

Questionnaire on the Valuation of Equity in Financial Accounts.

1. Information on Shares and other equity.

- Do you make a split of the SNA 93 category 'Shares and other equity' into sub-categories of quoted shares, unquoted shares and other equity in your financial accounts?

In Japan's Financial Account, 'Shares and other equity' has one breakdown item of 'Of which shares', which includes quoted shares and unquoted shares.

- If yes, please describe by SNA 93 institutional sectors the method(s) presently used to derive information on quoted shares, unquoted shares and other equity on the asset and liability side with respect to :
 - a. Calculation of stocks;
 - b. Relation between stocks and flows (Stocks as starting point for transactions; Transactions as starting points for stocks);
 - c. Small and large unquoted corporations.
 - d. Possible residual calculation of financial accounts of sectors for which information is missing or of unreliable quality (e.g. the household sector);
 - e. Other issues.

1. Quoted Shares

Amount outstanding of issued quoted shares by sector (liability side) is based on the market value outstanding data of the monthly statistics report of Tokyo Stock Exchange and Japan Securities Dealers Association.

For holding entity, holding amount of each sector is estimated by using mainly the data of 'Share ownership Survey' (Tokyo Stock Exchange).

As for quoted shares, the amount outstanding and the transaction flow are estimated independently. The estimation of transaction flow is conducted separately by the new issues of shares data and the trade in existing shares data in Stock Exchange and OTC-registered stock market.

2. Unquoted Shares

Total liability amount of unquoted shares is estimated by using the data on equity capital of corporations with capital of more than 10 million yen in the 'Financial Statements Statistics of Corporations by Industry, Annually'.

Valuation of unquoted shares is based on the following method which is used for calculating inheritance tax amount in Japan. The difference of size or industry of unquoted corporations is not considered in the valuation in Financial Accounts.

$$P=A \times \frac{b/B+c/C+d/D}{3} \times 0.7$$

P: Estimated stock price

A: Market stock price of the similar category of industry (per share)

B: Dividend per share of the similar category of industry

C: Earnings per share of similar category of industry

D: Book value per share of similar category of industry

b: Dividend per share of the unquoted corporations

c: Earnings per share of the unquoted corporations

d: Book value per share of the unquoted corporations

For holding entity of unquoted shares, holding amounts by public sectors (general government and public corporations) are determined based on their financial statements and survey data, and then the remainder are allocated based on the proportions of 'equities' by sector in the FOF, which are estimated based on the holding amounts of listed and OTC-registered stocks etc.

As for the unquoted shares, stocks are the starting point for transactions. Change in capital is determined and recorded in the liability side of relevant sectors, and principally allocated to the asset side by the proportion of change in stocks of "shares" during the term.

3. Other Equity

(1) Public sector

The amount of other equity contributed by the government is estimated mainly by the administrative data, 'List of government investments', and supplemented by the financial statements of individual public corporations and survey data.

(2) Private sector

a. Financial institutions

As for the other equity of 'financial institutions for small businesses' and 'financial institutions for agriculture, forestry, and fisheries', the liability side is determined mainly based on their financial statements, and the counterpart is allocated to the asset sides of applicable institutions.

b. Other corporations

As for other corporations, the "capital" and "capital reserve" portions of corporations with capital of less than 10 million yen in the 'Financial Statements Statistics of Corporations by Industry, Annually' are regarded as the amount of other equity from 'households' to 'private non-financial corporations'.

2. Sources of information

- Please describe by SNA 93 institutional sectors the main sources and supplementary information used to compile financial accounts with regard to quoted shares, unquoted shares and other equity:
 - a. Accounting records (balance sheets and profit and loss accounts) of enterprises introduced for purposes other than financial accounts;
 - b. Supervisory reports;
 - c. Administrative and fiscal data;
 - d. Statistics on the issuance of securities;
 - e. Foreign direct Investment Statistics;
 - f. Specific surveys introduced for financial accounts purposes;
 - g. Other sources.

including the following aspects of the data sources:

- Coverage of the total population of enterprises, frequency (monthly, quarterly, annual) and timeliness of the data sources;
- Availability of transactions and/or balance sheet data;
- Valuation of equity assets and liabilities in the data sources (market values, book values, nominal values);
- Combination of different types of equity and of sectors in the data sources.

1. Quoted Shares

a. Amounts of stock issues and transactions

Source: monthly report of Tokyo Stock Exchange (listed shares) and Japan Securities Dealers Association (OTC-registered stocks)

Type: d

Data: (stocks)

Total amounts of stock issues

(Transaction flows)

Amounts of equity raising by issuing new stocks

Converted amounts of convertible bonds

Exercised amounts of bonds with warrants

Amounts of stocks newly listed/registered

Amounts traded

Coverage: all listed and OTC-registered shares in Japan

Frequency: monthly

Valuation: market value

b. Holding amounts of listed shares by sectors

Source: Share ownership Survey (Tokyo Stock Exchange)

Type: b

Coverage: all listed stocks in Japan

Frequency: every end of March (published in June)

Valuation: market value

2. Unquoted shares

(1) Issued by private non-financial corporation

Source: Financial Statements Statistics of Corporations by Industry
(Ministry of Finance)

Type: a

Data: B/S, P/L data of corporations in Japan

Coverage: Sample survey on all non-financial corporations in Japan

Number of population: 2.6 million

Number of samples: 29,863

Respondent rate: 83.3% (2003FY)

Frequency: every end of March (published in September)

Valuation: book value

(2) Issued by private financial institution

Source: NIKKEI SOURAN (data book of unlisted corporations,
published by Nihon Keizai Shinbun Inc.)

Type: a

Data: B/S, P/L data of unquoted corporations

Coverage: 242 thousands of unlisted corporations in Japan

Frequency: annually (published in May: fiscal data for 2 years ago)

Valuation: book value

3. Other Equity

(1) Investments by central government

Source: List of government investment (Ministry of Finance, not open to
public)

Type: c

Data: Equity contributions by central government to public
institutions (public financial institutions and non-financial
corporations) and to special companies (private non-financial
corporations)

Frequency: annually (compiled in July: former fiscal data)

Valuation: book value

(2) Investments by local governments

Source: Statistics on local government finance

Type: g

Data: Equity contributions by local governments to public institutions
(public non-financial corporations and private non-financial
corporations)

Frequency: annually (published in July: former fiscal year data)

Valuation: book value

(3) Investments to private non-financial corporations

Source: Financial Statements Statistics of Corporations by Industry
(Ministry of Finance) see above 2. (1)

(4) Public financial and non-financial corporations (survey)

Source: Survey on financial asset/liability of public corporations
(Cabinet Office, not open to public)

Type: *f*
Frequency: *annually (compiled in September: former fiscal year data)*
Valuation: *book value*

3. Consistency between financial accounts and balance of payments statistics

Is there any consistency between your financial accounts and Balance of Payments Statistics (BOP) and International Investment Position Statistics (IIP) in terms of different types of equity investment (Listed corporate equity included in portfolio investment; Listed Inter-company (direct) equity investment; Unlisted corporate (direct) equity investment; Unlisted Inter-company (direct) equity investment etc.)? Please explain.

Portfolio investment and direct equity investment in the FOF and the Financial Accounts are based on the data from the BOP and IIP. However, valuation methods and data sources in BOP are different from those mentioned above.

In BOP and IIP, stocks and transaction flows data are based on the reports and surveys by Foreign Exchange and Foreign Trade Law.

As for the valuation of equity data, the stock data of portfolio investment are at market value, which are evaluated by each reporter. The stock data of direct equity investment are at book value.

4. National sources and methods

Please provide in addition to the questionnaire already existing documentation (in English or French) on the compilation of transactions and stocks for quoted shares, unquoted shares and other equity and/or refer to where the information can be found on Internet, if available.

*Financial Accounts: 'System of National Accounts 1993 in Japan (Sources and Methods)'
(Published by Cabinet Office, Please see attached PDF file.)*

*Flow of Funds: 'Compilation method of Japan's Flow of Funds Accounts'
'Guide to Japan's Flow of Funds Accounts'
(Available on Bank of Japan's Website: <http://www.boj.or.jp>)*