

## **Explanation of Terms**

### **1. Establishments**

“Establishments” refers to a unit of the place where business activities are performed and fulfill the following conditions in principle:

- (1) An establishment is a unit of place which occupies a certain space (1 plot) and in which business activities are performed under a single management agency.
- (2) An establishment has persons engaged and equipment, manufactures and sells goods, and provides services on an ongoing basis.

#### **Establishments consisting of only loaned or dispatched employees**

“Establishments consisting of only loaned or dispatched employees” refers to establishments where there is no person engaged who belongs to the establishments and where business activities are performed only by employees loaned or dispatched from separately-operated establishments, such as other companies.

#### **Establishments not reporting their industry, etc.**

“Establishments not reporting their industries, etc.” refers to establishments which exist as establishments, but whose business activities are unclear for such reasons as inadequate replies.

### **2. Persons engaged**

“Persons engaged” refers to all those who belong to the establishments and work. Therefore, persons engaged include employees loaned or dispatched to the separately operated establishments such as other companies. Conversely, loaned or dispatched employees from the separately operated establishments such as other companies, who do not receive their wage/salary (including wages in kind) from the establishments concerned, are not included in persons engaged, even if they work at the establishments.

However, family workers working at establishments of individual proprietorships are regarded as persons engaged, even if they do not receive any wage/salary.

#### **Sole proprietors**

“Sole proprietors” refers to business owners of individual proprietorships and those who actually run the establishment.

An establishment of an individual proprietorship must have only one sole proprietor.

### **Unpaid family workers**

“Unpaid family workers” refers to family members of sole proprietors who work for the establishments without receiving a wage/salary.

Family members are included in “regular employees” or “temporary employees,” provided they work and actually receive a wage/salary just like employees.

### **Paid directors**

“Paid directors” refers to those who receive director’s remuneration as an executive at a corporation or an organization (regardless of whether full-time or part-time).

Executives or commissioners are included in “regular employees,” provided they engage in a certain assignment, while playing a role as a worker at the office or site, and receive a salary paid in accordance with the salary regulations that are applied to other general employees.

### **Regular employees**

“Regular employees” refers to those who are employed on a regular basis.

Also, this category includes those who are employed for an unspecified period, and those who are employed for over one month of a specified period.

### **Full-time employees/full-time staff**

This category includes those who are generally treated as “full-time employees” or “full-time staff” among regular employees.

### **Other than full-time employees/full-time staff**

This category includes those who are treated as “contract employees,” “non-regular members of staff,” “part-timers,” and similar categories, excluding workers generally treated as “full-time employees” or “full-time staff” among regular employees.

### **Temporary employees**

“Temporary employees” refers to those who are employed for less than a month of a specified period, or on a daily basis.

### **Loaned or dispatched employees to other establishments**

“Loaned or dispatched employees to other establishments” refers to those who work at separately operated establishments such as other companies even if they are registered as employees of said original establishments, along with secondments or dispatched workers defined pursuant to the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working

Conditions for Dispatched Workers (Act No. 88 of 1985; hereinafter referred to as the “Worker Dispatch Act”), among persons engaged.

### **3. Loaned or dispatched employees from other establishments**

“Loaned or dispatched employees from other establishments” refers to those who work at said establishments even if they are registered as employees of the original establishments which are separately operated, along with secondments or dispatched workers defined pursuant to the Worker Dispatch Act.

### **4. Number of persons working at the location**

“Persons working at the location” refer to persons actually working at the establishments concerned. The number is calculated by subtracting the number of loaned or dispatched employees to other establishments from the total number of persons engaged, and then adding the number of loaned or dispatched employees from other establishments.

### **5. Industrial classification of establishments**

Industries have been classified based on Japan Standard Industrial Classification (revised in October 2013) by the amount of sales (income) and the kinds of main business of establishments (in principle, business having accomplished the highest income or sales in 2015).

### **6. Legal organization**

#### **Individual proprietorships**

“Individual proprietorships” refers to businesses run by individuals.

Partnerships are also included in this category, unless they are legal entities.

#### **Corporations**

Corporations refer to businesses run under what has been granted legal personality pursuant to legal stipulations. The following companies and corporations other than companies fall under this category:

#### **Companies**

“Companies” refers to stock companies, limited companies, mutual companies, general partnerships, limited partnerships, limited liability companies, and foreign companies.

Here, “foreign companies” means branch or sales offices of corporations founded overseas, which are registered in Japan pursuant to the stipulations of the Companies Act (Act No. 86 of

2005).

Conversely, foreign-capitalized companies, which are run by companies owned by foreigners or founded by foreign capital, are not considered as foreign companies.

### **Corporations other than companies**

“Corporations other than companies” refers to corporations which are not included in the category of companies among organizations with legal personality.

For example, the following are regarded as corporations other than companies: incorporated administrative agencies, general incorporated associations, general incorporated foundations, public interest incorporated associations, public interest incorporated foundations, social welfare corporations, incorporated educational institutions, healthcare corporations, religious corporations, agricultural cooperatives (fishery and fishery processing cooperatives), business cooperatives, labor unions (with legal personality), mutual aid associations, national health insurance societies, credit unions, and legal professional corporations.

### **Organizations other than corporations**

“Organizations other than corporations” refers to organizations without legal personality.

For example, this category includes support groups, alumni associations, crime prevention associations, academic societies, and labor unions (without legal personality).

## **7. Startup date of establishments**

The “startup date of establishments” refers not to the time a company or enterprise was founded but to the time the establishment concerned started its business at the present location. The following are examples of startup dates of establishments:

- When there has been a change in the management at an establishment of an individual proprietorship because of the transfer of the management right.

However, cases where succession occurs because of inheritance are excluded.

- When an establishment of an individual proprietorship has become a stock company.

- When a corporation has been merged in a consolidation-type merger (on an equal footing).

- When a corporation has been established through a division.

- When the ownership of the establishment is transferred to another corporation through the transfer of business or absorption-type merger.

## **8. Enterprises, etc.**

“Enterprises, etc.” refers to corporations engaging in businesses/activities (excluding foreign companies) or establishments of individual proprietorships. When the same management agency runs

multiple establishments of individual proprietorships, all of those establishments are regarded as a single, combined “enterprise, etc.”

Specifically, enterprises, etc. are legal organizations which exist as stock companies, limited companies, mutual companies, general partnerships, limited partnerships, limited liability companies, corporations other than companies, and individual proprietorships. The whole consisting of a main office and branch offices is regarded as an enterprise. Single-unit establishments are considered as enterprises, etc. in their own right.

## **9. Companies**

“Companies” refers to legal organizations, which exist as stock companies, limited companies, mutual companies, general partnerships, limited partnerships, and limited liability companies. The whole consisting of a main office and branch offices is regarded as an enterprise. Single-unit establishments are considered as enterprises in their own right.

## **10. Industrial classification of enterprises**

Industries have been classified at the level of single enterprises in accordance with the Japan Standard Industrial Classification (revised in October 2013), based on the amount of sales (income) and the kinds of main business of the whole enterprises including their branch offices (in principle, the businesses having accomplished the highest gross income or gross sales of the whole enterprises in 2015).

## **11. Classification by single-unit or multi-unit enterprises**

Enterprises, etc. are divided into the following two types, according to the establishments comprising enterprises, etc.

### **Single-unit enterprises**

“Single-unit enterprises” refers to enterprises, etc. that exist as a single unit in a dependent establishment.

### **Multi-unit enterprises**

“Multi-unit enterprises” refers to enterprises, etc. that consist of a main office in Japan and branch offices within or outside Japan (including those that consist of a main office in Japan and branch offices only outside Japan).

## **12. Classification by single-unit, main, or branch, and by single-unit or multi-unit**

### **Single-unit establishments**

“Single-unit establishments” refers to establishments with no main offices/stores or branch offices/stores at different locations run by the same management agency.

### **Main offices/stores**

“Main offices/stores” refers to establishments which hold branch offices/stores at different locations run by the same management agency and which control all of them. When each department belonging to a main office/store is located in a number of separate locations, an establishment where a representative like a president works is regarded as the main office/store and other establishments are regarded as branch offices/stores.

### **Branch offices/stores**

“Branch offices/stores” refers to establishments controlled by a main office/store at another location. Intermediary establishments, which control subordinate establishments while being controlled by establishments in upper positions, are also considered branch offices/stores.

Branch offices/stores also include sales offices, satellite offices, factories, warehouses with persons engaged, and dormitories with supervisors. Legal organizations which exist as foreign companies are regarded as branch offices/stores.

### **Multi-unit establishments**

Multi-unit establishments include main offices/stores and branch offices/stores.

## **13. Distribution range of domestic branch offices**

“Distribution range of domestic branch offices” is following as for “Multi-unit enterprises.”

### **Inside the prefecture (inside the city)**

“Inside the prefecture” (inside the city) refers to enterprises with branches only in the prefecture (municipality) where the main office is located.

### **Outside the prefecture (outside the city)**

“Outside the prefecture” (outside the city) refers to enterprises with a branch located outside the prefecture (municipality) where the main office is located.

## **14. Capital amounts**

For stock companies and limited companies, “capital amounts” means the amount of capital. For unlimited partnership, limited partnership, and limited liability companies, it means the amount of

contribution. For mutual insurance companies, it means the amount of fund.

### **15. Settlement month**

“The settlement month” refers to the closing months of all relevant annual accounts. The closing months of tentative accounts or half-year accounts are not included.

### **16. Amounts of sales (income)**

“Amounts of sales (income)” refers to sales of commodities, or sales, operating revenues, and amounts of completed work resulting from providing services. Income from selling properties, including tangible fixed assets such as securities, land and buildings, and machines and instruments, is not included in the amounts. Ordinary revenues are regarded as amounts of sales (income) for enterprises, etc. in “finance and insurance,” corporations other than companies, and organizations other than corporations.

### **17. Business activities**

In principle, industrial classifications of establishments or enterprises, etc. are based on their main industries having accomplished the highest sales (income). However, some establishments or enterprises, etc. operate several businesses other than their main industries, and the businesses indicated in terms of sales (income) are regarded as business activities.

### **18. Expenses**

#### **Total cost (cost of goods sold + selling cost and administrative expenses)**

Expenses corresponding to the amounts of sales (income). Ordinary expenses for enterprises, etc. in “finance and insurance” and for corporations other than companies.

#### **Cost of goods sold (excluding individual proprietorships, enterprises, etc. in “finance and insurance,” and corporations other than companies)**

Numbers included in the total cost. “Cost of goods sold” is the total amount of cost of goods purchased, manufacturing costs, costs of completed work, costs of revenue from operation of service businesses, and depreciation costs (those included in cost of goods sold), which correspond to sales values.

#### **Total wages and salaries (wages and salaries for individual proprietorships (excluding wages of family employees))**

Total amount of wages and salaries (director's remuneration before income tax, insurance

premium, wages and salaries, bonuses, allowances, wages, etc.) to directors (including part-time directors) and persons engaged (including temporary employees). Wages and salaries to employees loaned or dispatched to separately operated establishments are included.

**Costs for health and welfare (including retirement benefits) (excluding individual proprietorships)**

Total amount of statutory welfare costs (pursuant to acts such as Employees' Pension Insurance Act, Health Insurance Act, Long-Term Care Insurance Act, and Industrial Accident Compensation Insurance Act), contribution to welfare facilities, welfare expenses, estimated wages and salaries in kind, retirement benefit expenses, retirement allowances, etc., which are borne by companies.

**Rents on movable or immovable property (Rents for individual proprietorships)**

Total amount of rents on land, buildings, machines, etc. Amount of lease payments, which is treated as sales for accounting, is not included.

**Depreciation costs**

Depreciation costs involved in fixed assets. Total amount of depreciation costs recorded as "cost of goods sold" and "selling cost and administrative expenses," respectively.

**Tax and public imposition (excluding corporate tax, inhabitant tax, and business tax)**

Total amount of taxes which should be borne in business, such as fixed assets tax, automobile tax, and stamp tax. Business tax of taxable revenue (electricity, gas and insurance) and consumption tax, which should be paid in the case of adopting the tax-included accounting method, are included. Corporate tax, inhabitant tax, and business tax of taxable income are not included.

**Outsourcing expenses (excluding individual proprietorships)**

Costs for consignment, subcontract, and other forms of orders of a part or all of businesses to other enterprises. Payments to temporary staffing companies are included.

**Interest expenses, etc. (excluding individual proprietorships, "62 banking," and "63 financial institutions for cooperative organizations")**

Total amount of interest expenses, etc. on borrowing. Interest expenses, etc. recorded as non-operating expenses are corresponded. They are not numbers included in the total cost.

**19. Added value**

"Added value" refers to the value that is newly generated during the production activities of an



enterprise, etc. It is calculated by subtracting the intermediate input value, including costs of raw materials, from the value of production. The following formulas were used in this survey to calculate the amount of added value concerning enterprises, etc.:

Added value = sales value – total cost + total wages and salaries + tax and public imposition

Total cost = cost of goods sold + selling cost and administrative expenses

The amount of value added concerning establishments of each enterprise, etc. was tabulated by dividing and allocating the overall amount of added value of the enterprise, etc. calculated through the above formulas to its main and branch offices in accordance with the number of persons engaged.

Added value in this survey does not include the following elements of GDP that are contained in the concept of the system of national accounts:

Added value from consumption of fixed capital, social insurance premium charged on an employer, imputed rent of an owned house, research and development expenditure, operator of agriculture, forestry and fisheries, public enterprises, and producers of government services.

## **20. Capital investment**

“Capital investment” refers to “tangible fixed assets (except land)” and “intangible fixed assets (software only)”. It also includes the leased properties recorded as fixed assets for which contracts were newly concluded in 2015.

### **“Tangible fixed assets (except land)”**

“Tangible fixed assets (except land)” refers to the amount newly recorded as tangible fixed assets excluding land during the one-year period between January and December 2015, for example buildings and annexed equipment, structures, machinery and equipment, ships, vehicles and carriers, construction in progress account, tools with the useful life of 1 year or more and those leased assets (only the case of accounting same as sales transaction). Also, it does not include the amount of fixed assets accounted by transfer from construction in progress account.

### **“Intangible fixed assets (software only)”**

“Intangible fixed assets (software only)” refers to the amount newly recorded as intangible fixed assets in investments in software during the one-year period between January and December 2015.

It doesn't include in capital investment as following.

- Acquisition or improvement cost of land included in acquired amount of buildings and structures etc.
- Dwelling section of dwelling with shop
- Used item

## **21. Electronic commerce**

“Electronic commerce” refers to a contract through the internet (computer networks) to be provided for us goods and services with monetary consideration.

## **22. Number of vehicles owned for business operations**

The “number of vehicles owned for business operations” refers to the number of vehicles owned for business operations (so-called white-number-plate vehicles [including mini vehicles]) which are used for business. It includes leased vehicles but excludes those used only for commuting or leisure activity or construction- and machinery-related vehicles which are not used for the purpose of transportation.

### **Trucks**

“Trucks” refers to vehicles used for the transportation of cargoes. Trucks used exclusively for the transportation of personnel are excluded.

### **Passenger vehicles**

“Passenger vehicles” refers to vehicles which are used mainly for the transportation of personnel and which can seat up to 10 personnel.

### **Buses**

“Buses” refers to vehicles which are used mainly for the transportation of personnel and which can seat 11 or more personnel.

## **23. Ownership of land and buildings**

“Ownership of land and buildings” as referred to in “with or without of ownership of land and buildings” is land or buildings in Japan which are owned in the name of enterprises. It does not include land or buildings which are rented or which are owned in the name of affiliated companies.

## **24. By status of establishment (continued/newly established/closed)**

Data based on this categorization covers changes in the 23 months between the 2014 Economic Census for Business Frame (hereinafter referred to as the “2014 Business Frame Survey) and the 2016 Economic Census for Business Activity (hereinafter referred to as the 2016 Business Activity Survey”), rather than changes in any one-year period.

### **Continued establishments**

“Continued establishments” refers to establishments which were surveyed in both the 2016 Business Activity Survey and the 2014 Business Frame Survey).

**New establishments**

“New establishments” refers to establishments which were surveyed in the 2016 Business Activity Survey but which were not surveyed in the 2014 Business Frame Survey. Establishments relocated from other places and establishments whose legal organization changed are included (establishments which were established after the 2014 Business Frame Survey and which were closed before the 2016 Business Activity Survey are not included).

**Closed establishments**

“Closed establishments” refers to establishments which were surveyed in the 2014 Business Frame Survey and which did not exist at the time of the 2016 Business Activity Survey. Establishments relocated to other places and establishments whose legal organization changed are included.