

This metadata describes the compilation practices, sources and methodology in use in 2001. Please refer to the contact person below for details of any changes that may have been introduced by the country since that time.

## Japan:

# Direct Investment Compilation Practices, Data Sources and Methodology

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### Direct Investment in Japan

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

### Direct Investment Abroad

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

**[Glossary of Direct Investment Terms and Definitions](#)**

**DIRECT INVESTMENT IN JAPAN**  
**BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Preliminary monthly data on (i) direct investment income (income on equity, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital) are disseminated with a timeliness of 6 weeks after the end of the reference period.

**Revision Policy:** The data are revised once a quarter to incorporate data received from late reporters and are disseminated 8-16 weeks after their first release, (that is, the revised data for the months of January, February, and March are disseminated simultaneously in mid-July.) At that time the data are considered to be final.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Data are collected on an individual transactions basis, and reporting requirements are compulsory.

**Data Sources:** The data are compiled from (i) an international transactions reporting system (ITRS) and (ii) monthly and annual enterprise surveys of direct investment enterprises in Japan. A business register of enterprises involved in direct investment is not maintained.

**Geographic Classification:** Semi-annual data showing country breakdowns are disseminated for direct investment income and direct investment financial flows with a timeliness of 22-42 weeks after the end of the reference period. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns of both direct investment income and direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) the OECD, and (ii) ASEAN. The five countries with the largest amount of direct investment flows into Japan during 2001 (ranked in descending order) were: the United States, the Netherlands, the United Kingdom, the Cayman Islands, and Canada.

**Industrial Classification:** Not applicable. Data showing a breakdown by industrial sector are not compiled at present.

**B. Methodology**

**Definition of Direct Investment Enterprises in Japan:** In accordance with the international standards, the basic criterion for defining direct investment enterprises in Japan is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is partially applied. Specifically, (i) the direct investment earnings data include the relevant share of selected indirectly-owned direct investment enterprises only, and (ii) the direct investment financial flows data do not include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in Japan are not required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or (ii) identify all transactions with the parent company.

**Measurement of Direct Investment Earnings:** Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate earnings of direct investment enterprises. Contrary to COPC: (i) deductions are not made for depreciation of capital, or for provisions for host-country income and corporation taxes, and (ii) realized capital gains and losses are included in the data. In accordance with COPC, unrealized capital gains and losses, write-offs and exchange rate gains or losses, are not included. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

**Treatment of Income on Equity (Dividends and Distributed Branch Profits):** The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

**Treatment of Reinvested Earnings and Undistributed Branch Profits:** The data cover incorporated enterprises but not unincorporated enterprises. Contrary to the international standards, reinvested earnings and undistributed branch profits are not recorded in the period in which they are earned, but between 6 and 18 months after they are earned, depending on the accounting year used by the individual reporting enterprises.

**Treatment of Income on Debt (Interest):** The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, and (iii) short-term loans. The data do not include interest from trade credits. In accordance with the international standards, the data exclude interest from: (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. Contrary to the international standards, the data are compiled on a paid basis, rather than an accrual basis.

**Treatment of Equity Capital:** The data cover all types of financial flows affecting equity capital, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

**Treatment of Other Capital:** The data cover: (i) bonds and money market instruments; (ii) long-term loans, and (iii) short-term loans. The data do not cover: (i) financial leases, (ii) trade credits, and (iii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**Treatment of Reverse Investment:** Transactions involving reverse investment are treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Japan and the direct investor is a nonresident, (i) when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan transactions are recorded as "Direct Investment Abroad: Increase in Claims on Affiliated Enterprises"; and (ii) when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan transactions are recorded as "Direct Investment in Japan: Increase in Claims on Direct Investors".

**Treatment of Quasi-corporations:** In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Japan by nonresidents of construction enterprises. There are no quasi-corporations arising from the operation in Japan by nonresidents of mobile equipment, such as ships, aircraft, and drilling rigs, at present.

**Treatment of Offshore Enterprises:** In accordance with the international standards, activities of offshore enterprises established in Japan by nonresidents are generally included in the direct investment data.

**Treatment of Special Purpose Entities (SPEs):** In accordance with the international standards, (i) activities of SPEs established in Japan by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in Japan by nonresidents that have the sole purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are excluded from the data.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include purchases and sales of land and buildings in Japan by nonresident enterprises and individuals.

**Treatment of Natural Resources Exploration:** In accordance with the international standards, the data include expenditure related to natural resources exploration in Japan by nonresidents.

**Exchange Rate Conversion:** Most transactions are converted to the unit of account at the average exchange rate in the period in which the transactions are recorded. Reinvested earnings are converted to the unit of account at the exchange rate prevailing at the end of the period in which they are recorded.

## DIRECT INVESTMENT IN JAPAN

### INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

#### A. Compilation Practices and Data Sources

**Data Availability:** Annual (calendar year) data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 5 months after the end of the reference period.

**Revision Policy:** The data are final when first released.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Reporting requirements are compulsory.

**Data Sources:** The data are compiled primarily from annual enterprise surveys of direct investment enterprises in Japan. Information from an international transactions reporting system (ITRS) is used as a secondary data source. The perpetual inventory method (a method for deriving position data from transactions data) is not used. A business register of enterprises involved in direct investment is not maintained.

**Geographic Classification:** Annual data showing country breakdowns are disseminated with a timeliness of 5 months after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) the OECD, and (iii) ASEAN. The five countries with the largest amount of direct investment in Japan as at the end of 2001 (ranked in descending order) were: the United States, the Netherlands, France, Germany, and the United Kingdom.

**Industrial Classification:** Not applicable. Data showing a breakdown by industrial sector are not compiled at present.

#### B. Methodology

**Definition of Direct Investment Enterprises in Japan:** In accordance with the international standards, the basic criterion for defining direct investment enterprises in Japan is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is partially applied. Specifically, (i) the relevant share of indirectly-owned direct investment enterprises are included in the reinvested earnings data for selected enterprises only, and (ii) the relevant share of indirectly-owned enterprises is not included in the equity and other capital position data. Enterprises in Japan are not required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or (ii) identify all transactions with the parent company.

**Treatment of Equity Capital and Reinvested Earnings:** The data cover all types of position data affecting equity capital and reinvested earnings, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover incorporated enterprises but not unincorporated enterprises, and, contrary to the international standards, are not recorded in the period in which they are earned. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment in Japan.)

**Treatment of Other Capital:** The data cover: (i) bonds and money market instruments, (ii) long-term loans, and (iii) short-term loans. The data do not cover: (i) financial leases, (ii) trade credits, and (iii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other

claims and liabilities related to usual banking and financial intermediation activities. Contrary to the international standards, the data do not include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**Treatment of Reverse Investment:** Positions involving reverse investment are treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Japan and the direct investor is a nonresident, (i) when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan positions are recorded as “Assets: Direct Investment Abroad: Claims on Affiliated Enterprises”; and (ii) when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan positions are recorded as “Liabilities: Direct Investment in Japan: Claims on Direct Investors”.

**Treatment of Quasi-corporations:** In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Japan by nonresidents of construction enterprises. There are no quasi-corporations arising from the operation in Japan by nonresidents of mobile equipment, such as ships, aircraft, and drilling rigs, at present.

**Treatment of Offshore Enterprises:** In accordance with the international standards, activities of offshore enterprises established in Japan by nonresidents are generally included in the direct investment data.

**Treatment of Special Purpose Entities (SPEs):** In accordance with the international standards, (i) activities of SPEs established in Japan by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in Japan by nonresidents that have the sole purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries, except positions involving equity capital and permanent debt, are excluded from the data.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include ownership of land and buildings in Japan by nonresident enterprises and individuals.

**Treatment of Natural Resources Exploration:** In accordance with the international standards, the data include expenditure related to natural resources exploration in Japan by nonresidents.

**Valuation:** Contrary to the international standards, the data are recorded primarily at book values, rather than market values. The book value used varies, depending on the accounting practices of the individual reporting enterprises.

**Exchange Rate Conversion:** The exchange rate prevailing on the day to which the position data relate, and (ii) the exchange rate prevailing on the day the stocks were acquired, are used to convert foreign currencies into the unit of account.

**JAPAN: DIRECT INVESTMENT ABROAD**  
**BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Preliminary monthly data on (i) direct investment income (income on equity, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital) are disseminated with a timeliness of 6 weeks after the end of the reference period.

**Revision Policy:** The data are revised once a quarter to incorporate data received from late reporters and are disseminated 8-16 weeks after their first release, (that is, the revised data for the months of January, February, and March are disseminated simultaneously in mid-July.) At that time the data are considered to be final.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Data are collected on an individual transactions basis, and reporting requirements are compulsory.

**Data Sources:** The data are compiled from (i) an international transactions reporting system (ITRS) and (ii) monthly and annual enterprise surveys of residents with direct investment enterprises abroad. A business register of enterprises involved in direct investment is not maintained.

**Geographic Classification:** Semi-annual data showing country breakdowns are disseminated for direct investment income and direct investment financial flows with a timeliness of 22-42 weeks after the end of the reference period. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns of both direct investment income and direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) the OECD, and (ii) ASEAN. The five countries with the largest amount of direct investment flows from Japanese residents during 2001 (ranked in descending order) were: the United Kingdom, the United States, the Netherlands, China, and Singapore.

**Industrial Classification:** Not applicable. Data showing a breakdown by industrial sector are not compiled at present.

**B. Methodology**

**Definition of Direct Investors Abroad:** In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. No value threshold is used to identify direct investors abroad and unincorporated enterprises are not treated differently from incorporated enterprises.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is partially applied. Specifically, (i) the direct investment earnings data include the relevant share of only selected indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in Japan are not required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or (ii) identify all transactions with the parent company.

**Measurement of Direct Investment Earnings:** Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate earnings of direct investment enterprises. Contrary to COPC: (i) deductions are not made for depreciation of capital, or for provisions for host-country income and corporation taxes, and (ii) realized capital gains and losses are included in the data. In accordance with COPC, unrealized capital gains and losses, write-offs and exchange rate gains or losses, are not included. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

**Treatment of Income on Equity (Dividends and Distributed Branch Profits):** The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

**Treatment of Reinvested Earnings and Undistributed Branch Profits:** The data cover incorporated enterprises but not unincorporated enterprises. Contrary to the international standards, reinvested earnings and undistributed branch profits are not recorded in the period in which they are earned, but between 6 and 18 months after they are earned, depending on the accounting year used by the individual reporting enterprises.

**Treatment of Income on Debt (Interest):** The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, and (iii) short-term loans. The data do not include interest from trade credits. In accordance with the international standards, the data exclude interest from: (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. Contrary to the international standards, the data are compiled on a paid basis, rather than an accrual basis.

**Treatment of Equity Capital:** The data cover all types of financial flows affecting equity capital: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

**Treatment of Other Capital:** The data cover: (i) bonds and money market instruments; (ii) long-term loans, and (iii) short-term loans. The data do not cover: (i) financial leases, (ii) trade credits, and (iii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**Treatment of Reverse Investment:** Transactions involving reverse investment are treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Japan and the direct investor is a nonresident, (i) when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan transactions are recorded as "Direct Investment Abroad: Increase in Claims on Affiliated Enterprises"; and (ii) when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan transactions are recorded as "Direct Investment in Japan: Increase in Claims on Direct Investors".

**Treatment of Quasi-corporations:** In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad by Japanese residents of construction enterprises. There are no quasi-corporations arising from the operation abroad by Japanese residents of mobile equipment, such as ships, aircraft, and drilling rigs, at present.

**Treatment of Offshore Enterprises:** In accordance with the international standards, activities of offshore enterprises established abroad by Japanese residents are generally included in the direct investment data.

**Treatment of Special Purpose Entities (SPEs):** In accordance with the international standards, (i) activities of SPEs established abroad by Japanese residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by Japanese residents that have the sole purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are excluded from the data.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include purchases and sales of land and buildings abroad by Japanese resident enterprises and individuals.

**Treatment of Natural Resources Exploration:** In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by Japanese residents.

**Exchange Rate Conversion:** Most transactions are converted to the unit of account at the average exchange rate in the period in which the transactions are recorded. Reinvested earnings are converted to the unit of account at the exchange rate prevailing at the end of the period in which they are recorded.

**JAPAN: DIRECT INVESTMENT ABROAD**  
**INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Annual (calendar year) data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 5 months after the end of the reference period.

**Revision Policy:** The data are final when first released.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Reporting requirements are compulsory.

**Data Sources:** The data are compiled primarily from annual enterprise surveys of residents with direct investment enterprises abroad. Information from an international transactions reporting system (ITRS) is used as a secondary data source. The perpetual inventory method (a method for deriving position data from transactions data) is not used. A business register of enterprises involved in direct investment is not maintained.

**Geographic Classification:** Annual data showing country breakdowns are disseminated with a timeliness of 5 months after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) the OECD, and (iii) ASEAN. The five countries with the largest amount of direct investment from Japanese residents as at the end of 2001 (ranked in descending order) were: the United States, the United Kingdom, the Netherlands, Singapore, and China.

**Industrial Classification:** Not applicable. Data showing a breakdown by industrial sector are not compiled at present.

**B. Methodology**

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**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is partially applied. Specifically, (i) the relevant share of indirectly-owned direct investment enterprises are included in the reinvested earnings data for selected enterprises only, and (ii) the relevant share of indirectly-owned enterprises is not included in the equity and other capital position data. Enterprises in Japan are not required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or (ii) identify all transactions with the parent company.

**Treatment of Equity Capital and Reinvested Earnings:** The data cover all types of position data affecting equity capital and reinvested earnings, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover incorporated enterprises but not unincorporated enterprises, and, contrary to the international standards, are not recorded in the period in which they are earned. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment Abroad.)

**Treatment of Other Capital:** The data cover: (i) bonds and money market instruments, (ii) long-term loans, and (iii) short-term loans. The data do not cover: (i) financial leases, (ii) trade credits, and (iii) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) positions



between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. Contrary to the international standards, the data do not include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**Treatment of Reverse Investment:** Positions involving reverse investment are treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Japan and the direct investor is a nonresident, (i) when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan positions are recorded as “Assets: Direct Investment Abroad: Claims on Affiliated Enterprises”; and (ii) when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan positions are recorded as “Liabilities: Direct Investment in Japan: Claims on Direct Investors”.

**Treatment of Quasi-corporations:** In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad by Japanese residents of construction enterprises. There are no quasi-corporations arising from the operation abroad by Japanese residents of mobile equipment, such as ships, aircraft, and drilling rigs, at present.

**Treatment of Offshore Enterprises:** In accordance with the international standards, activities of offshore enterprises established abroad by Japanese residents are generally included in the direct investment data.

**Treatment of Special Purpose Entities (SPEs):** In accordance with the international standards, (i) activities of SPEs established abroad by Japanese residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by Japanese residents that have the sole purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries, except positions involving equity capital and permanent debt, are excluded from the data.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include ownership of land and buildings abroad by Japanese resident enterprises and individuals.

**Treatment of Natural Resources Exploration:** In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by Japanese residents.

**Valuation:** Contrary to the international standards, the data are recorded primarily at book values, rather than market values. The book value used varies, depending on the accounting practices of the individual reporting enterprises.

**Exchange Rate Conversion:** The exchange rate prevailing on the day to which the position data relate is used to convert foreign currencies into the unit of account.