

Planned Retroactive Revision to the Flow of Funds Accounts

Once a year in principle, the Bank of Japan retroactively revises data for the Flow of Funds Accounts (FFA), to reflect information updates, such as newly obtained source data and institutional changes, and to incorporate revised estimation methods. The retroactive revision of 2019 is scheduled to be implemented in September, and due to this revision, data from the first quarter of 2005 onward will be updated. This document explains the highlights of the revision planned currently, as well as their effect on outstanding figures in the FFA (tentative figures for end-March 2018).

- Charts at the end of this document present figures before and after the retroactive revision for the following outstanding amounts, which are assumed to be of great interest to users in general: financial assets in the sector "Households," and financial assets and liabilities in the sector "Private nonfinancial corporations." At present, the extent to which this revision affects these outstanding amounts is likely to be marginal.
- Figures and charts in this document are tentative, and subject to additional revisions as a result of, for example, reflecting newly obtained source data in the period ahead. For details on the revision and revised figures, please refer to the "Flow of Funds Accounts (2nd Quarter 2019, Preliminary Figures)" and its associated document, both of which are scheduled to be released on September 20.

(1) Mutual aid insurance

(a) Revision

Figures for the sector "Mutual aid insurance" are compiled using financial statements, etc. of each institution as source data. In calculating the market value of the outstanding investment assets, the Bank has thus far made estimations mainly by multiplying the book value of outstanding amounts from financial statements by the market-to-book ratio of the market as a whole.

With the planned revision, the Bank will use market value figures directly for the applicable items disclosed in each institution's annual report.

(b) Effects

After the above revision, on the asset side, figures for the transaction items "Central government securities and FILP bonds" and "Listed shares" are likely to be revised upward.

Major changes in amounts outstanding: "Mutual aid insurance" (end-March 2018 figures)

Transaction item	Assets/liabilities	Amount outstanding (before revision)	Amount outstanding (after revision)	Change in amount outstanding
Central government securities and FILP bonds	Assets	41.3 tril. yen	46.8 tril. yen	+5.5 tril. yen
Listed shares	Assets	1.1 tril. yen	1.5 tril. yen	+0.4 tril. yen

(2) External securities issued by residents**(a) Revision**

As for the transaction item "External securities issued by residents," the total issuance amount has been obtained from debt securities statistics compiled by the Bank for International Settlements (BIS). The issuance amounts by sector have been recorded by (1) obtaining the amounts issued by financial institutions, etc. from information on issued bonds of individual entities (e.g., data compiled by the I-N Information Systems) and financial statements, etc., and then (2) estimating the amount issued by the sector "Private nonfinancial corporations" as residual, by subtracting the amounts issued by other sectors from the total issuance amount.

With the planned revision, in estimating the amounts issued by financial institutions, etc., the Bank of Japan will enhance data accumulation by expanding source data from financial statements, etc. Moreover, the Bank will change the method for estimating the amount issued by "Private nonfinancial corporations" to one using the BIS debt securities statistics (accordingly, the total issuance amount will be calculated by accumulating the amount of liabilities for each sector).

(b) Effects

After the above revision, on the liability side, figures for sectors such as "Government financial institutions," "Securities companies," and "Financial holding companies" are likely to be revised upward, while figures for the sector "Private nonfinancial corporations" are likely to be revised downward. On the asset side, figures for the sectors "Domestically licensed banks," "Financial institutions for agriculture, forestry, and fisheries," and "Financial institutions for small businesses" are likely to be revised downward, reflecting the downward revision in the total issuance amount of "External securities issued by residents."

**Major changes in amounts outstanding: "External securities issued by residents"
(end-March 2018 figures)**

Sector	Assets/liabilities	Amount outstanding (before revision)	Amount outstanding (after revision)	Change in amount outstanding
Government financial institutions	Liabilities	5.3 tril. yen	5.9 tril. yen	+0.7 tril. yen
Securities companies	Liabilities	0.0 tril. yen	2.2 tril. yen	+2.2 tril. yen
Financial holding companies	Liabilities	7.9 tril. yen	9.4 tril. yen	+1.5 tril. yen
Private nonfinancial corporations	Liabilities	18.1 tril. yen	9.5 tril. yen	-8.6 tril. yen
Domestically licensed banks	Assets	3.8 tril. yen	2.8 tril. yen	-1.0 tril. yen
Financial institutions for agriculture, forestry, and fisheries	Assets	3.1 tril. yen	2.3 tril. yen	-0.8 tril. yen
Financial institutions for small businesses	Assets	2.2 tril. yen	1.6 tril. yen	-0.6 tril. yen

(3) Other equity

(a) Revision

As for the transaction item "Other equity" (holdings in corporations other than joint-stock corporations and in special corporations, etc.), the amounts issued by the sectors "Government financial institutions" and "Public nonfinancial corporations" are calculated by adding up figures obtained from each entity's financial statements, etc.

With the planned revision, the Bank will apply a refined method in using each entity's financial statements, etc. when obtaining the amount issued by "Government financial institutions" and held by "Central government" and the amount issued by "Public nonfinancial corporations" and held by "Local governments." This new method is in reference to a supporting table "Closing Stocks of Financial Assets and Liabilities" in the *Annual Report on National Accounts* compiled by the Cabinet Office.

(b) Effects

After the above revision, on the asset side, figures for the sectors "Central government" and "Local governments" are likely to be revised upward. On the liability side, figures for the sectors "Government financial institutions" and "Public nonfinancial corporations" are likely to be revised upward.

Major changes in amounts outstanding: "Other equity" (end-March 2018 figures)

Sector	Assets/liabilities	Amount outstanding (before revision)	Amount outstanding (after revision)	Change in amount outstanding
Central government	Assets	29.5 tril. yen	44.4 tril. yen	+14.9 tril. yen
Local governments	Assets	26.7 tril. yen	44.1 tril. yen	+17.4 tril. yen
Government financial institutions	Liabilities	9.4 tril. yen	23.9 tril. yen	+14.5 tril. yen
Public nonfinancial corporations	Liabilities	25.5 tril. yen	42.8 tril. yen	+17.3 tril. yen

(4) Public pensions

(a) Revision

In the sector "Public pensions," investment assets held by the following institutions are estimated by adding up figures from financial statements of each institution: the Mutual Aid Associations of Local Government Employees, etc.; the Federation of National Public Service Personnel Mutual Aid Associations; and the Promotion and Mutual Aid Corporation for Private Schools of Japan. As for the investment assets entrusted by these institutions to life insurance companies or trust accounts, the Bank estimates the amounts subject to data consolidation. Thus far, the breakdown of the entrusted assets has been estimated mainly by multiplying the assets by the composition ratio that are assumed to be the same as the overall asset-mix of the life insurance companies and of noncollectively managed trusts in the trust accounts (the trusts are all assumed as designated noncollectively invested money trusts).

With the planned revision, since detailed data on each institution's investment status (e.g., complete lists of securities holdings) have become available, the Bank will use these detailed data directly in estimating the breakdown of investment assets.

(b) Effects

After the above revision, on the asset side, figures for transaction items such as the following are likely to be revised downward: "Loans by the nonfinancial sector"; "Central government securities and FILP bonds"; "Local government securities"; and "Industrial securities." On the other hand, figures for the transaction items "Listed shares" and "Outward investment in securities" are likely to be revised upward.

Major changes in amounts outstanding: "Public pensions" (end-March 2018 figures)

Transaction item	Assets/liabilities	Amount outstanding (before revision)	Amount outstanding (after revision)	Change in amount outstanding
Loans by the nonfinancial sector	Assets	2.6 tril. yen	0.3 tril. yen	-2.3 tril. yen
Central government securities and FILP bonds	Assets	46.4 tril. yen	44.2 tril. yen	-2.2 tril. yen
Local government securities	Assets	6.8 tril. yen	5.7 tril. yen	-1.2 tril. yen
Industrial securities	Assets	5.9 tril. yen	4.5 tril. yen	-1.4 tril. yen
Listed shares	Assets	51.5 tril. yen	53.1 tril. yen	+1.7 tril. yen
Outward investment in securities	Assets	71.0 tril. yen	81.3 tril. yen	+10.4 tril. yen

(5) Other highlights in the planned retroactive revision

Other than the above revisions in estimation methods, the Bank will also reflect newly obtained source data as part of the planned revision. At the moment, such revision that will have relatively large effects on figures is assumed to be as follows.

("Unlisted shares" issued by "Private nonfinancial corporations")

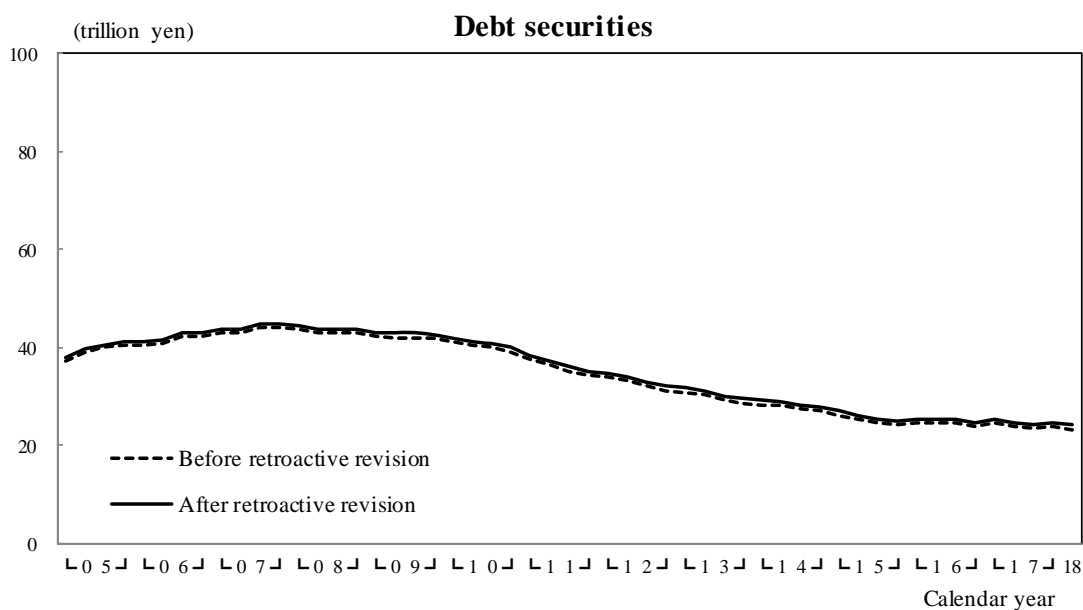
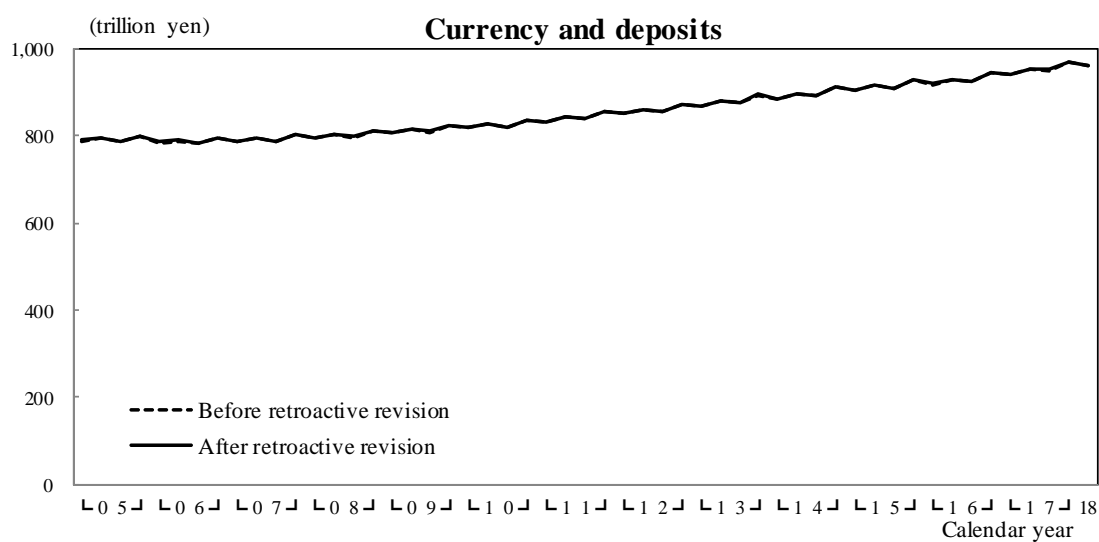
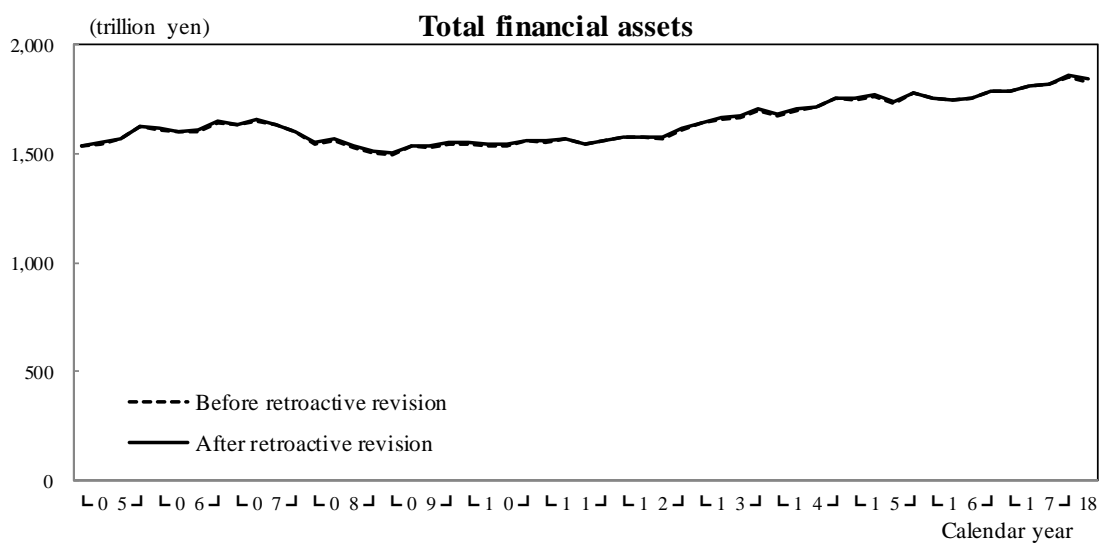
In estimating the amount outstanding for the transaction item "Unlisted shares" (liabilities) issued by the sector "Private nonfinancial corporations," the Bank utilizes data such as those in market value from the *Annual Report on National Accounts*. With the planned revision, historical figures will be retroactively revised to reflect the newly obtained source data.

Inquiries:

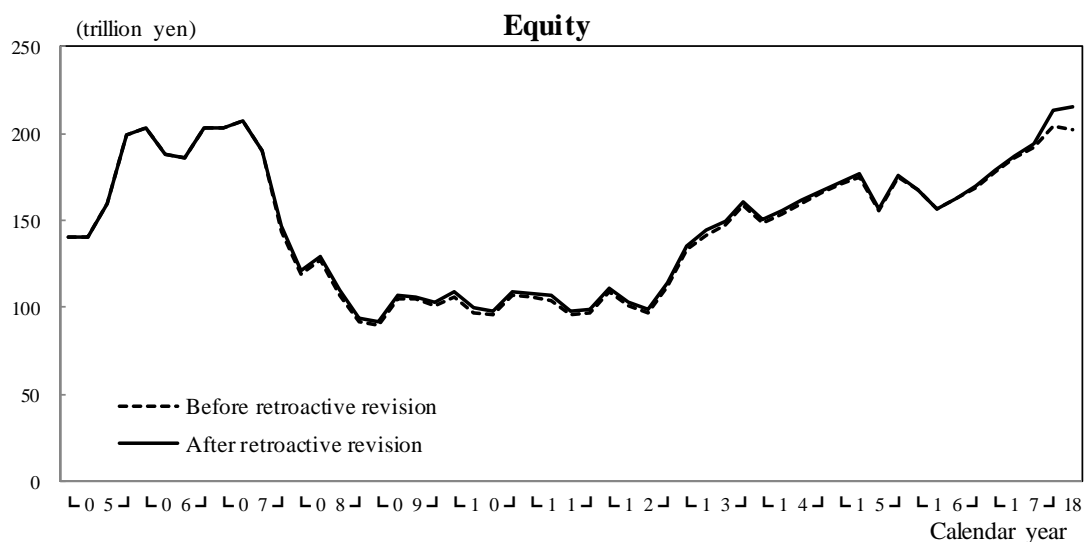
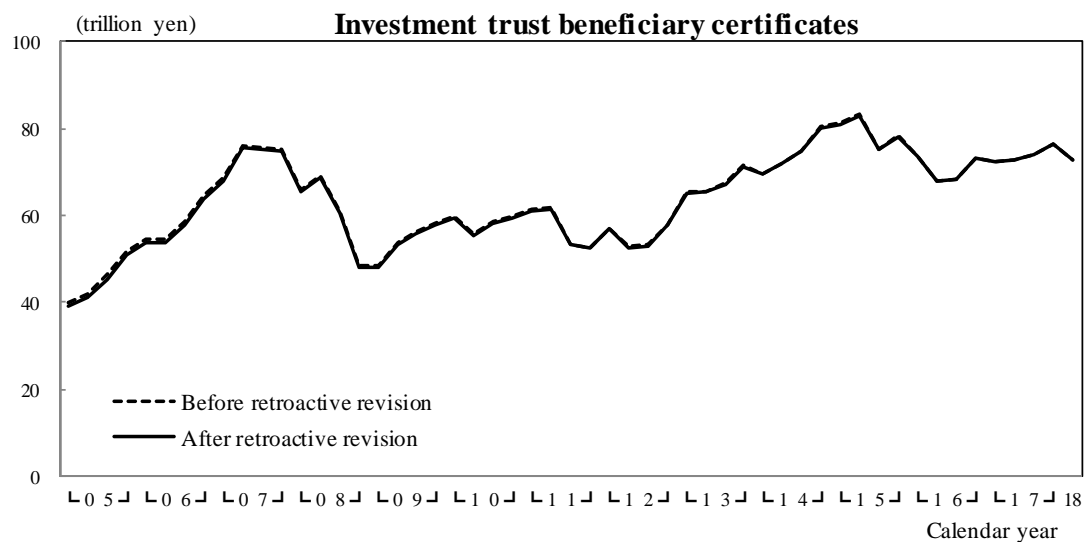
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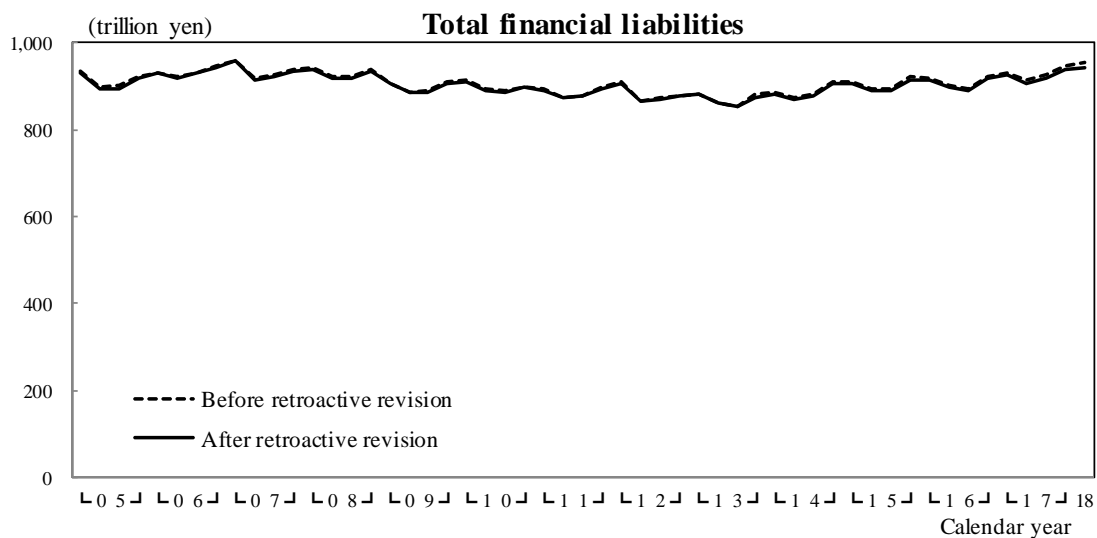
(1) Households (outstanding financial assets)



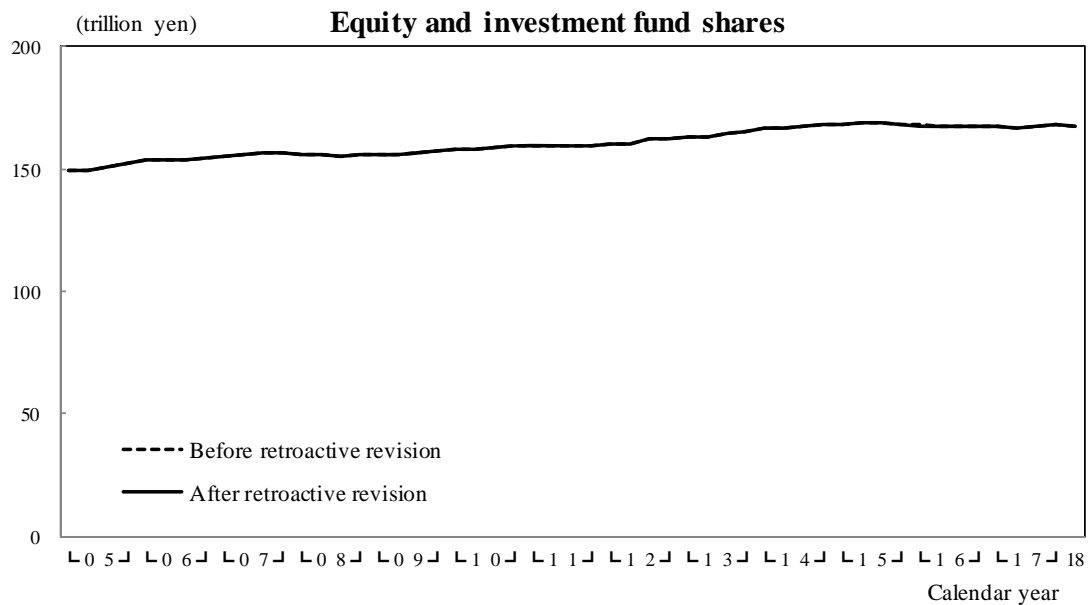
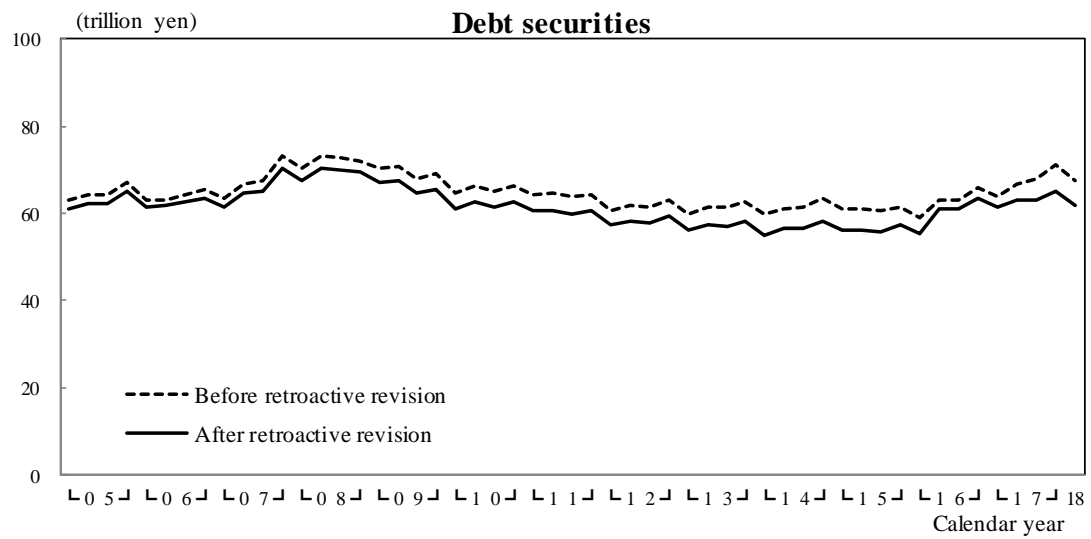
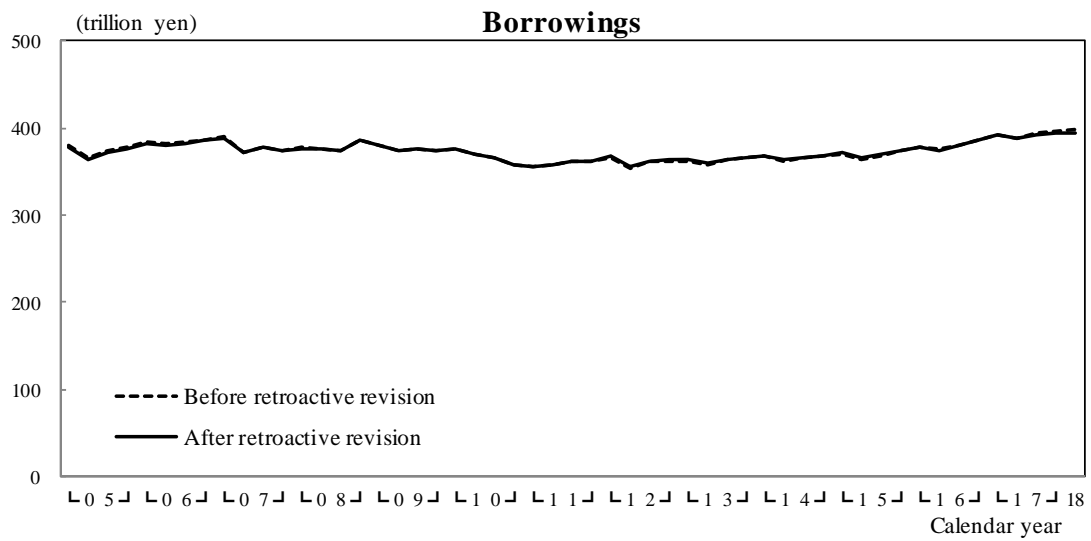
(1) Households (outstanding financial assets) (continued)



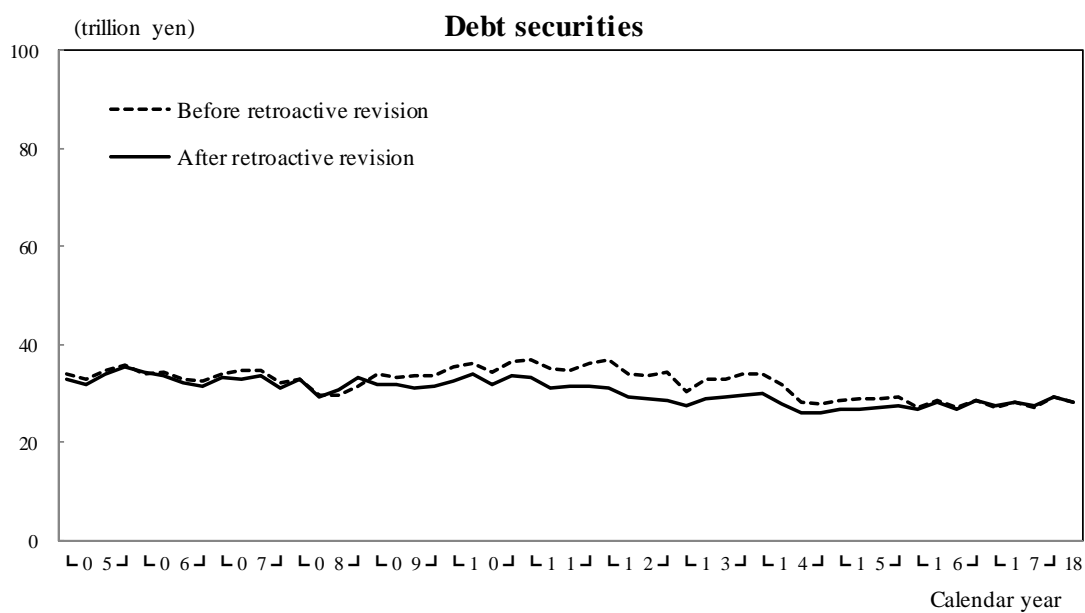
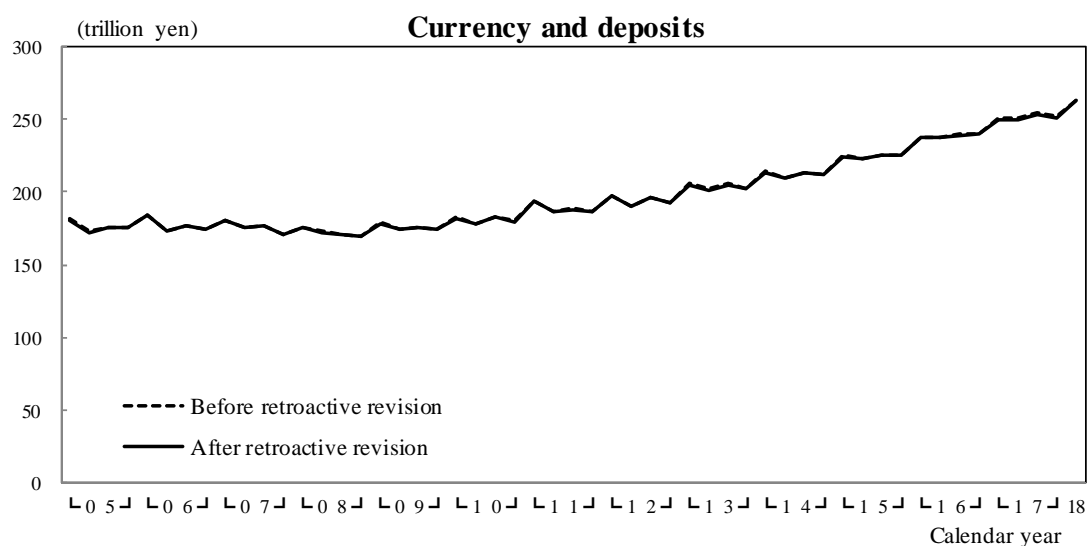
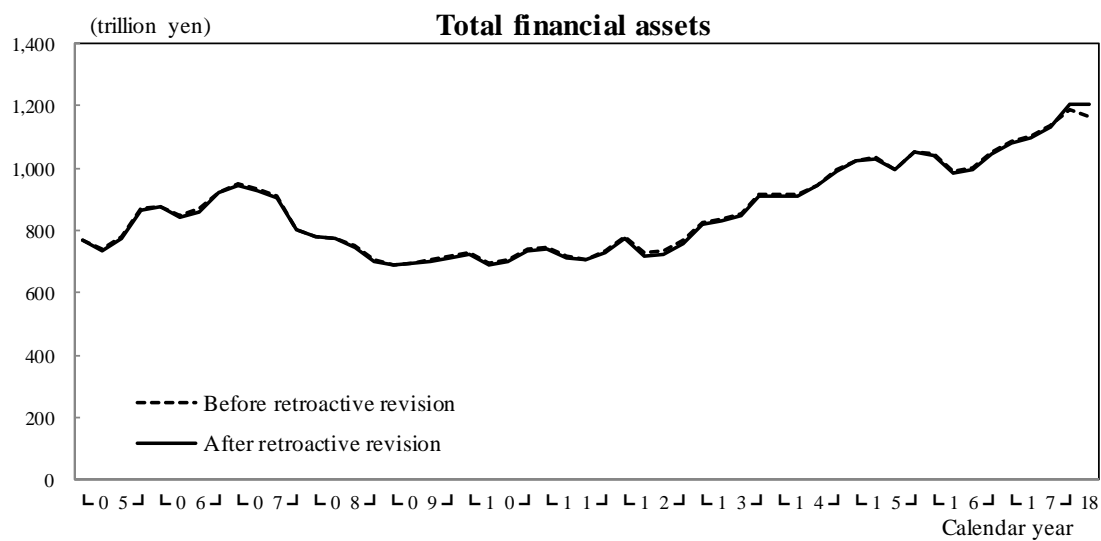
(2) Private nonfinancial corporations (outstanding financial liabilities, book value/face value basis)



(2) Private nonfinancial corporations (outstanding financial liabilities, book value/face value basis) (continued)



(3) Private nonfinancial corporations (outstanding financial assets)



(3) Private nonfinancial corporations (outstanding financial assets) (continued)

