

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 two requirements with respect to its economic activities:

- (1) Economic activities are conducted by a single business principal, occupying a certain plot of land.
- (2) Economic activities are conducted continuously with personnel and facilities on the plot of land.

For example, establishments include 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.

The process of identifying the plot of land of a business principal is governed by the following rule: If economic activities are conducted in a certain place by one or more business principals, said economic activities are deemed to take place within a single compound. If the economic activities within a single compound are conducted by a single business principal, the single compound is deemed to be a single plot of land, while if the economic activities within a single compound are conducted by more than one business principal, the portions of the single compound used by each business principal are deemed to be single plots of land.

If it is difficult to identify the plot of land of a business principal, as in the case described above, an area that can be delineated based on books related to the business principal's economic activities (hereinafter referred to as business accounting books), such as sales ledgers and wage ledgers, may be deemed to be a single plot of land. For example, if economic activities are conducted by a single business principal on two or more neighboring locations separated by a road or other structure, these locations shall be deemed separate plots of land as a general rule. However, if these locations cannot be separated because of the business accounting books, the area that can be delineated based on the business accounting books may be deemed to be a single plot of land.

However, since modes of economic activity are diverse, the following exceptions may be applied

for convenience's sake:

- (1) In cases of individuals such as food truck owners and private taxi drivers with no fixed location for conducting business activities, nor any specific establishment, the residences of the establishment's proprietors are deemed their establishments.
- (2) In the cases of individuals who have not concluded employment contracts and are engaged in economic activities mainly at their residences, their residences are deemed their establishments.
- (3) 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.
- (4) 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.

- (5) 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.
- (6) 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.
- (7) 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 schools, specialized training colleges and other schools as defined in the School Education Act [Act No. 26 of 1947].)

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

- (8) With regard to the state and local public entities, each independent organ established under the law is deemed to be a single establishment.

In the case of public corporations, publicly run gambling, or other operations run by the state

or local public entities, each relevant organ is deemed to be a single establishment.

- (9) Depending on the purposes of the statistical survey in question, a corporation that has officers but no facilities in its exclusive possession may be deemed to have its establishment at its registered address.

If it is difficult to confirm the existence of an establishment for other reasons, there may be slight differences in the treatment of the establishment, depending on the purposes of the statistical survey in question.

For example, if a person conducts economic activities at the person's residence, the following rules may apply:

- a) The establishment is deemed to exist at the residence.
- b) The establishment is deemed to exist at the residence only if revenue from the work done there accounts for the majority of the person's income.
- c) The establishment is deemed to exist at the residence only if the person has employees.
- d) The establishment is deemed to exist at the residence only if the residence has a public sign, such as a signboard.

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 systematically classifies and arranges economic activities conducted at establishments, or industries, primarily according to the following classification criteria:

- (1) Types of goods or services used for production
- (2) Ways of producing goods or services (facilities, technologies, etc.)
- (3) Features of goods or services produced (uses or functions)

JSIC is used for determining the scope of industries targeted by statistical surveys, for presenting the results of statistical surveys by industrial group, and for other purposes.

Section 4 : Composition of Classifications

JSIC is composed of four levels: divisions, major groups, groups and details (industries). When describing each level by a classification code other than the classification name, alphabet letters are used for divisions, two-digit figures for major groups, three-digit figures for groups and four-digit figures for industries.

Section 5 : Unit Applied to Classifications

The unit to which JSIC applies is the establishment as defined in Section 2.

In an economic census or other similar survey that groups enterprises, etc. (mainly companies, corporations and sole proprietors conducting economic activities) by industry, JSIC can be applied to units of enterprises. In a national census or other survey that applies JSIC to units of individuals, JSIC can be applied to the establishments to which individuals belong.

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. The "Government" classification in JSIC includes the following organs of the state and local public entities: the Diet, courts, national government organs and their local branch offices and bureaus as well as the establishments of the legislative, judicial and administrative organs of prefectural, city, town and village offices and their local offices.

However, establishments conducting non-government services attributable to industries are classified as being in the associated industries.