilities" -- that is, obligations to nonresidents.<sup>38</sup> "Reserve assets" by their nature consist only of "assets."

Exhibit 5: Classification Criteria for the Functional Categories in the Financial Account (Overview)

Is it a transaction in an external asset readily available to monetary authorities?



For "portfolio investment," "financial derivatives (other than reserves)," and "other investment," figures are classified in terms of the following institutional sectors that residents (creditors in the case of assets and debtors in the case of liabilities) belong to:

<sup>&</sup>lt;sup>38</sup> For direct investment, data according to the directional principle -- classified into "outward" and "inward" direct investment based on where the parent companies reside -- are also compiled and disseminated as "Direct Investment by Region and Industry." For details, see <u>Recording Principles of Direct Investment</u> on the Bank of Japan's website.

"central bank," "deposit-taking corporations, except the central bank," "general government," "other financial corporations," and "others." 39

In addition, debt instruments -- that is, financial instruments that require the payment of principal and/or interest -- under "portfolio investment" and "other investment" are classified into long-term and short-term instruments according to their original maturity.<sup>40</sup>

The "financial account" does not cover increases or decreases in holdings of assets or liabilities that do not involve transactions. Thus, the financial account excludes (1) changes in the valuation of assets resulting from fluctuations in exchange rates or other market prices and (2) the reclassification of existing assets, such as from "portfolio investment" to "direct investment" due to an investor making additional investments in the equity of a foreign enterprise. These increases or decreases not involving transactions are reflected as "exchange rate changes" or "other changes" in the International Investment Position (IIP) of Japan. 41 By contrast, in cases where, for example, the sector of the resident debtor changes as a result of the government assuming the debt of a private sector entity, or where the terms of a loan agreement change from short-term to long-term, the extinction of the existing debt and the creation of the new debt are reflected in the statistics as a transaction under the mutual agreement of the parties.

Only actual claims or obligations that legally exist should be recorded as financial assets and liabilities in the statistics. For example, arrangements of credit lines are not reflected in the statistics.

In contrast to the "current account," the "financial account" records net changes in each asset/liability item, that is, the difference between acquisitions and disposals of each item during a certain period. 42 For example, transactions in Japanese government bonds by nonresidents are recorded as follows: if net changes are positive (net purchases), figures

<sup>42</sup> Gross acquisitions and disposals are also available for some items.

<sup>&</sup>lt;sup>39</sup> "Others" in the sector breakdown refers to nonfinancial corporations, households, and nonprofit institutions serving households (NPISHs). With regard to the classification of institutional sectors that residents belong to, it should be noted that in Japan, public financial corporations that do not engage in deposit operations or exchange transactions are classified under "general government."

<sup>&</sup>lt;sup>40</sup> Long-term instruments are those with a maturity of more than one year or with no stated maturity (other than on demand), while short-term instruments are those that are payable on demand or have a maturity of one year or less.

<sup>&</sup>lt;sup>41</sup> See III.4. Changes in the IIP by Factor.

<sup>38</sup> 

are recorded as an increase in liabilities; and if net changes are negative (net sales), figures are recorded as a decrease in liabilities.

#### 3.A Direct Investment

In Japan's statistics, "direct investment" covers investments in equity and debt instruments between a parent company and its subsidiaries in which the parent owns 10 percent or more of the voting power. Investments in debt securities and loans between enterprises for which indirect relationship exist are also included (see Box 9 below for the identification of direct investment relationships, that is, parties to direct investment). In addition, acquisitions or disposals of overseas real estate by residents and acquisitions or disposals of domestic real estate by nonresidents are recorded under direct investment.

"Direct investment" covers not only the initial transaction that establishes a direct investment relationship but also transactions in claims on and obligations to the parties in the relationship. These transactions are classified as "equity other than reinvestment of earnings," "reinvestment of earnings," or "debt instruments," according to the form of investment.

# 3.A.1 Equity other than reinvestment of earnings

This item covers share capital of subsidiaries, branch capital, and other capital contributions including capital reserves. It also covers cases when a subsidiary acquires equity in its parent accounting for less than 10 percent of the voting power.<sup>43</sup> In addition to transactions between a parent and its subsidiaries such as the extension of capital, the establishment or dissolution of a direct investment relationship as a result of the purchase or disposal of outstanding shares between investors (M&A) is also included.

Moreover, sales of overseas real estate by residents and sales of domestic real estate by nonresidents are recorded in this item.

Data source: Payment Reports (BOP item numbers: 811-813, 874, 911-913, and 974).

# 3.A.2 Reinvestment of earnings

This item covers subsidiaries' earnings that are not distributed to investors (retained earnings on a consolidated basis) and which are recorded in proportion to the ownership

<sup>&</sup>lt;sup>43</sup> Meanwhile, in Japan's statistics, transactions in shares of indirectly held or fellow enterprises are recorded under "portfolio investment."

share of the parent company. Such earnings are treated as being distributed to the parent, who then is deemed to immediately reinvest the earnings back; therefore, the same amount recorded under "reinvestment of earnings" is also recorded as "reinvested earnings" under "direct investment" in the primary income account.<sup>44</sup>

#### 3.A.3 Debt instruments

This item covers transactions in loans and debt securities of which the creditor and debtor are in a direct investment relationship. <sup>45</sup> However, transactions between financial corporations are recorded under "loans" under "other investment" or "debt securities" under "portfolio investment." <sup>46</sup> Not only transactions in claims on and obligations to parties in an immediate direct investment relationship, but also those in claims on and obligations to indirectly held or fellow enterprises are included.

Data source: Payment Reports (BOP item numbers: 815, 817, 820, 823, 915, 917, 920, and 923).

### **Box 9. Identifying Direct Investment Relationships**

Identification of direct investment relationships in international standards

In the sixth edition of the Balance of Payments and International Investment Position Manual (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 [DIE]) 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 the following:

- (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 DIE;
- (2) indirect direct investment relationships in which the direct investor exercises indirect control or influence through a chain of direct investment relationships; and

<sup>45</sup> In Japan, transactions in deposits as well as trade credit and advances are recorded under "other investment."

<sup>&</sup>lt;sup>44</sup> See 1.B.2.1.1.2 Reinvested earnings for the recording and data sources.

<sup>&</sup>lt;sup>46</sup> In Japan, such financial corporations include banks, insurance companies, and financial services providers.

(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 the 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.

Control: Voting power of more than 50 percent

Influence: Voting power of at least 10 percent and no more than 50 percent<sup>47</sup>

With regard to (2) and (3), there can be a chain of control with no limit on the number of entities involved, as long as control exists at each stage. On the other hand, influence is limited to one stage down a chain of control.

Identification of direct investment relationships in Japan's statistics

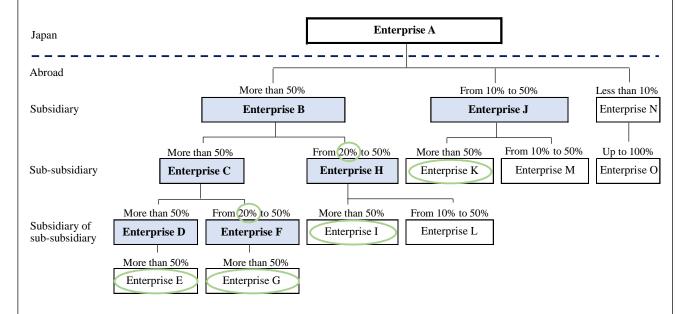
While the identification of direct investment relationships in Japan's statistics is generally in line with the FDIR for both outward and inward direct investment, in consideration of the reporting burden, in practice, identification procedures are designed to be in line with actual corporate accounting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

#### A. Outward direct investment

The figure below illustrates the identification of various types of DIEs of a hypothetical Enterprise A in Japan. Immediate direct investment relationships -- i.e., (1) above -- are treated exactly as in the FDIR. On the other hand, indirect direct investment relationships -- i.e., (2) above -- are defined not on the basis of whether an investor holds voting power of 10 percent or more in the investee but on the basis of the so-called equity method (in which case a significant degree of influence, in principle, implies that the investor holds voting power of 20 percent or more). In addition, a chain of control can involve at most

<sup>&</sup>lt;sup>47</sup> In the BPM6, controlled enterprises and influenced enterprises are called "subsidiaries" and "associates," respectively, and they are collectively called "DIEs." Meanwhile, in this document, immediate DIEs, regardless of whether they are controlled or influenced, are referred to as "subsidiaries."

three sub-entities (a subsidiary, a sub-subsidiary, and a subsidiary of the sub-subsidiary), and subsidiaries of enterprises not controlled are not regarded as DIEs.

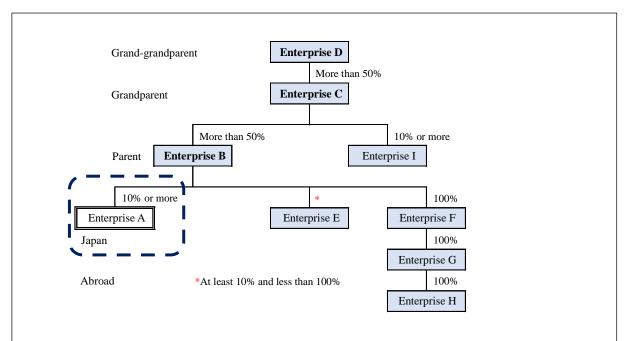


Notes: 1. Figures represent voting power percentages, with circles indicating main differences from the FDIR.

- 2. Shaded boxes indicate DIEs of Enterprise A.
- 3. For "debt instruments" in the "financial account," even if a subsidiary such as Enterprise B is a resident of Japan, its nonresident subsidiaries (Enterprises C and H) are treated as DIEs of Enterprise A. In addition, if a sub-subsidiary such as Enterprise C is a nonresident, its subsidiaries (Enterprises D and F) are treated as DIEs of Enterprise A.

#### B. Inward direct investment

The figure below illustrates the identification of various types of direct investment relationships of a hypothetical Enterprise A in Japan. Immediate direct investment relationships -- i.e., (1) above -- as in the FDIR, require that an investor holds voting power of 10 percent or more in the investee. On the other hand, indirect direct investment relationships -- i.e., (2) above -- include up to a great-grandparent as long as there is an unbroken chain of control from the parent to the great-grandparent. Fellow enterprises -- i.e., (3) above -- are included up to a sub-subsidiary of a fellow as long as the chain from the parent consists of holdings of voting power of 100 percent. Fellows of the parent are also included.



Notes: 1. Figures represent voting power percentages. Differences from the FDIR are not presented.

- 2. Enterprises in bold are direct investors of Enterprise A. The other enterprises are fellow enterprises.
- 3. For "debt instruments" in the "financial account," even in the case where the parent (Enterprise B) is a resident of Japan, if the other enterprises in the chain are nonresidents, they are included in the direct investment relationship with Enterprise A (in this case, investments in Enterprises E to H are in principle treated as outward direct investment).

#### 3.B Portfolio Investment

This category shows transactions in equity and debt securities that do not fall under "direct investment" or "reserve assets." Both listed and unlisted securities are included. Meanwhile, securities lending transactions are not recorded in the statistics because the economic ownership of securities does not change in such transactions (cash collateral for the lending, however, is recorded under "loans" under "other investment").

The asset side of "portfolio investment" shows transactions in securities issued by nonresidents and the liability side shows transactions in securities issued by residents. "Assets" and "liabilities" are each broken down into "equity and investment fund shares" and "debt securities" according to the type of securities involved. The former is further divided into "equity securities other than investment fund shares" and "investment fund shares or units," and the latter is further divided into "long-term" and "short-term" debt securities. In addition, each of these categories is classified by sector: "assets" are classified according to the sector of the holder -- that is, the resident transactor -- while "liabilities" are classified according to the sector of the issuer.

Data sources: Report on Sales Contract etc. of Securities (Form 14); Report on Acquisition/Transfer of Securities (Form 13); Report on Issuance/Offering of Securities (Form 21); Payment Reports (BOP item numbers: 831, 931, etc.).

# 3.B.1 Equity and investment fund shares

This item covers transactions in equity securities.

#### 3.B.1.1 Equity securities other than investment fund shares

This item covers transactions in equity securities other than investment fund shares. However, nonparticipating preferred stocks (that is, stocks that limit participation in the distribution of the residual value of an incorporated enterprise on dissolution to a predetermined value) are not treated as equity but as debt securities (long-term debt securities).

#### 3.B.1.2 Investment fund shares or units

This item covers transactions in shares or units of investment trusts (both corporate- and contract-type trusts); however, an investment in a corporate-type investment trust that entitles the investor to 10 percent or more of the voting power in the trust is recorded as "equity other than reinvestment of earnings" under "direct investment."

#### 3.B.2 Debt securities

This item covers transactions in debt securities. The value of transactions is adjusted for financial dealers' margins. Specifically, such margins are added to sales and consequently deducted from net purchases or sales. 48

#### 3.B.2.1 Long-term

This item covers transactions in securities with an original maturity (that is, the period from issue until the final contractually scheduled payment) of more than one year. In Japan's BOP statistics, this item is further broken down into "buying and selling" and "issues."

"Buying and selling" covers not only ordinary sales and redemptions but also the estimated amount of accrued interest on discounted debt securities as a corresponding

<sup>&</sup>lt;sup>48</sup> The same amount is recorded under "financial services."

entry to the amount recorded under "portfolio investment" under "primary income." Also included as sales of securities are conversions of convertible bonds into stock and substitute payments through the exercise of warrants.

#### 3.B.2.2 Short-term

This item covers transactions in securities with an original maturity of one year or less. Examples of such securities are treasury bills, commercial paper, negotiable certificates of deposit (NCDs) issued abroad, and trade bills. As in the case of long-term debt securities, this item covers transactions involving ordinary sales, issues, and redemptions as well as the estimated amount of accrued interest on discounted debt securities.<sup>49</sup>

## **3.C Financial Derivatives (Other than Reserves)**

This category covers (1) option premiums as well as option trading gains and losses; (2) share options; (3) forward and futures trading gains and losses; (4) notional exchange gains and losses on currency swaps; and (5) interest payments, dividends, and capital gains, etc. accruing from swap transactions.

Data sources: Report on Transactions in Financial Derivatives (Form 27); Payment Reports (BOP item numbers: 991-996).

## 3.D Other Investment

This category shows all financial transactions that do not fall under "direct investment," "portfolio investment," "financial derivatives (other than reserves)," or "reserve assets." As in the other functional categories, claims by residents are recorded as "assets," and obligations to nonresidents are recorded as "liabilities." "Other investment" is broken down into "other equity," "currency and deposits," "loans," "insurance and pension reserves," "trade credit and advances," "other accounts receivable/payable," and "special drawing rights (net incurrence of liabilities)." "Loans," "trade credit and advances," and "other accounts receivable/payable" are each further broken down into "long-term" (more than one year) and "short-term" (one year or less), according to the original maturity.

## **3.D.1** Other equity

This item covers transactions in equity that is not in the form of securities and that do not

<sup>&</sup>lt;sup>49</sup> The estimated amount of accrued interest on short-term debt securities is recorded only for liabilities. See also 1.B.2.2.2 Interest.

fall under either "direct investment" or "reserve assets." In Japan's BOP statistics, this item contains the sub-item "subscriptions to international organizations."

Investments in equity in partnerships and withdrawals of equity from partnerships are also recorded under this item. Such partnerships under Japanese laws include investment limited partnerships, limited liability partnerships, partnerships under the Civil Code, and anonymous partnerships. Also included are partnerships under foreign laws that are similar to the above partnerships, such as limited partnerships.

Data sources: Payment Reports (BOP item numbers: 878 and 977); data from government agencies.

# 3.D.2 Currency and deposits

This item covers currency in circulation used as a general means of payment. Transactions in commemorative coins or notes that are not in circulation are recorded under "goods."

Deposits cover deposits payable on demand with a settlement function and transactions in all claims that are represented by certificates of deposit that are not negotiable. Examples include receipts and payments of (1) funds involving banks' foreign exchange settlement via deposit accounts that they have with correspondent banks; (2) cash collateral and margins in transactions in financial derivatives; <sup>51</sup> (3) funds in deposit accounts that enterprises have with overseas banks for purposes of settlement and fund management; (4) funds that are deposited with overseas affiliates as part of global cash management systems (CMSs); <sup>52</sup> and (5) funds that are deposited with the Bank of Japan by international organizations and other central banks. In addition, transactions in gold, platinum, and other metals through unallocated accounts (i.e., accounts in which the stored metals are not identifiable by number, brand, weight, etc.) held at overseas banks or other institutions are treated as deposit transactions. <sup>53</sup> Meanwhile, NCDs issued in

<sup>51</sup> Deposit liabilities of sectors other than "deposit-taking corporations, except the central bank" are recorded under "short-term" under "other liabilities."

<sup>&</sup>lt;sup>50</sup> In Japan's BOP statistics, beneficial interests in trusts that are not in the form of securities are recorded under "other accounts receivable/payable."

<sup>&</sup>lt;sup>52</sup> Loan assets under CMSs are recorded under either "debt instruments" under "direct investment" or "loans" under "other investment" depending on the relationship between the relevant parties.

<sup>&</sup>lt;sup>53</sup> Unallocated accounts do not provide ownership of specific pieces of metal but represent a claim for the delivery of metal of the same quality and amount as that deposited. Therefore, such accounts are treated as financial assets in the BOP statistics.

Japan are recorded under "currency and deposits" and not under "portfolio investment," because they are nominative and nonnegotiable.<sup>54</sup>

Data sources: Report on Assets and Liabilities Positions (Form 26); Report on Transactions in Financial Derivatives (Form 27); Report on Overseas Deposits Outstanding (Form 54); materials prepared by the Bank of Japan; Payment Reports (BOP item numbers: 012, 033, etc.).

For transactions where reports on positions are used (Forms 26 and 54), changes in positions from the end of the previous month are recorded as the value of transactions (the same applies to the other items under "other investment" below).

#### 3.D.3 Loans

This item covers financial assets that are created when a creditor lends funds directly to a debtor and that are evidenced by documents that are not negotiable. Examples include (1) the extension of funds by banks and securities companies between offices or affiliates in response to investment and funding conditions or the supply of and demand for funds both at home and abroad; <sup>55</sup> (2) ordinary loans of funds involving nonfinancial corporations and other institutions; (3) yen loans to foreign governments provided by public financial corporations; and (4) loans to finance trade made by banks and other institutions other than the exporter, such as buyers' credits. Also included are principals of financial leases.

"Assets" show loans to nonresidents provided by residents while "liabilities" show loans to residents provided by nonresidents. For loan sales between residents and nonresidents, sales of loan claims on nonresidents are recorded as "assets" and sales of loan claims on residents are recorded as "liabilities."

In Japan's BOP statistics, this item contains the following sub-items: "interoffice account of deposit-taking corporations, except the central bank" (broken down into "long-term" and "short-term") and "funds supplied in reverse transactions" ("short-term").

Data sources: Report on Assets and Liabilities Positions (Form 26); reports on loans (Forms 28, 31, and 41); Report on Repurchase Agreements of Securities

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<sup>&</sup>lt;sup>54</sup> NCDs issued abroad are recorded under "short-term debt securities" under "portfolio investment."

<sup>&</sup>lt;sup>55</sup> Loans of funds between enterprises in a direct investment relationship are included in this item only when both parties are financial corporations.

(Form 15-1); Report on Acquisition/Transfer of Securities (Form 13); Report on Cash Collateral of Securities Lending Transactions (Form 15-2); Revenue/Expenditure Reports (Forms 45 and 46); Payment Reports (BOP item numbers: 051, 052, 826, 827, 871-873, 926, 927, and 971-973); materials submitted by public financial corporations.

## **3.D.4** Insurance and pension reserves

Non-life insurance premiums are usually paid before the period covered by the policy begins, while claims are paid only after the insured event happens. Insurance companies designate a certain amount of their reserves to account for these prepayments of premiums and claims incurred but not yet paid. The BPM6 recommends treating these reserves as liabilities of insurance companies (assets of policyholders) and recording changes in such reserves as financial transactions. Similarly, for life insurance and pension schemes, the BPM6 recommends recording as financial transactions the changes in reserves corresponding to the estimated obligations to beneficiaries and policyholders that accrued during the period.

In Japan's BOP statistics, prepayments of non-life insurance premiums and changes in reserves for life insurance and pension schemes are estimated and recorded in this manner. <sup>56</sup>

Data source: Payment Reports (BOP item numbers: 313 and 315-317).

# 3.D.5 Trade credit and advances

This item covers the creation and extinction of claims and obligations related to (1) credit extended directly by exporters to their counterparties and (2) advances and prepayments. In Japan's BOP statistics, trade credit and advances on exports and imports of goods are regarded to have been extended when the timing of customs clearance or the change in ownership of certain goods differs from that of the settlement of the goods. For service transactions, no trade credit and advances are regarded to have been extended, since, in principle, such transactions are captured at the time of settlement.

Data sources: Survey on Trade Credit (Separate Notices); Payment Reports (BOP item numbers: 041 and 042); data from government agencies.

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<sup>&</sup>lt;sup>56</sup> See 1.A.b.3.4 Insurance and pension services for the estimation method.

The figures from the Survey on Trade Credit are quarterly figures. Monthly figures are compiled as follows: for long-term data, the reported quarterly figures are divided by three, while for short-term data, the reported quarterly figures are prorated based on the export and import share of each month in the relevant quarter. Meanwhile, since the reporting deadline for the Survey on Trade Credit is such that data are not available in time for use in the compilation of preliminary figures, long-term data in the preliminary figures are the averages of the reported data for the last six months, while short-term data in the preliminary figures are estimated based on data such as exports in the Trade Statistics.

## 3.D.6 Other accounts receivable/payable

This item covers accounts receivable or payable other than those included in "trade credit and advances" or other instruments. Examples are accounts receivable or payable for securities transactions where the timing of settlement differs from the timing of when contracts are entered. Also included is the right to indemnification arising from payments of insurance claims or payments by guarantors. Deposit liabilities such as cash collateral and margins in transactions in financial derivatives of "other financial corporations" and "others" sectors are recorded under this item and not under "currency and deposits."

Data sources: reports on securities (Forms 13 and 14); Report on Assets and Liabilities Positions (Form 26); Report on Transactions in Financial Derivatives (Form 27); Report on Deposits for Securities Transactions (Form 43); Payment Reports (BOP item numbers: 876, 882, 883, 975, and 980); materials submitted by financial institutions; materials prepared by the Bank of Japan.

## 3.D.7 Special drawing rights (Net incurrence of liabilities)

The Special Drawing Right (SDR) is an international reserve asset created by the IMF. For details, see "reserve assets" below.

When SDRs are allocated to member countries, they record an increase in assets under "special drawing rights" under "reserve assets" and at the same time an incurrence of liabilities under this item. The allocation of SDRs is treated as the incurrence of liabilities because of the requirement to repay the allocation in certain circumstances, and also because interest accrues.

Data source: materials prepared by the Bank of Japan.

#### 3.E Reserve Assets

This category shows those external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs and for intervention in foreign exchange markets. In Japan's BOP statistics, changes in assets that are held as reserve assets by the Foreign Exchange Fund Special Account and the Bank of Japan are recorded.

Data source: materials prepared by the Bank of Japan.

# 3.E.1 Monetary gold

This item covers transactions in gold held by the monetary authorities as reserve assets.

# 3.E.2 Special drawing rights

SDRs are international reserve assets created by the IMF to supplement gold and foreign currencies. SDRs are systematically allocated to the members of the SDR Department of the IMF in proportion to their IMF quota. Member countries may not only obtain foreign currencies from other countries in return for SDRs when their balance of payments deteriorates but also use SDRs directly for transactions and settlements. Changes in SDRs due to receipts from or payments to other countries as well as allocations by the IMF are recorded in the BOP statistics.

### 3.E.3 Reserve position in the IMF

This item covers the reserve tranche that may be drawn by IMF member countries and loans to the IMF under loan agreements that the IMF repays on demand. The reserve tranche is the part of the quota assigned to member countries that comprises currencies other than the domestic currency. Member countries may draw foreign currencies up to the amount of the reserve tranche. Because the reserve tranche may be drawn by member countries at their discretion and does not involve fees or obligations to repay the funds, the reserve tranche is included in reserve assets as "reserve assets that are readily available to the monetary authorities."

#### **3.E.4** Other reserve assets

This item covers transactions in securities, deposits, etc.

### II. International Investment Position

The international investment position (IIP) shows Japan's position in external financial assets and liabilities, classified following the same principles as the financial account of the BOP.

This section mainly describes the compilation methods for positions at calendar yearend. <sup>57</sup> In principle, quarterly stock data are estimated reflecting flows as well as fluctuations in exchange rates and other prices since the end of the previous period.

## 1 Direct Investment

This item covers positions in assets and liabilities corresponding to "direct investment" in the "financial account."

Data sources: reports on direct investment (Forms 51 and 52); Payment Reports.

Subsidiaries' own funds at book value, that is, the values recorded in the books of DIEs, are employed for the valuation of "equity other than reinvestment of earnings" and "reinvestment of earnings," regardless of whether the DIE is listed or unlisted. Specifically, "equity other than reinvestment of earnings" records the value of DIEs' net assets minus earned surplus reserves on an unconsolidated basis, while "reinvestment of earnings" records the value of earned surplus reserves on a consolidated basis. Loan and debt securities positions at book value of reporters are recorded as "debt instruments."

The reported figures of all companies whose accounting year ends between December of the previous year and November of the current year are regarded as the position as at the end of March. The calendar year-end position is compiled by aggregating this position and two sets of data obtained from the Payment Reports -- namely, transactions from April to December of the reference year, and transactions until March of the reference year made by companies that are not required to submit the report on direct investment.

In addition, for reference, market value estimates of the direct investment position are also disseminated. The estimates are compiled by replacing the reported book values of

<sup>&</sup>lt;sup>57</sup> For details on the Payment Reports used as data sources, refer to the corresponding BOP item numbers in "I. 3 Financial account."

<sup>&</sup>lt;sup>58</sup> Both items basically record the values multiplied by the ownership share of the parent company.

equity (i.e., "equity other than reinvestment of earnings" and "reinvestment of earnings") of major listed enterprises with their market values, which are estimated based on their market capitalization using stock market prices.

## 2 Portfolio Investment

This item covers positions in assets and liabilities corresponding to "portfolio investment" in the "financial account."

Data sources: reports on investment positions in securities (Forms 36-38); Report on Issuance/Offering of Securities (Form 21); Status Report on Redemption of Securities (Form 53); Report on Repurchase Agreements of Securities (Form 15-1); Report on Positions on Securities Lending Transactions (Form 15-3).

Securities are basically deposited and settled in a central securities depository (CSD) in the economy in which the securities are issued. Holders of foreign securities generally deposit the securities with participants (custodians) of the CSD that deals with the securities. Holders may also deposit the securities through custodians in their own economy or through global custodians.

The reports used as data sources for the portfolio investment positions are designed based on this securities settlement system. That is, while data on residents' holdings of securities issued by nonresidents (assets) are reported by both investors and custodians in Forms 36 and 37, securities deposited with custodians in Japan are reported separately and excluded from the compilation to avoid double counting. Data on nonresidents' holdings of securities issued in Japan by residents (liabilities) are obtained from reports by Japanese financial institutions (Form 38) on the amount of securities deposited by nonresidents including custodians. As for securities issued abroad by residents (liabilities), since it is difficult to directly obtain data on the amount of nonresidents' holdings of securities abroad under the FEFTA, such data are calculated using several reports. Specifically, the outstanding amounts of such securities are calculated based on issuance and redemption data obtained from the report on issuance or offering (Form 21) as well as the report on redemption before maturity (Form 53) submitted by those providing Form 21. Nonresidents' holdings are then calculated by deducting residents' holdings collected in Form 36 from the outstanding amounts.

Meanwhile, the BPM6 states that for the recording of positions, lessors of securities in lending transactions and sellers in repurchase agreements should be treated as the owners of the securities because there is no change in economic ownership in such transactions. However, custodians cannot always identify whether or not the securities in their custody are the subject of lending transactions or repurchase agreements. Therefore, in principle, the full amounts of holdings and deposits are collected from the reports on investment positions in securities and adjusted with the positions data for lending transactions and repurchase agreements reported separately by the parties involved in such transactions or agreements.

In addition, for items that are difficult to record in accordance with the BPM6 based on the above-mentioned reports -- due mainly to differences in definitions between the FEFTA and the BPM6 -- data are adjusted using other relevant reports.

In principle, portfolio investment positions are recorded at their current value (i.e., the market or market-equivalent value).

# **3 Financial Derivatives (Other than Reserves)**

This item covers positions in assets and liabilities corresponding to "financial derivatives (other than reserves)" in the "financial account."

Data sources: Report on Transactions in Financial Derivatives (Form 27); reports on investment positions in securities (Forms 36 and 38). Quarter-end positions are also collected for items that use Form 27.

Financial derivatives are valued at market prices or using option models and other methods, and assets and liabilities are recorded on a gross basis.

#### **4 Other Investment**

This item covers positions in assets and liabilities corresponding to "other investment" in the "financial account."

The data sources are essentially the same as those for the "financial account." Position data are collected from reports such as the Report on Assets and Liabilities Positions (Form 26) and the Report on Overseas Deposits Outstanding (Form 54). For items for

which position data are not collected, year-end positions are compiled by adding the transaction amount for the current year to the previous year-end positions.

In principle, loans are recorded at nominal value excluding accrued interest, and such accrued interest is included in "other accounts receivable/payable."

# **5** Reserve Assets

This item covers positions in assets and liabilities corresponding to "reserve assets" in the "financial account."

Data source: materials prepared by the Bank of Japan.

# III. Other

# 1. Gross External Debt Position of Japan

The gross external debt position of Japan (referred to as "external debt" hereafter) is compiled and disseminated on a quarterly basis, and the figures are broken down by sector, maturity, and debt instrument.

Compared with the liability side of the IIP, the external debt statistics have the following characteristics:

- (1) Only debt instruments that require the payment of principal and/or interest at some point in the future are covered. Therefore, equity and investment fund shares as well as financial derivatives are excluded.
- (2) Information from a different perspective than in the IIP is provided, such as a breakdown of the external debt burden and liquidity by sector.

External debt is divided into the following sectors: "direct investment: intercompany lending," "central bank," "general government," "deposit-taking corporations, except the central bank," and "other sectors." "Other sectors" is the sum of "other financial corporations" and "others" (nonfinancial corporations etc.).

"Direct investment: intercompany lending" is further divided into "debt liabilities of direct investors to direct investment enterprises" and "debt liabilities of direct investment enterprises to direct investors," both of which include the debt positions of indirectly held or fellow enterprises.

The data sources and compilation methods are the same as those for the IIP.

# 2. Data by Partner Economy (Flow and Stock Data)

#### A. Flow Data

Data by partner economy are compiled for major items in the current, capital, and financial accounts. In principle, transactions are classified based on information in the source data, on the economy where the partner resides (i.e., the partner economy). Transactions for which information on the partner economy is not available in the source data are estimated based on other sources with similar coverage. However, some transactions are treated as "unallocated" for confidentiality reasons or due to a lack of appropriate data for estimation. The following describes major transactions that are estimated or treated as "unallocated."

## (1) Transport

The Revenue/Expenditure Reports (Forms 45 and 47) submitted by Japanese airline and shipping companies do not include information on partner economies. For export freight charges (credits) under sea transport, transaction data collected in the Revenue/Expenditure Reports are prorated based on the amount of exports by economy in the Trade Statistics. For the other transactions, the data collected in these reports are prorated according to the share of each economy with regard to similar transactions reported in the Payment Reports.

#### (2) Travel

The "Immigration Control Statistics" -- the data source for the number of travelers -- do not contain information on the destination of Japanese travelers abroad. Therefore, the numbers of travelers by destination are estimated using a combination of figures such as the number of passengers of Japanese airlines by destination.

#### (3) Oher investment

The reports on banks' assets and liabilities positions (Form 26) -- the data source for "currency and deposits," "loans," and "other accounts receivable/payable" -- and the reports on overseas deposits (Form 54) -- the data source for "currency and deposits" -- do not include information on partner economies.

For "loans" and "other accounts receivable/payable," transaction data collected in the reports are prorated according to the share of each economy reported in Form 33, which

is submitted by many of the respondents that submit Form 26.<sup>59</sup> Data by partner economy for "currency and deposits" are not compiled due to the lack of appropriate data for estimation. In "other investment" by partner economy, they are included under "unallocated."

### (4) Reserve assets

Data by partner economy for "reserve assets" are not disseminated for confidentiality reasons. In the "financial account" by partner economy, they are included under "unallocated."

#### B. Stock Data

Data by partner economy are compiled for major items under "direct investment," "portfolio investment," and "financial derivatives (other than reserves)." In principle, positions are classified based on information on the partner economy in the source data.

<sup>&</sup>lt;sup>59</sup> In Form 33, the total assets and liabilities by maturity reported in Form 26 are reported by partner economy, major currency, and sector of the partner. Furthermore, Form 33 is used as a data source for the "Results of BIS International Locational Banking Statistics in Japan" released by the Bank of Japan.

# Box 10. Regional Direct Investment Position (Inward Investment) (Ultimate Investor)

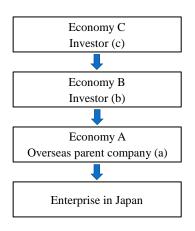
For the inward direct investment position by partner economy, in addition to data classified by the economy of the parent company (i.e., the immediate investor), data classified by the economy in which the ultimate investor holding ultimate control resides (i.e., the ultimate investing economy) are also prepared.

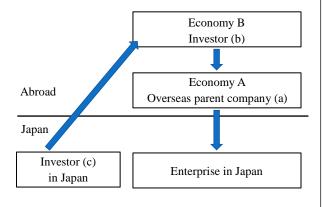
Specifically, the partner economy on an ultimate investor basis is decided as follows:

- (1) When the overseas parent company (a) of an enterprise in Japan does not have an investor that owns more than 50 percent of the voting power, the economy in which (a) resides is the partner economy (economy A).
- (2) When there is an investor (b) that owns more than 50 percent of the voting power of (a) but that itself is not majority-owned by another investor, the economy in which (b) resides is the partner economy (economy B).
- (3) When there is an investor (c) that owns more than 50 percent of the voting power of (b), the economy in which (c) resides is the partner economy (economy C).

Moreover, there are some cases involving the channeling abroad of funds by investors residing in Japan (ultimate investors) and the subsequent return of these funds to affiliates in Japan (investees) from their overseas parent companies in the form of direct investment (so-called round-tripping). In such cases, the partner economy is

regarded to be "Japan."





For the compilation of data by ultimate investing economy, the shares of the ultimate investor by economy are calculated based on figures on the "investment positions of immediate investors" in the reports on direct investment, from which information on the economy of the ultimate investor can be obtained (shown by the arrow on the right in the

figure below). Based on the assumption that these shares can be used as an approximation, they are then applied as weights to the inward direct investment position data (shown by the striped arrow in the figure below) to obtain data by ultimate investing economy. Positions in real estate investment and investment in branches are excluded when applying the weights.

#### <Inward direct investment position> Information Information on on ultimate immediate investor investor Real estate investment and available unavailable investment in branches in Japan Transactions until March of the **Payment** reference year made by companies that available unavailable Reports are not required to submit Form 52 Transactions from April to December of available unavailable the reference year Positions of affiliates other than available unavailable immediate investors **Original** data for Report on Positions of immediate investors calculation direct available available of the investment (The accounting year-end of all share of reporting companies is assumed (Form 52) ultimate to be the end of March.) investor by economy

# 3. Positions by Currency (Stock Data)

Positions by currency are compiled for debt instruments (i.e., financial instruments that require the payment of principal and/or interest) under "portfolio investment" and "other investment." <sup>60</sup> Equity instruments are excluded.

# A. Debt Position (Assets/Liabilities) by Currency

For this item, debt positions are compiled by currency (classified into Japanese yen, U.S. dollar, euro, and other), institutional sector of the resident ("deposit-taking corporations, except the central bank," "other financial corporations," and "others"), and maturity (long-term and short-term). <sup>61</sup>

In terms of maturity, "currency and deposits" and "insurance and pension reserves" are all classified as short-term instruments.

# B. Debt Position (Assets/Liabilities) by Currency (Foreign Currency/ Japanese Yen)

For this item, debt positions are compiled by currency (in terms of foreign currency and Japanese yen), institutional sector of the resident ("central bank," "general government," "deposit-taking corporations, except the central bank," "other financial corporations," and "others"), instrument, and maturity (long-term and short-term).

In terms of instrument, data are classified into "debt securities," "currency and deposits," "loans," "trade credit and advances," and "other debt claims/liabilities," which is the sum of "insurance and pension reserves," "other accounts receivable/payable," and "special drawing rights."

In terms of maturity, "currency and deposits" and "insurance and pension reserves" are all classified as short-term instruments while "special drawing rights" are classified as long-term instruments.

<sup>&</sup>lt;sup>60</sup> Flow data by currency are compiled only for portfolio investment assets. In principle, they are classified based on the currency information in the source data.

<sup>&</sup>lt;sup>61</sup> For this item, data for the "central bank" and "general government" are not compiled.

# **Data Sources and Compilation Methods**

In principle, both debt positions by currency above are classified based on the currency information in the source data. Positions for which currency information is not available from the source data are estimated using other data sources with similar coverage. The currency information in the main data sources is as follows:

- Reports on investment positions in securities (Forms 36-38), Report on Issuance/Offering of Securities (Form 21), and Status Report on Redemption of Securities (Form 53): data are reported in the currency in which the securities are denominated.
- Report on Assets and Liabilities Positions (Form 26): data are reported separately for yen-denominated and foreign currency-denominated assets/liabilities, the latter of which is reported in U.S. dollar equivalent.
- Report on Repurchase Agreements of Securities (Form 15-1): data are reported in the contract currency.
- Report on Overseas Deposits Outstanding (Form 54): data are reported either in the contract currency or in yen equivalent at the reporter's discretion.
- Survey on Trade Credit (Separate Notices): data are reported in the contract currency.
- Payment Reports: reports per single execution (Forms 1 and 3) are made in the settlement currency while monthly aggregated reports (Forms 2 and 4) are made either in the settlement currency or in yen equivalent at the reporter's discretion.

The basis for the currency classification for major items is shown in Exhibit 6 below.

**Exhibit 6: Basis for the Currency Classification for Major Items** 

		Deposit-taking corporations, except the central bank	Other financial corporations	Others (nonfinancial corporations etc.)
Portfolio investment	Debt securities	Reported currency (denominated currency of the securities)		
	Currency and deposits	Estimates based on currency information in Form 33		Reported currency (contract currency/ yen equivalent)
Other	Loans		Estimates based on currency information in Form 15-1	Reported currency (settlement currency/ yen equivalent)
investment	Trade credit and advances	n/a		Reported currency (contract currency)
	Other debt claims/liabilities	Estimates based on currency information in Form 33		Reported currency (settlement currency/ yen equivalent)

#### **Estimation Methods**

Data reported in yen equivalent are regarded as denominated in yen while other data are regarded as denominated in foreign currencies. The latter are divided into major currencies using the shares of individual currencies calculated from the data reported in the forms for similar items as in the main data sources.

The main source data for "currency and deposits," "loans," and "other debt claims/liabilities" under "deposit-taking corporations, except the central bank" is the data for banking accounts reported in Form 26, while the main source data for "currency and deposits" and "other debt claims/liabilities" under "other financial corporations" is the data for trust accounts also reported in Form 26. For these items, the currency shares calculated from the data reported in Form 33, which largely covers the same items as Form 26, are used. <sup>62</sup> In addition, these currency shares are also applied to "trade credit and advances" under "other financial corporations," which is separately estimated.

<sup>&</sup>lt;sup>62</sup> See footnote 59 for details on Form 33. Data are reported by currency in terms of Japanese yen and foreign currency, with the latter further divided into U.S. dollar, British pound, Swiss franc, euro, and other.

Moreover, for "loans" under "other financial corporations," the currency shares calculated from the data reported in Form 15-1 are used since repurchase agreements account for a substantial share of such loans.

# 4. Changes in the IIP by Factor

Changes in the IIP occur not only as a result of transactions in assets/liabilities -- which correspond to the financial account of the BOP -- but also as a result of fluctuations in market prices and other changes.

In Japan, estimates of year-on-year changes in the major items of the IIP by factor are disseminated for calendar year-end positions. Specifically, estimates under "exchange rate changes" are obtained by multiplying positions denominated in foreign currencies at year-end and changes in exchange rates (calculated by currency). <sup>63</sup> Estimates under "other changes" are obtained by subtracting changes classified under "transactions" and "exchange rate changes" from the changes in positions.

	Year-on-year changes in the IIP			
	Transactions	Exchange rate changes	Other changes	
Beginning of period IIP	Financial account in the BOP	Year-end positions (by currency) x Changes in exchange rates	Residual	End of period IIP

"Other changes" include (1) changes due to fluctuations in stock, bond, and other market prices excluding exchange rates, (2) reclassifications, (3) write-offs and cancellations, <sup>64</sup> and (4) changes due to differences in the way the BOP and IIP are compiled. <sup>65</sup> Examples of "other changes" in direct investment include the following:

<sup>&</sup>lt;sup>63</sup> However, as mentioned, there are certain limitations in the collection of position data by currency. Moreover, regarding direct investment, while the source data for outward investment are in principle reported in the contract currency, those for inward investment are reported in yen. In addition, the main source data for financial derivatives are reported in yen.

<sup>&</sup>lt;sup>64</sup> Write-offs and cancellations arise, for example, from the bankruptcy of debtors. Debt forgiveness is treated as a transaction and is therefore excluded from write-offs and cancellations.

<sup>&</sup>lt;sup>65</sup> In the BPM6, changes due to "other changes" are divided into those due to "other price changes" and those due to "other changes in volume."

- When an investor holding a foreign enterprise's equity made additional investments that lead to an ownership of 10 percent or more of the voting power in the enterprise, prior positions under "portfolio investment" are reclassified as "direct investment."
- For reinvestment of earnings, while figures in the financial account reflect retained earnings accrued in the current year, figures in the IIP are compiled on the basis of the earned surplus reserves (i.e., accumulated retained earnings) of firms whose accounting years end between December of the previous year and November of the current year. Differences in the reference periods are reflected in "other changes." In addition, as provisional figures for the reinvestment of earnings are recorded in the financial account until reinvested earnings actually earned are reflected, differences between actual and provisional figures are also included in "other changes." Moreover, since reinvestment of earnings is calculated before tax in the financial account while it is calculated after tax in the IIP, the amount corresponding to tax payments is another factor contributing to "other changes."

Meanwhile, except for items such as the payment of option premiums, financial derivatives at their inception generally do not involve transactions that are recorded in the financial account, and investment positions change during the contract period as prices in the underlying assets change. Since the settlement of positions is recorded in the financial account as a reduction in assets and liabilities, increases in the financial derivatives positions are in principle due to "other changes" and decreases due to "transactions." (Changes due to "exchange rate changes" are generally zero since the main source data are reported in yen terms.)

# List of Reports under the FEFTA used for the BOP related statistics

The numbers in the tables denote the Forms that need to be submitted based on the ministerial ordinance.

# 1. Reports on Payment etc. (Article 55 of the FEFTA)

No.	Name of report	Reporters	Frequency
1	Payment Report (payment or receipt of payment not through banks etc. or funds transfer service providers)	Residents who made the	Per execution
2	Payment Report (payment or receipt of payment not through banks etc. or funds transfer service providers [monthly aggregated report])		Monthly
3	Payment Report (payment or receipt of payment through banks etc. or funds transfer service providers)	payment or received the payment.	Per execution
4	Payment Report (payment or receipt of payment through banks etc. or funds transfer service providers [monthly aggregated report])	. F	Monthly

# 2. Reports on Capital Transactions (Article 55-3 of the FEFTA)

No.	Name of report	Reporters	Frequency
13	Report on Acquisition/Transfer of Securities	Transactors in securities or financial institutions that mediated transactions in securities.	
19	Report on Transfer of Securities and Debt Forgiveness regarding Outward Direct Investment	Residents who made outward direct investment.	Per execution
21	Report on Issuance/Offering of Securities	Issuers or offerers of securities.	

# 3. Reports on Matters concerning Foreign Exchange Services (Article 55-7 of the FEFTA)

In the table below, financial institutions/banks/insurance companies "with a special account" are those that have been approved to set up a special international financial transactions account; "large-scale transactors" are transactors whose monthly transactions exceed 10 billion yen or financial institutions who have been designated by the Minister of Finance as being equivalent to such transactors.

No.	Name of report	Reporters	Frequency
14	Report on Sales Contract etc. of Securities	Transactors in securities,	
15-1	Report on Repurchase Agreements of Securities	financial institutions that mediated transactions in securities, and financial	Monthly
15-2	Report on Cash Collateral of Securities Lending Transactions	institutions with a special account or that are large-scale	
15-3	Report on Positions on Securities Lending Transactions	transactors.	Annual
26	Report on Assets and Liabilities Positions	Financial institutions with a special account or banks that are large-scale transactors.	
27	Report on Transactions in Financial Derivatives	Financial institutions with a special account or that are large-scale transactors.	Mandala
28	Report on Sales of Loan Claims	Banks and insurance companies with a special account or that are large-scale transactors.	Monthly
31	Report on Provision etc. of Loans	Banks with a special account or that are large-scale transactors.	
33	Report on Bank's Claims and Debts Positions to Nonresidents vis-a-vis Country	Banks with a special account or that are designated by the Minister of Finance.	Quarterly
36	Report on Investment Position in Foreign Currency Securities		
37	Report on Investment Position in Yen- Denominated Foreign Bonds Issued by Nonresidents		Amoust
38	Report on Investment Position in Yen- Denominated Securities issued by Residents	Financial institutions with a special account or that are large-scale transactors.	Annual
39	Report on Holdings of Discounted Public Bonds and Corporate Bonds		
40	Report on Payment or Receipt of Payment of Interest, Dividends, or Fees etc.		Monthly
41	Report on Provision etc. of Loans to Nonresidents	Insurance companies with a special account or that are large-scale transactors.	Monthly
43	Report on Deposits for Securities Transactions	Financial institutions with a special account or that are large-scale transactors.	ivioliully

# 4. Other Reports for the Preparation of the Statistics (Article 55-9 of the FEFTA)

No.	Name of report	Reporters	Frequency
45	Report on Revenue and Expenditure of International Air Transport Operation (for Japanese operators)	Japanese airline companies engaging in transport business between Japan and foreign economies or between foreign economies.	
46	Report on Revenue and Expenditure of International Air Transport Operation (for branches/agents in Japan of foreign operators)	Branches/agents in Japan of a foreign airline company.	
47	Report on Revenue and Expenditure of Sea Transport Operation (for Japanese operators)	Japanese shipping companies engaging in transport business between Japan and foreign economies or between foreign economies.	Monthly
48	Report on Revenue and Expenditure of Sea Transport Operation (for branches/agents in Japan of foreign operators)	Branches/agents in Japan of a foreign shipping company.	
49	Report on Insurance for Exports, Imports, etc. of Cargo	Non-life insurance companies in Japan.	
51	Report on Retained Earnings etc. of Foreign Corporations	Residents who own equity of 1 billion yen or more that gives 10 percent or more of voting power in a foreign corporation.	
52	Report on Retained Earnings etc. of Companies in Japan	Residents with stated capital of 1 billion yen or more in which a nonresident owns equity that gives 10 percent or more of voting power.	Annual
53	Status Report on Redemption of Securities	Those who submitted Form 21 with an outstanding balance of securities equal to or exceeding 1 billion yen.	
54	Report on Overseas Deposits Outstanding	Residents whose balance in overseas deposits exceeds an amount equivalent to 100 million yen.	Monthly
Separate Notices	Examples:	Those designated by the Minister of Finance.	

## **List of BOP Item Numbers**

## 1. Overview

	Details of Transactions Item Number		
Transactions of goods	Purchase and sale of finished goods, raw materials, etc.; and intermediary trade  * Including the principal of financial leases.	011-077	
Transactions of	Processing and repair	081-091	
services	Consumption abroad when traveling for the purpose of sightseeing, business, study, and medical treatment	112-114	
	Transportation of freight and passengers	211-234	
	Insurance	311-319	
	Other services (1): telecommunications; construction work; financial transaction fees; development of software and systems; information; use of intellectual property rights etc.; operating leasing; and advertising	411-462	
	Other services (2): legal and accounting work; research and development; and other professional services	463-468	
	Other services (3): culture and education; film, music, and entertainment; expenses for business premises; expenses for diplomatic and other establishments; and others	469-481	
Netting	Balance of settlement after entries of credits and/or debits or netting payables and receivables	491	
Wages and profits	Wages received and paid by residents	511	
	Profits of branches  * "Branches" means those of foreign corporations located in Japan and those of Japanese corporations located abroad.	512	
	Dividends and interest	521-563	
	Other income: rent for real property; interest on financial leases; interest on trade credits; and others	564-579	

	Item Number	
Gifts, taxes, compensation for	Inter-governmental gifts; and shared costs incurred for and contributions to international organizations	611-612
damages, remittances of living expenses, etc.	Immigration; inheritance; bequest; and gifts for acquisition of real property	616-617, 619
etc.	Inter-individual gifts other than the items 616, 617, and 619; compensation for damages transacted between individuals; and remittances of living expenses by expatriates to their families at home	615
	Taxes and refunds	618, 621-624
	Donations, gifts, and compensation for damages other than those described above; fines; and wages for assigned employees	625-626
Transactions of non- financial assets	Acquisition and disposal of land for diplomatic establishments located abroad and in Japan	711
	Purchase and sale of industrial property rights, copyrights, etc.	720-723
Outward investment	Investment in branches	811
in the parent/subsidiary etc.	Acquisition and disposal of shares	812-813
or affiliated	Acquisition and disposal of securities excluding shares	814-817,
companies		824-825
	Lending and collection	820-823,
D (C.1)		826-827
Portfolio investment (associated with outward investment)	Payment of proceeds from issuance and receipt of those from redemption of securities issued in Japan by nonresidents	831-832
	Transactions associated with acquisition and disposal of securities, but not applicable to the items 812-817 or 824-825	843-852
Other investment (associated with outward investment)	Transactions associated with outward investment, but not applicable to the items 811-852: lending to and collection from nonresidents excluding the parent/subsidiary etc. and affiliated companies; purchase and sale of loan claims against nonresidents; acquisition and disposal of real property located abroad; deposits; guarantees; investments in partnerships and other organizations; and others	871-883
Inward investment in	Investment in branches	911
the parent/subsidiary etc. or affiliated	Acquisition and disposal of shares	912-913
companies	Acquisition and disposal of securities excluding shares	914-917,
		924-925
	Borrowing and repayment	920-923,
		926-927

Details of Transactions		Item Number
Portfolio investment (associated with inward investment)	Receipt of proceeds from issuance and payment of those from redemption of securities issued abroad by residents	931-932
	Transactions associated with acquisition and disposal of securities, but not applicable to the items 912-917 or 924-925	943-951
Other investment (associated with inward investment)	Transactions associated with inward investment, but not applicable to the items 911-951: borrowings from and repayment to nonresidents excluding the parent/subsidiary etc. and affiliated companies; purchase and sale of loan claims against residents; acquisition and disposal of real property located in Japan; deposits; guarantees; investments in partnerships and other organizations; and others	970-981
Financial derivatives	Financial derivatives	991-996
Other	Cases not applicable to the items 011-996	1001-1100

## 2. BOP Item Numbers

Item Number	BOP Item
011	Cost of purchase and proceeds from sale of precious metals * Accompanying exports/imports.
012	Cost of purchase and proceeds from sale of gold bullion containing 90% or more of gold by total weight of said bullion (hereinafter gold bullion in this table)  * Not accompanying exports/imports but applicable to financial instruments.
013	Cost of purchase and proceeds from sale of gold bullion  * Not accompanying exports/imports nor applicable to financial instruments or installment sales.
014	Cost of purchase and proceeds from sale of precious metals excluding gold bullion * Not accompanying exports/imports nor applicable to installment sales.
033	Cost of purchase and proceeds from sale of metals excluding precious metals  * Not accompanying exports/imports but applicable to financial instruments.
041	Cost of purchase and proceeds from sale of goods and precious metals subject to installment sales  * Not accompanying exports/imports or intermediary trade.
042	Proceeds from installment sales of goods and precious metals subject to such sales * Corresponding to the principal portion.
051	Cost of purchase and proceeds from sale of goods and precious metals subject to financial leases  * Not accompanying exports/imports.
052	Lease payments for financial leases  * Corresponding to the principal portion.
061	Cost of purchase and proceeds from sale of goods for local resale
062	Cost of purchase and proceeds from sale etc. of goods excluding those listed above and those for intermediary trade  * Not accompanying exports/imports nor applicable to installment sales.
071	Cost of purchase and proceeds from sale of goods for intermediary trade
074	Price adjustment related to exports of goods
075	Price adjustment related to imports of goods
076	Price adjustment related to intermediary trade and local resale
077	Other expenses etc. related to purchase and sale of goods  * Not applicable to price adjustment.
081	Processing fee * Accompanying re-exports/re-imports.
082	Processing fee * Not accompanying re-exports/re-imports.

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	Item	BOP Item
N	Number	
	091	Repair and maintenance expenses for movables
	112	Settlement money for credit cards
	113	Expenses for travel (settled between travel agencies) and long-term study abroad
	114	Expenses for travel (not settled between travel agencies), medical treatment, and short-term study abroad
		s conducted by a party that submits the statement of income and expenses on sinesses or international airline businesses
	211	Sea freight charges
	212	Air freight charges
	213	Sea passenger fares
	214	Air passenger fares
	215	Cost of purchase and proceeds from sale of goods procured in ports such as marine engine oils
	216	Fees for chartering vessels
	217	Fees for chartering aircraft
	218	Sea transport expenses
	219	Air transport expenses
Transactions conducted by a party that does not submit the statement of income and on shipping businesses or international airline businesses		
	221	Sea freight charges
	222	Air freight charges
	223	Sea passenger fares
	224	Air passenger fares
	225	Freight charges other than those related to sea/air transport
	226	Passenger fares other than those related to sea/air transport
	227	Cost of purchase and proceeds from sale of goods procured in ports such as marine engine oils
	228	Fees for chartering vessels
		* Fees for hiring transport equipment with crews
	229	Fees for chartering vessels
		* Fees for hiring transport equipment only
	230	Fees for chartering aircraft
		* Fees for hiring transport equipment with crews
	231	Fees for chartering aircraft
	222	* Fees for hiring transport equipment only  Other see transport express
	232	Other sea transport expenses
	233	Other air transport expenses

Item Number	BOP Item
Other (associated with transport services but not applicable to the items 211-233)	
234	Expenses related to transport services other than sea/air transport
311	Cargo insurance premiums
312	Cargo insurance claims
313	Non-life insurance premiums
314	Non-life insurance claims
315	Life insurance premiums and pension insurance premiums
316	Life insurance claims and pension benefits
317	Reinsurance premiums
318	Reinsurance claims
319	Fees related to insurance and pension administrations
411	Expenses related to telecommunications
421	Expenses related to construction work
431	Fees etc. related to financial transactions (excluding those related to issuance or offering of securities)
432	Fees related to issuance or offering of securities
441	Expenses related to development of software and systems, maintenance of computers, etc.
442	Expenses related to information
451	Royalties and technical guidance fees for intellectual property rights (excluding those related to copyrights)
452	Royalties for copyrights etc.
453	Royalties for mining rights etc.
461	Lease payments (excluding those for financial leases)
462	Expenses related to advertising and market research
463	Advisory fees, fees for agent services, audit fees, etc. related to legal and accounting work
464	Expenses for research and development
468	Expenses related to other professional services
469	Expenses for managing business premises (excluding those associated with construction work)
471	Expenses related to cultural and educational services
472	Expenses related to music, video, entertainment, etc.
481	Expenses related to governmental organizations, international organizations, etc.
491	Balance of settlement after entries of credits and/or debits or netting payables and receivables
511	Salaries and wages

Item Number	BOP Item
512	Profits of branches
521	Dividends excluding liquidation dividends (payment to and receipt from foreign parent companies etc. or foreign subsidiaries etc.)
529	Dividends excluding liquidation dividends (payment to and receipt from companies other than foreign parent companies etc. and foreign subsidiaries etc.)
531	Interest on loans and borrowings (payment to and receipt from foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with outward investment, or foreign affiliated companies associated with inward investment)  * Transactions NOT made between financial institutions
532	Interest on loans and borrowings (payment to and receipt from foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with outward investment, or foreign affiliated companies associated with inward investment)  * Transactions between financial institutions
522	
533	Interest on loans and borrowings (payment to and receipt from companies other than foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with outward investment, and foreign affiliated companies associated with inward investment)
541	Interest on bonds (payment to and receipt from foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with outward investment, or foreign affiliated companies associated with inward investment)  * Transactions NOT made between financial institutions
542	Interest on bonds (payment to and receipt from foreign parent companies etc. or foreign subsidiaries etc.)  * Transactions between financial institutions
543	Interest on medium- to long-term bonds (payment to and receipt from foreign affiliated companies associated with outward investment or foreign affiliated companies associated with inward investment)  * Transactions between financial institutions
544	Interest on short-term bonds (payment to and receipt from foreign affiliated companies associated with outward investment or foreign affiliated companies associated with inward investment)  * Transactions between financial institutions
545	Interest on medium- to long-term bonds (payment to and receipt from companies other than foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with outward investment, and foreign affiliated companies associated with inward investment)
546	Interest on short-term bonds (payment to and receipt from companies other than foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with outward investment, and foreign affiliated companies associated with inward investment)

Item Number	BOP Item
551	Dividends on shares and beneficiary certificates pertaining to investment trusts
563	Interest on deposits
564	Interest on trade credits
565	Rent for real property
566	Interest on installment sales
567	Lease payments for financial leases  * Corresponding to the interest portion.
568	Funding to cover losses (payment to foreign subsidiaries etc. and receipt from foreign parent companies etc.)
570	Fees on securities lending
573	Dividends associated with investments in partnerships and other organizations
579	Other investment income
611	Inter-governmental gifts
612	Shared costs incurred for and contributions to international organizations
615	Inter-individual gifts etc. and remittances of living expenses by expatriates to their families at home
616	Asset transfers due to immigration
617	Asset transfers due to inheritance and bequests
618	Inheritance tax and gift tax
619	Gifts for acquisition of fixed assets
621	Consumption tax etc. (internal taxes only)
622	Other taxes between the Japanese government and nonresidents (internal taxes only)
623	Value added tax, taxes on natural resources, etc. (foreign taxes only)
624	Other foreign taxes
625	Other transfers between the Japanese government and nonresidents
626	Donations, compensation for damages, contributions, etc.
711	Cost of acquisition and proceeds from disposal of land for Japanese diplomatic establishments located abroad or for foreign diplomatic establishments located in Japan
720	Cost of acquisition and proceeds from transfer of industrial property rights
721	Cost of acquisition and proceeds from transfer of copyrights  * Associated with computer software.
722	Cost of acquisition and proceeds from transfer of copyrights  * Associated with copyrighted works other than computer software.
723	Cost of acquisition and proceeds from transfer of other rights

Item Number	BOP Item
Outward investment in the parent/subsidiary etc. or affiliated companies	
811	Outward investment in branches
812	Cost of acquisition paid and proceeds from disposal received by Japanese parent companies etc. of shares etc. of foreign subsidiaries etc.  * Including liquidation dividends.
813	Cost of acquisition paid and proceeds from disposal received by Japanese subsidiaries etc. of shares etc. of foreign parent companies etc.
814	Cost of acquisition paid and proceeds from disposal/redemption received by Japanese parent companies etc. of bonds issued by foreign subsidiaries etc.  * Transactions between financial institutions
815	Cost of acquisition paid and proceeds from disposal/redemption received (1) by Japanese parent companies etc. of bonds issued by foreign subsidiaries etc. or (2) by Japanese affiliated companies of bonds issued by foreign affiliated companies associated with outward investment  * Transactions NOT made between financial institutions
816	Cost of acquisition paid and proceeds from disposal/redemption received by Japanese subsidiaries etc. of bonds issued by foreign parent companies etc.  * Transactions between financial institutions
817	Cost of acquisition paid and proceeds from disposal/redemption received (1) by Japanese subsidiaries etc. of bonds issued by foreign parent companies etc. or (2) by Japanese affiliated companies of bonds issued by foreign affiliated companies associated with inward investment
820	* Transactions NOT made between financial institutions  Loans (1) by Japanese parent companies etc. to foreign subsidiaries etc. or (2) by
	Japanese affiliated companies to foreign affiliated companies associated with outward investment
823	* Transactions NOT made between financial institutions  Loans (1) by Japanese subsidiaries etc. to foreign parent companies etc. or (2) by Japanese affiliated companies to foreign affiliated companies associated with inward investment  * Transactions NOT made between financial institutions
824	Cost of acquisition paid and proceeds from disposal/redemption received by Japanese affiliated companies of medium- to long-term bonds issued by (1) foreign affiliated companies associated with outward investment or (2) foreign affiliated companies associated with inward investment  * Transactions between financial institutions
825	Cost of acquisition paid and proceeds from disposal/redemption received by Japanese affiliated companies of short-term bonds issued by (1) foreign affiliated companies associated with outward investment or (2) foreign affiliated companies associated with inward investment  * Transactions between financial institutions

	Item umber	BOP Item
	826	Medium- to long-term loans (1) by Japanese parent companies etc. to foreign subsidiaries etc., (2) by Japanese affiliated companies to foreign affiliated companies associated with outward investment, (3) by Japanese subsidiaries etc. to foreign parent companies etc., or (4) by Japanese affiliated companies to foreign affiliated companies associated with inward investment  * Transactions between financial institutions
	827	Short-term loans (1) by Japanese parent companies etc. to foreign subsidiaries etc., (2) by Japanese affiliated companies to foreign affiliated companies associated with outward investment, (3) by Japanese subsidiaries etc. to foreign parent companies etc., or (4) by Japanese affiliated companies to foreign affiliated companies associated with inward investment  * Transactions between financial institutions
Por	tfolio inv	vestment (associated with outward investment)
	831	Proceeds from issuance and redemption of securities issued in Japan by nonresidents with the original maturity of more than one year
	832	Proceeds from issuance and redemption of securities issued in Japan by nonresidents with the original maturity of one year or less
	Other o	utward portfolio investment
	843	Cost of acquisition and proceeds from disposal of shares etc. issued by nonresidents  * Including liquidation dividends.
	844	Cost of acquisition and proceeds from disposal/redemption of medium- to long-term bonds issued by nonresidents  * Transactions NOT made with foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with outward investment, or foreign affiliated companies associated with inward investment
	845	Cost of acquisition and proceeds from disposal/redemption of short-term bonds issued by nonresidents  * Transactions NOT made with foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with outward investment, or foreign affiliated
	848	companies associated with inward investment  Cost of acquisition and proceeds from disposal of share options etc. issued by nonresidents
	849	Purchase and resale of securities under resale agreements
	851	Cost of acquisition and proceeds from disposal/redemption of other medium- to long-term securities issued by nonresidents
	852	Cost of acquisition and proceeds from disposal/redemption of other short-term securities issued by nonresidents

	Item umber	BOP Item
Oth	Other investment (associated with outward investment)	
	871	Medium- to long-term loans to nonresidents (excluding foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with outward investment, and foreign affiliated companies associated with inward investment)
	872	Short-term loans to nonresidents (excluding foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with outward investment, and foreign affiliated companies associated with inward investment)
	873	Cost of purchase and proceeds from sale of loan claims against nonresidents * Including loan participation.
	874	Cost of acquisition and proceeds from disposal of real property located abroad (excluding that of Japanese diplomatic establishments located abroad)
	875	Deposits with nonresidents
	876	Performance of guarantees
	877	Deposits associated with debt assumption agreements
	878	Investments in equity of partnerships and other organizations (except for outward investment in the parent/subsidiary etc. or affiliated companies and portfolio investment [associated with outward investment])
	880	Guarantee deposits and cash collateral (to be recorded on the asset side of residents' books)
	881	Investments in equity of international organizations
	882	Other capital transactions (with the original maturity etc. of more than one year)
	883	Other capital transactions (with the original maturity etc. of one year or less)
Inv	ard inve	stment in the parent/subsidiary etc. or affiliated companies
	911	Inward investment in branches
	912	Cost of acquisition paid and proceeds from disposal received by foreign parent companies etc. of shares etc. of Japanese subsidiaries etc.  * Including liquidation dividends.
	913	Cost of acquisition paid and proceeds from disposal received by foreign subsidiaries etc. of shares etc. of Japanese parent companies etc.
	914	Cost of acquisition paid and proceeds from disposal/redemption received by foreign parent companies etc. of bonds issued by Japanese subsidiaries etc.  * Transactions between financial institutions
	915	Cost of acquisition paid and proceeds from disposal/redemption received by (1) foreign parent companies etc. of bonds issued by Japanese subsidiaries etc. or (2) foreign affiliated companies associated with inward investment of bonds issued by Japanese affiliated companies  * Transactions NOT made between financial institutions

tem	BOP Item
916	Cost of acquisition paid and proceeds from disposal/redemption received by foreign subsidiaries etc. of bonds issued by Japanese parent companies etc.  * Transactions between financial institutions
917	Cost of acquisition paid and proceeds from disposal/redemption received by (1) foreign subsidiaries etc. of bonds issued by Japanese parent companies etc. or (2) foreign affiliated companies associated with outward investment of bonds issued by Japanese affiliated companies  * Transactions NOT made between financial institutions
920	Borrowings from (1) foreign parent companies etc. by Japanese subsidiaries etc. or (2) foreign affiliated companies associated with inward investment by Japanese affiliated companies  * Transactions NOT made between financial institutions
923	Borrowings from (1) foreign subsidiaries etc. by Japanese parent companies etc. or (2) foreign affiliated companies associated with outward investment by Japanese affiliated companies  * Transactions NOT made between financial institutions
924	Cost of acquisition paid and proceeds from disposal/redemption received by foreign affiliated companies associated with inward/outward investment of medium- to long-term bonds issued by Japanese affiliated companies  * Transactions between financial institutions
925	Cost of acquisition paid and proceeds from disposal/redemption received by foreign affiliated companies associated with inward/outward investment of short-term bonds issued by Japanese affiliated companies  * Transactions between financial institutions
926	Medium- to long-term borrowings from (1) foreign parent companies etc. by Japanese subsidiaries etc., (2) foreign affiliated companies associated with inward investment by Japanese affiliated companies, (3) foreign subsidiaries etc. by Japanese parent companies etc., or (4) foreign affiliated companies associated with outward investment by Japanese affiliated companies  * Transactions between financial institutions
927	Short-term borrowings from (1) foreign parent companies etc. by Japanese subsidiaries etc., (2) foreign affiliated companies associated with inward investment by Japanese affiliated companies, (3) foreign subsidiaries etc. by Japanese parent companies etc., or (4) foreign affiliated companies associated with outward investment by Japanese affiliated companies  * Transactions between financial institutions

Portfolio investment (associated with inward investment)  931	Item		BOP Item		
932 Proceeds from issuance and redemption of securities issued abroad by residents with the original maturity of more than one year  932 Proceeds from issuance and redemption of securities issued abroad by residents with the original maturity of one year or less  Other inward portfolio investment  943 Cost of acquisition and proceeds from disposal of shares etc. issued by residents * Including liquidation dividends.  944 Cost of acquisition and proceeds from disposal/redemption of medium- to long-term bonds issued by residents  * Transactions NOT made with foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with inward investment, or foreign affiliated companies associated with outward investment  945 Cost of acquisition and proceeds from disposal/redemption of short-term bonds issued by residents  * Transactions NOT made with foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with inward investment, or foreign affiliated companies associated with inward investment, or foreign affiliated companies associated with inward investment, or foreign affiliated companies associated with inward investment of sacquisition and proceeds from disposal of share options etc. issued by residents  947 Cost of acquisition and proceeds from disposal/redemption of other medium-to long-term securities issued by residents  950 Cost of acquisition and proceeds from disposal/redemption of other short-term securities issued by residents  951 Cost of acquisition and proceeds from disposal/redemption of other short-term securities issued by residents  Other investment (associated with inward investment)  970 Medium- to long-term borrowings from nonresidents (excluding overseas branches of Japanese banks)  971 Medium- to long-term borrowings from nonresidents (excluding overseas branches of Japanese banks, foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with inward investment)  972 Short-term borro	Number				
with the original maturity of more than one year  Proceeds from issuance and redemption of securities issued abroad by residents with the original maturity of one year or less  Other inward portfolio investment  943					
Other inward portfolio investment  943		931			
943 Cost of acquisition and proceeds from disposal of shares etc. issued by residents  * Including liquidation dividends.  944 Cost of acquisition and proceeds from disposal/redemption of medium- to long-term bonds issued by residents  * Transactions NOT made with foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with inward investment, or foreign affiliated companies associated with inward investment of short-term bonds issued by residents  * Transactions NOT made with foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with inward investment, or foreign affiliated companies associated with outward investment, or foreign affiliated companies associated with outward investment  947 Cost of acquisition and proceeds from disposal of share options etc. issued by residents  948 Sale and repurchase of securities under repurchase agreements  950 Cost of acquisition and proceeds from disposal/redemption of other medium- to long-term securities issued by residents  951 Cost of acquisition and proceeds from disposal/redemption of other short-term securities issued by residents  Other investment (associated with inward investment)  970 Medium- to long-term or short-term borrowings from nonresidents (overseas branches of Japanese banks)  971 Medium- to long-term borrowings from nonresidents (excluding overseas branches of Japanese banks, foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with outward investment)  972 Short-term borrowings from nonresidents (excluding overseas branches of Japanese banks, foreign parent companies etc., foreign affiliated companies associated with inward investment, and foreign affiliat		932	<u>*</u>		
* Including liquidation dividends.  944 Cost of acquisition and proceeds from disposal/redemption of medium- to long-term bonds issued by residents  * Transactions NOT made with foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with inward investment, or foreign affiliated companies associated with outward investment, or foreign affiliated companies associated with inward investment of short-term bonds issued by residents  * Transactions NOT made with foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with inward investment, or foreign affiliated companies associated with outward investment, or foreign affiliated companies associated with outward investments  947 Cost of acquisition and proceeds from disposal of share options etc. issued by residents  948 Sale and repurchase of securities under repurchase agreements  950 Cost of acquisition and proceeds from disposal/redemption of other medium- to long-term securities issued by residents  951 Cost of acquisition and proceeds from disposal/redemption of other short-term securities issued by residents  Other investment (associated with inward investment)  970 Medium- to long-term or short-term borrowings from nonresidents (overseas branches of Japanese banks, foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with nutward investment, and foreign affiliated companies associated with inward i		Other in	nward portfolio investment		
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* Including loan participation.  974 Cost of acquisition and proceeds from disposal of real property located in Japan (excluding that of foreign diplomatic establishments located in Japan)		972	Japanese banks, foreign parent companies etc., foreign subsidiaries etc., foreign affiliated companies associated with inward investment, and foreign affiliated		
(excluding that of foreign diplomatic establishments located in Japan)		973			
975 Performance of guarantees		974			
		975	Performance of guarantees		

Item Number	BOP Item
977	Investments in equity of partnerships and other organizations (except for inward investment in the parent/subsidiary etc. or affiliated companies and portfolio investment [associated with inward investment])
979	Guarantee deposits and cash collateral (to be recorded on the liability side of residents' books
980	Other capital transactions (with the original maturity etc. of more than one year)
981	Other capital transactions (with the original maturity etc. of one year or less)
991	Net gains/losses associated with futures and forward tradings
992	Premiums associated with option tradings
993	Net gains/losses associated with option tradings
994	Exchange of the principal associated with currency swaps
995	Interest, dividends, capital gains, etc. associated with swap transactions
996	Repurchase and resale associated with option tradings
1001	Purchase and sale of foreign exchange
1002	Deposits received for the purpose of settlement between another resident and a nonresident
1003	Payment abroad and receipt of payment from abroad associated with transactions and actions between residents
1100	Other (payment and receipt of payment associated with transactions and actions which are not applicable to any item provided above)