

Japan's Experience in Compiling a Mailing List

If a country does not have a business register for all resident direct investors/direct investment enterprises, it would be appropriate to use several sources for compiling and maintaining a mailing list.

Looking at a country's experience, Japan compiles and disseminates monthly balance of payments statistics (including FDI flow data) and annually international investment position (including FDI position data). Annual FDI surveys are one of the main sources for FDI position data, and statistics compilers send an announcement letter and FDI surveys to enterprises on the latest mailing list, in order to compile accurate data. Since there was no available business registers for all resident direct investors/direct investment enterprises in Japan, the historical log of administrative notifications/reports on specified FDI was used for compiling a mailing list when FDI surveys were introduced. After deregulation of international transactions, the mailing list is being maintained by obtaining information from the following additional sources;

(1) Log of administrative notifications/reports on specified FDI: Cross-border transactors, Japanese enterprises who conducted outward FDI and foreign enterprises who conducted inward FDI in Japan, are stipulated to submit advance notifications and subsequent reports on specified FDI transactions. The reporters of administrative notifications/reports who made large scaled FDI transactions (for both cash and non-cash transactions) are selected and scrutinized whether they are on the latest mailing list, and the list is monthly maintained if necessary.

(2) Log of ITRS: Japan uses the ITRS report as one of the main source data for FDI flow data. Reporters of ITRS reports who made large scaled FDI transactions (for both cash and non-cash transactions) are selected and scrutinized whether they are on the latest mailing list, and the list is monthly maintained if necessary.

(3) Enterprise database released by private companies: Statistics compilers mainly refer to two databases (a list of companies having subsidiaries/associates/branches abroad, a list of foreign affiliates in Japan) released by a private company. These premium databases are yearly updated. Statistics compilers prepare the list of possible FDI surveys respondents (enterprise in Japan investing abroad and those in Japan receiving foreign capital, but who are not on the latest mailing list) and yearly send an announcement letter and FDI surveys to them, in order to notify enterprises that they might be subjected to submit FDI surveys. If FDI surveys are submitted, the mailing list is accordingly maintained.

(4) Press release or financial information released by enterprises (website, newspaper, specialized financial or industry press): Statistics compilers regularly visits several company websites for searching large scaled investments and refers to newspaper and a monthly M&A specialized magazine released by a private company. This work is mainly conducted for ensuring that large scaled FDI transactions are appropriately reported through TIRS¹ and reflected in FDI flow data, but also contributes in preparing the list of possible FDI surveys respondents. After scrutinizing whether enterprise who made large scaled FDI transactions are no the latest mailing list, statistics compilers prepare the list of possible FDI surveys respondents and yearly send an announcement letter and FDI surveys to them, in order to notify enterprises that they might be subjected to submit FDI surveys. If FDI surveys are submitted, the mailing list is accordingly maintained.

(5) M&A deals released by investment banks/securities companies: Statistics compilers also refers to M&A deals released by an investment securities company. This work is mainly conducted for ensuring that large scaled FDI transactions are appropriately reported through TIRS¹ and reflected in FDI flow data, but also contributes in preparing the list of possible FDI

surveys respondents. After scrutinizing whether enterprise who made large scaled FDI transactions are no the latest mailing list, statistics compilers prepare the list of possible FDI surveys respondents and yearly send an announcement letter with FDI surveys to them, in order to notify enterprises that they might be subjected to submit FDI surveys. If FDI surveys are submitted, the mailing list is accordingly maintained.

Available sources will differ among countries, thus the following chart identifies the advantages and disadvantages of several sources without any ranking of the sources. Statistics compilers are advised to use several sources for compiling and maintaining an adequate mailing list.

Sources for compiling and maintaining a mailing list

| Sources | | Advantages | Disadvantages |
|-------------------|--|--|---|
| Business register | Business register for all resident enterprises | Cost effective <ul style="list-style-type: none"> • If a country has a business register for statistical or administrative purposes and updates it regularly, using the existing register would be cost effective | Consistency with FDI definition <ul style="list-style-type: none"> • Not all resident enterprises are direct investors or direct investment enterprises. If a business register does not include useful information for compiling a mailing list¹, statistics compilers have to send an inquiry letter and FDI surveys to all enterprises to check which enterprises should be surveyed. Difficulty in updating <ul style="list-style-type: none"> • Appropriate updating a mailing list is difficult unless a country regularly reviews a business register Coordination with other bodies <ul style="list-style-type: none"> • Coordination with other bodies for resolving any confidentiality issues. |

¹ The following information would be useful for compiling a mailing list.

Outward FDI:

-information on resident enterprises, such as company name, company scale (e.g., sales, total asset, net asset), percentage of ownership into enterprises abroad

-information on enterprises abroad, such as company name, company scale, country

Inward FDI:

-information on resident enterprises, such as company name, company scale

-information on shareholders abroad, such as company name, company scale, country, percentage of ownership into resident enterprises

| Sources | | Advantages | Disadvantages |
|---------|--|----------------|--|
| | Business register for all resident direct investors /direct investment enterprises | Cost effective | As above for difficulty in updating and coordination with other bodies |

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| Administrative information related to cross-border transactions | Log of administrative notifications/reports on specified FDI | Cost effective <ul style="list-style-type: none"> • If a country stipulates that cross-border transactors should submit administrative notifications/reports on specified FDI to authorities, using the existing log would be cost effective. | Consistency with FDI definition <ul style="list-style-type: none"> • If administrative notifications/reports on specified FDI are based on the national definition rather than FDI statistical definition, statistics compilers have to send an inquiry letter to all enterprises to check which enterprises should be surveyed. Threshold of reporting <ul style="list-style-type: none"> • If a country employs some threshold of reporting due to the deregulation of foreign exchange restrictions, enterprises that made smaller-medium sized FDI transactions may not be captured Coordination with other bodies |
| | Log of International Transactions Reporting System (ITRS) | Cost effective <ul style="list-style-type: none"> • If a country has the ITRS, using the existing log would be cost effective. | Coordination with other bodies Threshold of reporting |
| Other administrative information | List of international tax payers | Cost effective <ul style="list-style-type: none"> • If a country has a list of international tax payers and updates it regularly, using the existing list would be cost effective. | Consistency with FDI definition <ul style="list-style-type: none"> • Since a list of international tax payers does not always include detailed information on the original taxable transactions, statistics compilers have to send an announcement/inquiry letter and FDI surveys to all enterprises to check which enterprises should be surveyed. Coordination with other bodies |
| | Information released by securities exchanges | Cost effective <ul style="list-style-type: none"> • If securities exchanges release information on cross-border purchase/sales of | Consistency with FDI definition <ul style="list-style-type: none"> • Since information released by securities exchanges does not necessarily correspond to FDI |

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| | | equities and debt securities, using the existing information would be cost effective. | definition, statistics compilers have to send an announcement/inquiry letter to check which enterprises should be surveyed. Coordination with other bodies |
|--|--|---|---|

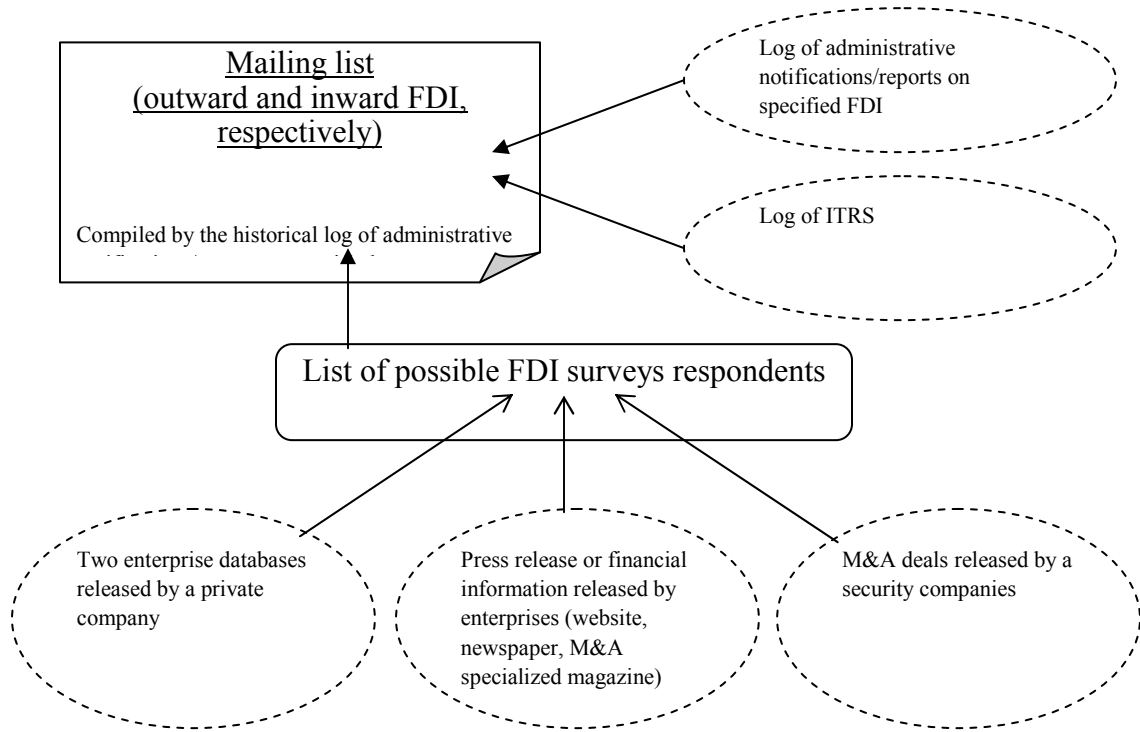
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| Other information from private sources | Enterprise database released by private companies | Easy to get the latest information • Statistics compilers could easily get the latest information, although it might not be free | Consistency with FDI definition • Since an enterprise database does not necessarily correspond to FDI definition ² , statistics compilers have to send an announcement/inquiry letter to all enterprises to check which enterprises should be surveyed. Difficulty for updating • Appropriately updating a mailing list is difficult unless private companies regularly review the database. |
| | Press release or financial information released by enterprises (website, newspaper, specialized financial or industry press) | Easy to get the latest information | Consistency with FDI definition • Since not all deals appeared in the press release or financial information released by enterprises are regarded as FDI transactions ³ , statistics compilers have to send an announcement/inquiry letter to all enterprises to check which enterprises should be surveyed. |
| | M&A deals released by investment banks/securities companies | Easy to get the latest information | Consistency with FDI definition • Since not all M&A deals released by investment banks/securities companies are regarded as FDI transactions ⁴ , statistics compilers have to send an announcement/inquiry letter to all enterprises to check which enterprises should be surveyed. |
| | Member list of | Easy to get the latest information | Consistency with FDI definition |

² For instance, it is often that a commercially available enterprise database provides information on countries of ultimate beneficial owner/ultimate investee company rather than direct partner countries.

³ For instance, press release might note that an enterprise in country A invests in country B for strengthening production capability, although an enterprise in country A actually establishes a new factory through its pre-existing holding company in country B (thus, no new FDI transaction is recorded between country A and B).

⁴ For instance, if an acquirer in country A purchases all shares of a target company in country B through its local subsidiary in country B, the transaction between a target company and the local subsidiary should not be recorded in the FDI statistics.

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| | <p>industry groups or chamber of commerce</p> | | <ul style="list-style-type: none"> • Since a member list of industry groups or chamber of commerce does not always include useful information for compiling a mailing list⁵, statistics compilers have to send an announcement/inquiry letter to all enterprises to check which enterprises should be surveyed. <p>Coordination with other bodies</p> |
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⁵ See footnote 1.