

## **Appendix 4**

### **Explanation of Terms**

#### **1 Establishments**

An "establishment" is defined as a single physical location where an economic activity is conducted and as a general rule, the following prerequisites are satisfied;

- An economic activity is carried out, under a single entity of management, at a certain fixed place, occupying a demarcated area.
- The production or supply of goods and services is done on a continuing basis with the help of people and equipment.

#### **2 Enterprise, etc.**

An "enterprise" is defined as a corporation (excluding foreign companies) conducting business activities or an establishment of individual proprietorship (if the enterprise is managed under individual proprietorship and the same manager manages multiple establishments, the establishments become collectively a single enterprise).

"Enterprise, etc." refers to those entities, including a part of public enterprises, etc. operated by an enterprise and the national government or a local government.

#### **3 Type of Legal Organization**

##### (1) Individual proprietorship

This is an organizational state of an establishment or enterprise, etc. owned and managed by an individual. It includes an establishment or enterprise under the joint management of a number of individuals and which is not incorporated.

##### (2) Company

This includes a stock company (including limited company), a general partnership company, a limited partnership company, a limited liability company, a mutual company but excluding foreign company.

##### (3) Foreign company

A foreign company is a main branch office or a sales office of a company which was founded in a foreign country, and which was registered according to the prescription in the Companies Act (Act No.86 of 2005).

A company with capital participation by a foreign company is not regarded as a foreign company.

##### (4) The others

###### ① Corporation excluding company

This is an organizational state of an incorporated establishment excluding any company.

Included in this category are incorporated administrative agencies, local incorporated administrative agencies, national university corporations, inter-university research institute corporations, special corporations, approved corporations, incorporated foundations, incorporated

associations, social welfare juridical persons, medical juridical persons, juridical persons for offender rehabilitation, national health insurance societies, mutual aid associations, legal professional corporations, auditing firms, licensed tax accountant's corporations, etc.

② Organization other than corporation

This is an association that is not legally incorporated.

Included in this category are national government, local government, council, etc.

#### **4 Capital**

This is the amount of capital of a stock company (including limited company), the amount of investment of a general partnership company, a limited partnership company and a limited liability company, or the amount of funds of a mutual company.

#### **5 Industry of Business Activity**

This is an industry classification by unit of business activities conducted by an establishment and enterprise, etc. An establishment is deemed to conduct only a single business activity.

#### **6 Industry of Establishment and Enterprises, etc.**

This is an industry classification by unit of establishment and enterprises, etc., where establishments are classified according to business activities of the establishment, and enterprises, etc. are classified according to the entire major business activities including establishments under the control of the enterprises, etc., respectively.

#### **7 Annual Sales (Income), etc.**

##### **(1) Annual Sales (Income)**

This is annual sales (income) for supply of services and sales of article (including indirect tax, consumption tax, etc.) in the establishment or enterprise, etc.

The annual sales (income) are including cost such as purchase amount and salary and total income from all operations of the establishment or enterprise, etc.

As for the annual sales of each prefecture, the annual sales of enterprises for which direct calculation cannot be made (e.g. transport businesses that involve multiple prefectures) were calculated by proportionally dividing the annual sales of the entire enterprise based on relevant data such as the number of persons working at the location of establishment in each relevant prefecture.

[Those included in annual sales (income)]

- Consignment sale --- Sales commission income
- Consignment sale --- Actual sales amount sold by a consignee
- Real estate agents/intermediary service providers --- Agent fee income, intermediary commission income, etc.

- Brokerage service provider --- Brokerage commission income (commission for cleaning, photo (development, printing and enlargement of photos))
- Own consumption/donations --- When consuming goods or products on one's own or donating them, the amount obtained by converting them into money
- Medical and other health services/care services --- Insurance premiums received for medical insurance/nursing care insurance, and self-pay of the user
- “Corporations excluding companies” and “Organization other than corporations” --- Income gained by business activities

[Those not included in annual sales (income)]

- Nonbusiness interest and dividend income, such as those accrued from deposits and securities
- Nonbusiness income gained from the sale of securities or properties such as land and buildings
- Borrowing
- Expenses provided from headquarters and head offices for operating branch offices
- Working income that a proprietor or its family member of the establishment under individual proprietorship gains outside the working place
- Income to continue a business or activity at an entity whose legal organization is “corporation excluding companies” and “organization other than corporations” (operating grants, donations, contributions, subsidies, membership fees, contributions of members, etc.)

[Time of posting sales (income)]

- Annual sales (income) are posted for the reference period from January to December in the previous year of the survey year, or posted for the accounting period which includes most of the reference period.
- For annual sales (income), those at the time of providing services, etc. are posted, rather than at the time of receiving payments

Examples:

- For installment sale, sales are posted at the time of providing services, etc.
- For a long-term project for software development, etc., they are posted depending on the status of progress.

## **(2)Annual Income for the supply of business activities**

This income excludes sales and includes operating grants, donations, contributions, subsidies, membership fees, contributions of members, etc., to continue a business or activity at an entity whose legal organization is “corporation excluding companies” and “organization other than corporations.”

### **(3) Total Annual Income**

Total Annual Income is defined as Sales plus Annual Income for the supply of business activities.

## **8 Persons Working at the Location of Establishment**

Persons working at the location of establishment include all persons who are engaged in the business of the establishment or enterprise, etc. on the business day nearest to the end of June in the survey year (excluding dispatched or temporarily transferred employees to other enterprise, but including those who work as dispatched or temporarily transferred employees from other enterprise).

Please note that the numbers of persons working at the location of establishment by business activity are head counted, in other words, a person who is engaged in multiple business activities is counted as one in each activity.

### **(1) Regular employees**

Those who have been employed indefinitely or more than one month or those who were employed for 18 days in the May and June.

### **(2) Full-time employees**

Those who are generally called fulltime regular employees and staff.

### **(3) Other than full-time employees**

Those who are generally called part time workers, temporary staff or so.

### **(4) Non-regular workers (Those workers other than regular employees)**

Those who have been employed for a limited period of one month or less or employed on a day-to-day basis.

### **(5) Persons Temporarily Transferred or Dispatched from Separately-managed Establishment or Enterprise, etc.**

Those who come from other enterprises, etc. and work at this establishment or enterprise, etc. remaining members of a transferring company, such as a temporary transfer with their enrollment in the transferring company, in addition to dispatched workers set forth in the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers (Act No. 88 of 1985).

## **9 Annual Sales (Total Annual Income) per Person Working at the Location of Establishment**

The method of calculating “Annual Sales (Total Annual Income) per Person Working at the Location of Establishment” is as follows.

Annual Sales (Total Annual Income) per person working at the location of establishment

= Annual Sales (Total Annual Income) / Number of persons working at the location of establishment