

# **General Rules of the Japan Standard Industrial Classification**

## **Section 1 : Definition of Industry**

For the purpose of the Japan Standard Industrial Classification (hereinafter referred to as JSIC), industry refers to the integrated economic activities which are similar in producing and providing goods and services. For practical purposes, it is defined as a synthesis of the establishments engaged in similar economic activities. This includes both of commercial enterprises and noncommercial enterprises, but does not include producing and providing goods and services for self consumption in the household.

## **Section 2 : Definition of Establishment**

For the purpose of JSIC, establishment refers to the unit of location of economic activities, and shall in principle comply with the following requirements.

- (1) Economic activities are conducted under a single business principal, occupying a certain place or plot of land.
- (2) Production or supply of goods and services is conducted continuously with personnel and facilities provided for this purpose.

Establishments in other words include, in general, those places that are known as works, manufacturing plants, offices, business offices, shops, restaurants, hotels, amusement and recreation facilities, schools, hospitals, government offices, stations, mining offices and farmhouses.

In this case, if economic activities are performed within a single compound under a single business principal, this is deemed to be one establishment, while even within a single compound, if economic activities are performed under different business principals, each is deemed to be a different establishment, under its own business principal.

Meanwhile if it is not possible to discern whether a single establishment occupies a single plot, provided the same business accounting books such as sales ledgers and wage ledgers cover the same plot, this is deemed one plot and one establishment.

In cases where business activities are conducted on two or more neighboring plots, each is to be deemed in principle a different establishment. In cases however where the business accounting books used are the same and inseparable, this may be deemed one plot and one establishment.

Modes of economic activity however are diverse. Therefore for convenience' sake, these are on occasion treated in the following manner.

- (1) In cases of individuals such as peddlers and private taxi drivers with no fixed location for conducting economic activities, nor any specific establishment, the residences of these individuals are deemed to be their establishment.
- (2) In cases of individuals such as writers, painters and home workers all engaged in work at their

own residences, the residences of these individuals are deemed to be their establishments.

- (3) In the case of individuals engaged in telework, etc. at their residences without belonging in any establishments, the residences of these individuals are deemed to be their establishment.
- (4) In cases where employees change day by day and wage ledgers are not used either, at places such as guardhouses and police stations, these places, even located at a distance, are not considered to be establishments as a rule, but are bundled with their administrative establishments to be deemed one establishment as a whole.
- (5) With regard to economic activities in agriculture, forestry and fisheries conducted in farmlands, forests, at sea etc., the locations of these activities are not considered to be establishments, but offices or business offices that administer these activities, or residences of the establishment's proprietors are deemed to be the establishments.

For those who engage in agriculture, forestry and fisheries having facilities such as shops and factories in one compound (in premises), if economic activities other than agriculture, forestry and fisheries are conducted there, each of these activities is deemed to have its own independent establishment.

- (6) While sites of construction work are not considered to be establishments, they are bundled with offices administering the sites (or with residences of the establishment's proprietors in cases where individual enterprises have no office) to be deemed one establishment as a whole.
- (7) In railway transport, where several structural organs (railway sections, engineer's wards etc.) exist in one compound, each organ is deemed an establishment. In cases however where administrative managers such as stationmasters and section managers are not assigned to such organs as stations and sections, these are bundled with organs having administrative managers to be deemed an establishment as a whole.
- (8) In cases where two or more schools are established together in one compound, each school of a different type is deemed to be a separate establishment. (Schools in this case refer to those as stipulated in the School Education Act.)

If a certain business principal engaged in operations other than education runs a school at the same location, this school is deemed to be a different establishment to the one for the purpose of education.

- (9) With regard to state and local public entities, each organ established separately under decrees or municipal ordinances is deemed to be an establishment, even if located in one compartment.

In the case of public corporations or revenue-producing operations run by the state or local public entities, each relevant organ is deemed to be an establishment.

- (10) In addition, in cases where it is difficult to verify the existence of establishments, there may be slight differences in the treatment of establishments, depending on the statistical survey.

For example, if work is conducted at part of a residence, this may on occasion be treated as

follows:

- a) An entire establishment is deemed to exist there.
- b) This will be deemed an establishment only if the revenue from the work accounts for the majority of household income.
- c) An establishment is deemed to exist only if an employee or employees are present.
- d) An establishment is deemed to exist only if a board-like public sign is posted.

Furthermore if multiple subcontracts are being performed under a specific contractor, the establishments of the subcontractors may be bundled with that of the contractor.

### **Section 3 : Classification Criteria**

JSIC is used for determining the scope of industries targeted by statistical surveys, and for presenting the results of statistical surveys by industrial group. Under this Classification, economic activities performed at establishments, or industries, are classified and arranged systematically, focused on following major points:

- (1) Types of goods produced or services provided (use, functions etc.)
- (2) Ways of producing goods or providing services (facilities, technologies etc.)
- (3) Types and properties of raw materials and objects of services and types of items stocked (merchandise, etc.)

The number of establishments, number of employees, amount of production or sales and other such factors were taken into consideration to determine the different classifications.

### **Section 4 : Composition of Classifications**

JSIC is composed of four stages, namely divisions, major groups, groups and details (industries). The composition includes 20 divisions, 99 major groups, 530 groups and 1,460 industries.

For the classification codes contained in JSIC, alphabet letters are used for divisions, two-digit figures for major groups, three-digit figures for groups and four-digit figures for industries.

Divisions	Major groups	Groups	Industries
A AGRICULTURE AND FORESTRY	2	11	33
B FISHERIES	2	6	21
C MINING AND QUARRYING OF STONE AND GRAVEL	1	7	32
D CONSTRUCTION	3	23	55
E MANUFACTURING	24	177	595
F ELECTRICITY, GAS, HEAT SUPPLY AND WATER	4	10	17
G INFORMATION AND COMMUNICATIONS	5	20	45
H TRANSPORT AND POSTAL SERVICES	8	33	62
I WHOLESALE AND RETAIL TRADE	12	61	202
J FINANCE AND INSURANCE	6	24	72
K REAL ESTATE AND GOODS RENTAL AND LEASING	3	15	28
L SCIENTIFIC RESEARCH, PROFESSIONAL AND TECHNICAL SERVICES	4	23	42
M ACCOMMODATIONS, EATING AND DRINKING SERVICES	3	17	29
N LIVING-RELATED AND PERSONAL SERVICES AND AMUSEMENT SERVICES	3	23	69
O EDUCATION, LEARNING SUPPORT	2	16	35
P MEDICAL, HEALTH CARE AND WELFARE	3	18	41
Q COMPOUND SERVICES	2	6	10
R SERVICES, N.E.C.	9	34	66
S GOVERNMENT, EXCEPT ELSEWHERE CLASSIFIED	2	5	5
T INDUSTRIES UNABLE TO CLASSIFY	1	1	1
(Total) 20	99	530	1,460

## **Section 5 : Unit Applied to Classifications**

The unit applied to JSIC is the establishment.

The unit in applying this Classification to individuals is the establishment to which the individuals belong. Application to those other than establishments and individuals, for example to enterprises, is dealt with in the same manner as for establishments.

## **Section 6 : Method of Determining Industry for Classifying Establishments**

The industry under which an establishment is classified in accordance with JSIC is determined on the basis of economic activities performed by the establishment.

For the purpose of JSIC, economic activity refers to the goods to be produced or sold and the service to be provided to other establishments or the consumers including the own company that are grouped in industry item. The temporary factor other than original economic activities of the establishments is not included.

In determining the industrial classification, if economic activities falling under a single classification are performed in an establishment, these economic activities dictate the industry classification. If economic activities fall under multiple classifications, the major economic activity is the key in determining the industry. In this case, the major economic activity refers, among multiple items, it is most preferable determined based on the largest in terms of added value coming from goods produced, commodities handled or services provided. However, when it is difficult to obtain information for individual added value, amount of the goods produced, for alternative index for the added value, sales amount of the commodities handled, or the amount of income from services provided, or, the number of the employees required for these activity may be used. The industry under which establishments are classified is determined on the basis of the activities holding the biggest percent in these. (Note)

(Note) Application (grading) of the industries to which establishments belong in accordance with JSIC is carried out in serial order from the highest-ranking classification to the lowest. In particular, in cases where an establishment engages in economic activities falling under multiple classification items, these economic activities should first be grouped in divisions. The economic activities earning the largest amount in added value etc. will determine the division in which the establishment is to be classified. The economic activities falling under the division as determined should then be sorted into major groups, and the major group in which the establishment is to be classified determined based on the largest amount of added value, etc. Groups and industries for the classification are then determined in the same manner.

Also, sales or provision of processing services for a fee to those who engage in agriculture, forestry or fisheries are treated in the same manner as those for households of general consumers.

Industries of establishments in the process of business conversion, under a suspension of operations, or preparing for start-up are treated as follows:

- (1) If an establishment has been converted into a business during the past twelve months, the post-conversion business is deemed as a rule to be its major economic activity. However, if the conversion is of a temporary nature and, in view of facilities available, if there is a possibility of the establishment reverting to the previous business, the business performed prior to the conversion may be deemed its major economic activity.
- (2) If the business is converted periodically on a seasonal basis, the business earning of the business consistent throughout a year will be deemed its major economic activity, regardless of the type of business being performed at the date of survey.
- (3) Industries of establishments under a suspension of business or in the process of liquidation are determined by the economic activities performed prior to the suspension or start of liquidation.
- (4) Industries of establishments preparing for start-up are determined by the economic activities they perform when launched.

This is the basic means of determining to which industry an establishment belongs. Industries of head and branch offices mainly engaged in managerial operations, and industries of establishments engaged in supporting work solely for the establishment of the same business principal and of establishments of holding company are treated in the following manner:

- (1) The industry such as head offices, branch offices, branches engaged in managerial operations are, as a general rule, classified under the appropriate item of group "establishment engaged in administrative or ancillary economic activities" provided in the major group based on their primary economic activities throughout all the establishments controlled.

In the case there is no applicable classification item of Group "Establishments engaged in administrative or ancillary economic activities" to which the industry is classified based on major economic activities through all establishments, they should be classified in the classification item the same as major economic activities.

- (2) The establishments performing support works such as transportation, storage, cleaning, repair/maintenance, safety service intend for the establishments under the same business principal, are classified under the appropriate item of group "establishment engaged in administrative or ancillary economic activities" provided in the major group based on their primary economic activities throughout all the establishments.

In the case there is no applicable classification item of Group "Establishments engaged in administrative or ancillary economic activities" to which the industry of the main establishment engaged in the main economic activities is classified, they should be classified in the

classification item the same as major economic activities.

- (3) In the case of the establishments which is so-called business holding company, having a management capability for the subsidiary of which the right of management is acquired while performing operation as a company, if main economic activities of the establishments concerned are administrative operation, the industry is determined in the same manner as for the case of the main office performing administrative operations. On the other hand, the establishments which are so-called Pure holding companies engaged in the operation related to administrative affairs (drafting/promotion of the corporate strategy, administration/guidance of the management, the optimum distribution of financial resources) for the companies of which the right of management is acquired, without having their own businesses as a company, are classified in "the Pure holding companies" (7282) of the division "L-SCIENTIFIC RESEARCH, PROFESSIONAL AND TECHNICAL SERVICES".
- (4) Other than the above, major economic activities performed at the establishments should as a rule be determined based on the industry to which they belong.

#### **Section 7 : Scope of Government Services**

JSIC is a classification by type of economic activity, therefore, whether under public or private management, the same economic activities have the same classifications. Accordingly, the "Government" classification in JSIC includes, of state and local public bodies, the Diet, courts, central government offices and their local branch offices and bureaus, prefectural government offices, municipal and ward offices, town and village offices etc., all of which are government and public agencies that essentially engage in legislative, judicial and administrative affairs. Others are classified under the relevant industries according to their operations, in the same manner as general industries.