

Appendix 2 Explanation of Terms

1. Industrial classification

Industrial classifications are based on the Japan Standard Industrial Classification (revised in October 2013).

"Special intermediate groups of industries" are compiled with groups in the Japan Standard Industrial Classification. (Refer to page 213.)

2. City groups

All cities are classified as follows.

Population figures used in the classification are based on the results of the 2015 Population Census.

Major cities = Ku - area of Tokyo, Sapporo, Sendai, Saitama, Chiba, Yokohama, Kawasaki, Sagamihara, Niigata, Shizuoka, Hamamatsu, Nagoya, Kyoto, Osaka, Sakai, Kobe, Okayama, Hiroshima, Kitakyushu, Fukuoka, Kumamoto.

Medium cities = Cities with 100,000 or more inhabitants. (excl. major cities)

Small cities = Cities with less than 100,000 inhabitants.

Town and villages

3. Districts

Districts are classified as follows.

Hokkaido and Tohoku district Hokkaido, Aomori, Iwate, Miyagi, Akita, Yamagata and Fukushima prefectures.

Kanto district. Tokyo metropolitan area, Ibaraki, Tochigi, Gumma, Saitama, Chiba, Kanagawa, Yamanashi and Nagano prefectures.

Hokuriku district Niigata, Toyama, Ishikawa and Fukui prefectures.

Tokai district Gifu, Shizuoka, Aichi and Mie prefectures.

Kinki district Shiga, Kyoto, Osaka, Hyogo, Nara and Wakayama prefectures .

Chugoku and Shikoku district. Tottori, Shimane, Okayama, Hiroshima, Yamaguchi, Tokushima, Kagawa, Ehime and Kochi prefectures.

Kyushu district Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki and Kagoshima prefectures.

Okinawa district Okinawa prefecture.

4. Number of establishments tabulated

The number of establishments tabulated indicates the number of establishments used for tabulation among surveyed establishments.

5. Business conditions

(1) Sales

Sales accrue when, regardless of when payment was received, commodities or products, etc. were delivered or services provided.

Sales refers to net sales excluding sales allowances and returned goods from sales revenue.

A: Items calculated in sales

• Net proceeds after sales commission is subtracted, when sales of commodities, etc. are consigned to another party.

• Processing fee income, repair fee revenue, consignments-in commission income accrued when sales are consigned.

- Indirect taxes, such as liquor tax on manufacturers and special rural consumption tax in wholesale and retail trade, accommodations and food services and providing services
- Installment payments accrued for installment sales
- Sales prices of scrap products such as waste paper, empty bottles and empty boxes
- Income from tips in wholesale and retail trade, accommodations and food services and providing services

B: Items not calculated in sales

- Receipt of money for selling on credit or credit income
- Sales accrued by sale of commodities etc. on behalf of other parties
- Income by subsidiary business of business proprietor
- Work income of business proprietor
- Family work income, house rent, rentals, interest, dividend, earnings from property accrued by the sale of trade assets

The Yearly Sales Quintile Group, obtained by dividing total establishments into five groups in ascending order of yearly sales. As a result, the five groups are referred to as Group I, Group II, Group III, Group IV, and Group V in ascending order of yearly sales.

(2) Purchases

Purchases are recorded as commodities or raw materials etc. are delivered, regardless of when payment is made.

Purchases refers to net purchases excluding purchase discounts and returned goods from gross purchases.

(3) Cost of sales

Cost of sales refers to the figure obtained by adding current purchases to initial inventories (i.e., commodities, products and raw materials), then subtracting final inventories from this total.

(4) Total operating expenses

A: The total operating expenses refers to the following costs involved in business activities.

Taxes and public impositions (excluding income tax and residence tax, etc.), cost of packing and freight, water, utility bills, transportation and communication expenses, advertising expenses, entertainment expenses, damage insurance premium, repairs, supplies expenses, welfare cost, salaries and wages, cost of subcontracted work, interest and discount expenses, depreciation, rents for land and dwelling, other rents, and miscellaneous expenses, etc.

B: Salaries and wages refers to wages paid to employees, and estimated material compensation, if provided.

Salaries paid to family workers are not included in salaries and wages.

C: Interest and discount expenses refers to payable interest and discount charges on bills, etc.

(5) Net operating profit

Net operating profit includes salaries of family workers.

(6) Investment in plant and machinery

Investment in plant and machinery refers to outlay required to buy buildings with a useful life of a year or more, and costing more than 100,000 yen (in the case of stores with sleeping quarters, excluding the dwelling section and buildings), appurtenances, vehicles, machinery, tools, equipment, and fittings, as well as the cost of any land purchased or land development.

Outlay for second-hand goods is not included.

(7) Operation days for one year

Operation days for one year refers to operation days over the period of a year excluding regular holidays and special holidays, etc.

All days that a shop or office is open, even if there are no sales or purchases, count as operation days.

(8) Average operating hours per day

Average operating hours per day refers to the average length of operation time of a normal day when a shop or office is usually open for one year.

The time for which a shop or office is open, even if there are no sales or purchase, counts as operation time.

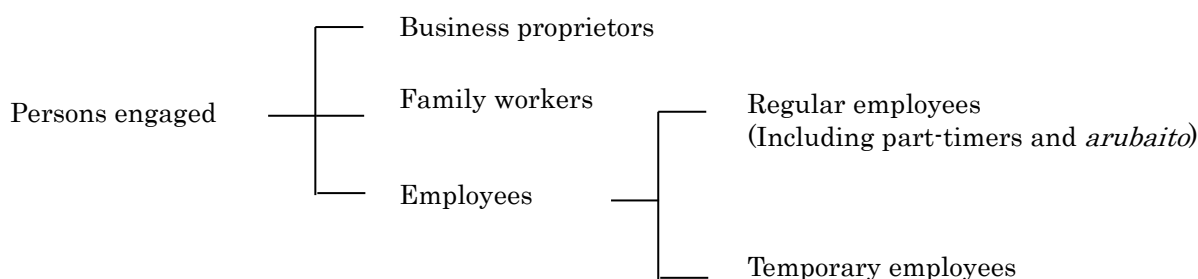
6. Inventories

In principle, an inventory shall be made at the field site. An inventory is implemented by recording the value of stock in trade, raw materials, products, products in process and semi-finished products, etc.

Methods for calculating inventories include the last cost method, first-in first-out method, last-in first-out method, and the gross average method. Whichever method is used, the same method is to be used for evaluation at the beginning of the term and end of the term.

7. Employees

Organization



(1) Family workers

Family workers refers to the person(s) who makes living together with the business proprietor, and are engaged in the business.

(2) Regular employees

Regular employees refers to persons who were employed for no specified period or for a specified period exceeding one month, or persons who were employed for 18 days or more in November and December in the year of the survey.

- Part-timers and *arubaito*

Part-timers and *arubaito* refers to persons among "Regular employees" who are generally known as "Part-timers", "*Arubaito*," "Non-regular employees" or an equivalent title.

(3) Temporary employees

Temporary employees refers to persons employed for periods of less than one month or on a daily basis.

(4) Total number of persons employed during last one year and total number of persons separated from their employment during last one year

This refers to the total number of "Regular employees" employed who were hired or resigned (retired) over the course of a year.

Regular employees refers to persons employed for no specified period, for a specified period exceeding one month, or for 18 days or more for two consecutive months.

8. Assets and liabilities for business

(1) Assets

A. Cash

Cash refers to cash on hand for businesses, current account checks drawn on by customers, and registered mail bonds, etc.

B. Deposits

Deposits refers to savings accounts, checking accounts, postal checking accounts and fixed deposits due to mature within one (1) year, plus installment savings, etc.

C. Bills receivable

Bills receivable refers to advance notes and bills of exchange, etc., tendered by customers.

D. Accounts receivable

Accounts receivable refers to sales proceeds from commodities and products, accounts receivable of service charges provided by services, advances for freight and packing expenses accompanying sales etc.

E. Prepayments

Prepayments refers to the prices paid to suppliers before receiving commodities and products from them, and deposits for payment for subcontracted work.

F. Loans

Loans refers to loans, etc. to suppliers and employees, etc.

Loans to the business proprietor are not included.

G. Other

Others refers to assets of securities, etc. that do not correspond to items "A. Cash" through "F. Loans".

Inventories are not included.

(2) Liabilities

A. Bills payable

Bills payable refers to advance notes and bills of exchange, etc. drawn to suppliers.

B. Accounts payable

Accounts payable refers to accrued expenses payable for purchasing commodities and products, and accrued expenses payable for freight and packing expenses accompanied by purchases, etc.

C. Short-term borrowings

Short-term borrowings refers to the outstanding amount of the short-term borrowings (balance) of which repayment is due within one (1) year of the date of the survey.

Loans by the business proprietor are not included.

D. Long-term borrowings

Long-term borrowings refers to the outstanding amount of the long-term borrowings of which repayment is due more than one (1) year from the date of the survey.

E. Accrued expenses payable

Accrued expenses payable refers to the accrued expenses payable for overheads such as investment in plant and machinery and fittings, etc.

F. Advances received

Advances received refers to the prices received before delivering commodities and products to customers, or service charges received before providing services.

G. Other

Other refers to liabilities for the business that do not correspond to those in "A. Bills payable" through "F. Advances received".

9. Other matters

(1) Tax return type

Tax return type refers to the type of final tax return (blue return report or white return report).

(2) When establishments opened

When establishments opened refers to the date business commenced at the place as of the date of the survey.

(3) When current businesses commenced

When current businesses commenced refers to the date business as of the date of survey commenced.

(4) Affiliation or otherwise with a chain organization

Chain organization refers to a franchise or voluntary chain.

(5) Plans for incorporating enterprise

Plans for incorporating enterprise refers to plans for changing the status of an establishment to that of an incorporated enterprise such as a joint stock company.