

# **Summary of Development of the Japan Standard Industrial Classification (JSIC) and Its Twelfth Revision**

## **1. The Japan Standard Industrial Classification - Background and Development**

The Japan Standard Industrial Classification is a set of statistical standards used to show statistical survey results by industry, which classifies all economic activities involving the production and provision of goods and services performed at business establishments in the form of a social division of labor. The Standard Industrial Classification was created in October 1949 to ensure the accuracy and objectivity of statistics, and to make it easier to compare statistics and obtain maximum benefit from them.

This twelfth revision of the Japan Standard Industrial Classification (as revised in November 2007) is the product of an extensive review in an attempt to adapt the Classification to the structural changes that have taken place in industry since the eleventh revision in March 2002, in particular changes such as the advancement of telecommunications, the growth of economic activities toward service-oriented trend, the multi-lateralization of Japanese business management. The current revision is the twelfth since the Classification was first devised in October 1949.

The following provides some historical background up to institution of the Japan Standard Industrial Classification (hereafter referred to as the “JSIC”) in October 1949, and until the eleventh revision in March 2002.

The first industrial classification in Japan was compiled in 1930, for the third Population Census. Prior to this, an occupational classification was drawn up in 1920 when the first Population Census was taken. This however combined industry and occupation. It would be reasonable to say therefore that 1930 saw these two types of classification separated distinctly for the first time. Cabinet Instruction No. 3 stipulated that all relevant ministries use the same industrial classification; this however failed to fully achieve the intended result.

Thereafter, along with the development of economic statistics, industrial classifications began to be compiled—albeit still partial in scope, for example manufacturing sector and agricultural sector classifications. However a lack of uniformity in the criteria used for classification, and discrepancies in interpretation caused much inconvenience in the application of these classifications. For example, certain business establishments surveyed would sometimes be classified in irrelevant industries. As a result, by the fifth Population Census in 1940, drawing up a standard industrial classification for Japan had become a pressing issue. A uniform classification was consequently created through cooperation among experts from the relevant ministries and agencies, and the common use of this industrial classification encouraged under an agreement among administrative vice-ministers of the relevant ministries.

At this time however, due to the lack of a proper logical system for administrative instructions on details of the classification and for definitions of its general principles, the intended uniformity remained no more than a formality, and a great deal of numerical variance was found in the survey results. The need

for a logically consistent standard industrial classification was pressing.

After the war, when Japan was due to conduct various types of large-scale census in conjunction with the 1950 World Census promoted by the United Nations, a Central Planning Commission for the 1950 Census was established under the Statistics Commission, and various special sub-committees formed in a bid to promote both research on the conduct of censuses and, as a further fundamental undertaking, research for various types of classification.

The Industrial Classification Special Sub-committee, one of these special sub-committees, commenced the task of creating a standard industrial classification in March 1949, and the JSIC was completed in October of the same year. Since then, it has been used in many important statistical surveys including designated statistics.

The twelfth Statistics Commission and the seventeenth Statistics Commission deliberated on the issue of unified use of the JSIC on December 23, 1949 and April 28, 1950 respectively. As a result, a cabinet order was instituted based on the Statistics Law.

At the time of this cabinet order making the unified use of the JSIC compulsory, a prime consideration was the extent to which the JSIC could reasonably be applied to numerous statistical surveys.

Consequently, following a review of the results of actual use of the JSIC since its creation in 1949, as well as the transformation in the industrial structure of Japan, the need to revise this standard classification was recognized. Each working group, created by industrial sector under the Industrial Classification Special Sub-committee, undertook the task of revising the Classification, and a definite plan was formulated in March 1951. Cabinet Order No. 127- April 30, 1951 entitled “Cabinet Order for Creating an Industrial Classification and Classification of Diseases, Injuries and Causes of Death to be Used for Statistical Surveys” was then issued and the first revision of the JSIC completed at the same time.

Thereafter, changes such as the transformation of Japanese industry prompted a further need to adapt this Classification to the actual situation in Japan, and the second revision was carried out in March 1953, followed by the third in February 1954, which created a new category, i.e. “Manufacture of ordnance and accessories.”

During this period, the Statistics Commission was integrated into the Administrative Management Agency under the reformation of government administration implemented in August 1952. As a result, the Industrial Classification Special Sub-committee under the Statistics Council attached to the Administrative Management Agency was assigned responsibility for deliberating on issues related to the JSIC. The third revision mentioned above derived from the first Report to Inquiry No. 1 (Re: “Setting Standards of Industrial Classification to be Used for Statistical Surveys), given to the Chairman of the Statistics Council by the Director-General of the Administrative Management Agency at the first Statistics Council held on September 18, 1952.

Reflecting diverse changes in the industrial structure of Japan, multiple problems continued to occur in

the application of the JSIC to various types of statistical surveys. This led to a series of revisions over the years, including the fourth revision in May 1957, fifth in January 1963, sixth in May 1967, seventh in March 1972, eighth in May 1976, ninth in January 1984, and tenth in October 1993.

The fourth revision was based on the second Report to Inquiry No.1. Each of the subsequent revisions however was carried out in response to each renewed inquiry to the Statistics Council concerning revisions.

The following table lists reference Inquiry Numbers, dates for Inquiries and Reports, and dates of Notifications based on Cabinet Orders and their applications related to the creation and revision of the Classification.

#### **History of Creation and Revision of the Japan Standard Industrial Classification**

	Statistics Council			Notifications	
	Inquiry No.	Inquiry Dates	Reporting Dates	Notification Dates	Application Dates
Creation	-	-	(October, 1949)	-	-
1st	-	-	(March, 1951)	April 30, 1951	May 1, 1951
2 <sup>nd</sup>	-	-	(March, 1953)	March 31, 1953	April 1, 1953
3 <sup>rd</sup>	First	Sep.18, 1952	(1) Feb. 12, 1954	Feb. 27, 1954	March 1, 1954
4 <sup>th</sup>			(2) April 26, 1957	May 1, 1957	Jan. 1, 1958
5 <sup>th</sup>	92	Nov. 19, 1962	Dec. 14, 1962	Jan. 12, 1963	April 1, 1963
6 <sup>th</sup>	105	Feb. 18, 1966	Feb. 17, 1967	May 1, 1967	Jan. 1, 1968
7 <sup>th</sup>	139	June 16, 1971	Feb. 18, 1972	March 31, 1972	April 1, 1972
8 <sup>th</sup>	164	Dec. 5, 1975	April 16, 1976	May 15, 1976	Jan. 1, 1977
9 <sup>th</sup>	195	Dec. 17, 1982	April 15, 1983	Jan. 10, 1984	April 1, 1985
10 <sup>th</sup>	233	June 14, 1991	July 9, 1993	Oct. 4, 1993	April 1, 1994
11 <sup>th</sup>	268	Feb. 16, 2001	Jan. 11, 2002	March 7, 2002	Oct. 1, 2002
12 <sup>th</sup>	320	April 13, 2007	Sep. 14, 2007	Nov. 6, 2007	April 1, 2008

## **2. The Japan Standard Industrial Classification: Purpose and Major Points of Revision**

### **(1) Inquiry to the Statistics Council Regarding the Revision of the Japan Standard Industrial Classification**

Ministry of Internal Affairs and Communications, Document No.172

April 13, 2007

Mr. Yasuto Yoshizoe  
Chairman of the Statistics Council

Yoshihide Suga  
Minister of Internal Affairs and Communications

Inquiry No.320

Re: Revision of the Japan Standard Industrial Classification

The opinion of the Statistics Council regarding the Draft of Twelfth Revision of the Japan Standard Industrial Classification is hereby requested in accordance with the provisions of Chapter 2, Paragraph 3 of the Cabinet Order (1951 Cabinet Order No. 127) for Creating an Industrial Classification and Classification of Diseases, Injuries and Causes of Death to be Used for Statistical Surveys.

#### Reason

Deliberation on the revision of this Classification is deemed necessary in early opportunity in order to adapt the current Japan Standard Industrial Classification to changes in the industrial structure, since the revision made in March 2002, owing to the advancement of telecommunication technologies, growth of service- oriented economic activities, diversification of the business management and the need for reflecting the results to the large scale investigation to be performed in near future such as economic census and the like.

## **(2) Statistics Council Report**

Statistics Council Document No. 7

September 14, 2007

Mr. Hiroya Masuda

Minister of Internal Affairs and Communications

Yasuto Yoshizoe

Chairman of the Statistics Council

Report to Inquiry No.320

Re: Revision of the Japan Standard Industrial Classification

The Japan Standard Industrial Classification is a set of statistical standards used to show statistical survey results by industry, which classifies all economic activities involving the production and provision of goods and services performed at establishments. It was created in October 1949 to ensure the accuracy and objectivity of statistics and to make it easier to compare statistics and obtain maximum benefit from them. Since then, it has been revised eleven times to date.

In order to adapt this Industrial classification to the structure change that have taken place in industry since the revision made in March, 2002, in particular changes such as the advancement of the information and communication, the growth of the service-oriented trend of economic activities, and the diversification of the business management, Ministry of Internal Affairs and Communications is planning to establish new divisions, and at the same time to implement an overall revisions by establishing new items and/or abolishing items of the major groups, groups and industries under each division and new items for Establishments engaged in administrative or ancillary economic activities for the head offices and the like which have been treated as the same as the economic activities in the establishment.

This Council is pleased to report its conclusions as set forth hereunder concerning the overall plan for the current revisions, the result of deliberation from the following perspectives: Firstly, to adapt to changes in the industrial structure, attributable to the advancement of telecommunications and the growth of the service-oriented trend of economic activities, secondly, to establish precise classification items and distinct concepts and definitions to enhance the usefulness of statistics, and thirdly, to improve comparability with international industrial classifications

### 1. Revision plan for classification items

We believe it would be appropriate to revise the Japan Standard Industrial Classification in

accordance with the “Table of Classification Items in the Twelfth Revision: The Japan Standard Industrial Classification (Draft)”.

Major points of the revisions are as follows:

(1) Division Items

A. New division and integration: “AGRICULTURE AND FORESTRY”

As to the division "Forestry", in accordance with the comment "The numbers of establishments and employees are so few in the “FORESTRY” and “MINING” divisions that we need to review the composition of these divisions." in "Re: Revision of the Japan Standard Industrial Classification" - Report to Inquiry No.268 (hereinafter" the previous report") dated January 11, 2002, we are planning to integrate it under division "Agriculture" and to establish new division “AGRICULTURE AND FORESTRY”.

Establishing this new division is appropriate because 1) the numbers of establishments and employees in the forestry decreases consistently, in a result of most recent Establishment and Enterprise Census and the Population Census, percentage for all industry is extremely low, and also the same trend is found in the agriculture 2) the percentage of fulltime forestry workers engaging in only forestry is low, and 60% of the forestry worker are "so-called farmer/forester" who engages in forestry while engaging in agriculture, and 3) the policy related to recent agriculture and forestry raises relevance mutually, agriculture and forestry have become very close increasingly compared to the past time.

In addition, in consideration of the situation that the statistics data of the Population Census are used as basic information in accomplishing various administration policies in agriculture and forestry, it is necessary to take measures so that adjustment between the ministries concerned are facilitated, data corresponding to the administration needs can be grasped continuously, and no problem is posed for the accomplishment of the administration policy.

B. Change of Title to "MINING AND QUARRYING OF STONE AND GRAVEL"

In order to adapt the title to more appropriate one to the actual situation of the activities, we are planning to change the title into the division " MINING AND QUARRYING OF STONE AND GRAVEL ".

According to the result of the 2004 Establishment and Enterprise Census, of the division "Mining", the number of the establishments of "Metal mining", "Coal and lignite mining", "Crude petroleum and natural gas production" is less than 5%, and the number of the establishments of "the Stone quarrying, sand and gravel pits" make up the majority of this division (84%). Considering this situation the arrangement of changing title is believed to be appropriate.

However, it is noted that the number of the establishments of the division " MINING AND QUARRYING OF STONE AND GRAVEL" is very little and is decreasing consistently.

Therefore, we must further study the actual situation of the mining industry, and consider in view of the statistics utilization in future what is the effective way to provide data relating to the mining industries in what kind of form, and we need to review the composition of these divisions.

#### C. Integration and establishing new division "TRANSPORT AND POSTAL ACTIVITIES"

In accordance with the start of The Japan Post Service Co., Ltd. which main business is postal service as a consequence of the privatization of Japan Post, we are planning to establish new division "TRANSPORT AND POSTAL ACTIVITIES" by establishing new major group "Postal activities, including mail delivery" in division "TRANSPORT" and integrating the group of "Transmission of correspondence" of the division "INFORMATION AND COMMUNICATIONS" with this.

This is believed to be appropriate from 1) As a consequence of the privatization and company split-up of Japan Post, The Japan Post Service Co., Ltd. which main business is postal service starts and their operation will expand to the area of the distribution, 2) Many of enterprises engaged in Mail delivery activities are related to the common carrier, and 3) Improvement in comparability with international industrial classifications such as the International Standard Industrial Classification (hereafter referred to as ISIC) and North American Industry Classification System-NAICS (hereafter referred to as the "North American Classification")

#### D. New division and integration: "REAL ESTATE AND GOODS RENTAL AND LEASING"

As for the goods rental and leasing, we are planning to integrate division "REAL ESTATE" with major group "Goods rental and leasing" of the division "SERVICES, N.E.C." and establish new division "REAL ESTATE AND GOODS RENTAL AND LEASING", taking into account (1) The economic activities resemble to that related to lease of real estate conducted in Real estate activities, in a point "renting a commodity", and (2) the comment in the last report "we will need to consider whether the transfer of financial leasing to the other division is appropriate, taking into account factors such as the procedures used by companies in financial processing. "

This arrangement is believed appropriate, from the following points: (1) in corporate accounting standards, the transactions other than ownership transfer which are major business form of the financial leasing are handled as buying and selling processing, and activities of the major group "Goods rental and leasing" including the financial leasing get closer to activities of "REAL ESTATE" such as the buying and selling, lease, and management, (2) Goods leasing enterprises handling real estate leasing appear in recent years, and (3) the comparability with the North American Classification also improves.

In addition, "REAL ESTATE" is published of the result independently in most of statistics, and many users are utilizing this statistics result, in publishing Statistical Surveys result, government

and prefectural authorities conducting the Statistical Surveys are required to take the necessary consideration into consideration for securing the statistical continuity.

E. New division: "SCIENTEIFIC RESEARCH, PROFESSIONAL AND TECHNICAL SERVICES" and "LIVING-RELATED AND PERSONAL SERVICES AND AMUSEMENT SERVICES"

As for the services, taking into account; the comment in the last report "regarding the division " SERVICES, N.E.C.", an industry for example involved in providing professional knowledge and techniques, if it is sufficiently large in scale, significant in international terms, and allows stable data collection, should be surveyed and studied with regard to its definition and scope, and steps taken to examine whether a new division for this industry is warranted.", and after the eleventh revision, growth of the number of the establishments and the employee number of division " SERVICES, N.E.C." continues, according to the result of the 2004 Establishments and Enterprise Census, the number of the establishments is about 19% of all industry, and the number of the employees are about 15%, we are studying the separation of the division, and planning to establish new divisions as follows:

- 1) New division of "SCIENTEIFIC RESEARCH, PROFESSIONAL AND TECHNICAL SERVICES" by integration of business related to technical service included in major group "Miscellaneous business services" and integration of new major group "Technical services, N.E.C.", in addition to major group " Scientific and development research institutes" and "Professional services, N.E.C." of the division " SERVICES, N.E.C.".
- 2) New division "LIVING-RELATED AND PERSONAL SERVICES AND AMUSEMENT SERVICES": by integration of major group "Laundry, beauty and bath services," "Miscellaneous living-related and personal services" and "Services for amusement and hobbies" of division "SERVICES, N.E.C."

These new items and integration is generally appropriate, because the actual situation of the serviceindustry becomes clear, convenience in the statistics utilization improves, and the comparability with The International classification or the North American Classification improves.

However, as for the major group "Advertising" included in division "SERVICES, N.E.C.", taking into account the facts that, most of the enterprise in the division are the enterprise engaged in providing comprehensively professional services such as planning for client requesting advertising, marketing, the creation of contents, and the selection of advertising media, and in order to further improve the compatibility with international classifications, these are appropriate to be transferred to new division "SCIENTEIFIC RESEARCH, PROFESSIONAL AND TECHNICAL SERVICES" .

The Industry "Fitness centers" included in the group "Instruction services for arts, culture

and technicals" of the division "EDUCATION, LEARNING SUPPORT", although they have an aspect to teach skill of sports ,taking into account actual situation of utilization of the sport facility as major purpose, are appropriate to be transferred to the group "Sports facilities" of the major group "Services for amusement and hobbies" of new division "LIVING-RELATED AND PERSONAL SERVICES AND AMUSEMENT SERVICES"

F. Integration/reorganization: "ACCOMMODATIONS, EATING AND DRINKING SERVICES"

Division "EATING AND DRINKING PLACES, ACCOMMODATIONS" were established in the last revision, in accordance with the comment in the last report "there has been an increase in the number of establishments retailing cooked food, such as on-the-spot providers of food and beverages, and take-out or delivery services, therefore in the future it will be necessary to survey and study the actual state of these industries, and to deliberate on the optimum definitions and scope of current "eating and drinking places" - food and beverage establishments.", we are planning to classify , of the business included in Industry "Delicatessen stores" of the division " WHOLESALE AND RETAIL TRADE", activity which is similar to that of "Eating and drinking place" providing services for provision of cooked food and drink to the guests upon receipt of their orders, in the major group "Food take out and delivery services" in division "EATING AND DRINKING PLACES, ACCOMMODATIONS", and integrate it with current division "EATING AND DRINKING PLACES, ACCOMMODATIONS", and establish new division "ACCOMMODATIONS, EATING AND DRINKING SERVICES".

This arrangement is deemed to be appropriate considering the factors: 1) the difference between "Eating and drinking places" and "Food take out and delivery services" is determined on the basis whether they provide eating and drinking service on the spot or not, but they are both providing services for provision of cooked food and drink to the guests upon receipt of orders of the guest, 2) In recent years in responding the needs, " Eating and drinking places" appear, whose main business is providing takeout or the delivery service. If they do more take-out services, they are classified as "Delicatessen stores" in division "WHOLESALE AND RETAIL TRADE", but if percentage of eating and drinking in a shop is high, they are classified in as division "Eating and drinking places" in "EATING AND DRINKING PLACES, ACCOMMODATIONS". By the above arrangement, such harmful effects of classification depending the change of the sales ratio is prevented. 3) the accuracy of data relating to eating and drinking service industry is secured, and 4) the comparability with International classification or the North American Classification is also improved.

(2) Major group items

A. New items

We are planning to change the major group items as follows:

- (1) New major group "Manufacture of textile mill products" by integrating major group "Manufacture of textile mill products, except apparel and other finished products made from fabrics and similar materials" with major group "Manufacture of apparel and other finished products made from fabrics and similar materials" of the division "MANUFACTURING"
- (2) New major group: "Manufacture of general-purpose machinery", "Manufacture of production machinery" and "Manufacture of business oriented machinery", by integrating and reorganizing the major group "Manufacture of general machinery" of the division "MANUFACTURING" and "Manufacture of precision instruments and machinery" and the group "Manufacture of ordnance and accessories" of major group "Miscellaneous manufacturing industries"
- (3) New major group "Food take out and delivery services" comprised of group "Take-out/moving stall type eating and drinking services" and "Food delivery services": by separating Take-out lunch shop, pizza home delivery shop, food supply center, catering services, which provide cooked food to the guests upon receipt of their orders, from industry "Delicatessen stores" included in the group "Miscellaneous food and beverage stores" of the major group "Retail trade (food and beverage)" of the division "WHOLESALE AND RETAIL TRADE".
- (4) New major group "Technical services, n.e.c." by separating group "Engineering and architectural services" and industry "Mechanical design services" from major group "Professional services, n.e.c." of the division "SERVICES, N.E.C." and group "Commodity inspection services", "Surveyor certification" and industry "Non-destructive testing services" from major group "Miscellaneous business services".
- (5) New major group "Postal activities, including mail delivery": by integrating the postal business conducted by the company and the group "Transmission of correspondence" included in major group "Communications" of the division "Information and Communication", along with start of the Japan Post Service Co., Ltd.,
- (6) New major group "Eating and drinking places": by integrating major group "General eating and drinking places" and "Spree eating and drinking places" of division "EATING AND DRINKING PLACES, ACCOMMODATIONS"
- (7) New major group "Employment and worker dispatching services": by separating group "Private employment services" and the industry "Worker dispatching services" of the group "Business services, n.e.c." from major group "Miscellaneous business services".

Arrangements of (1) and (2) are based on the review taking into account the comment of the last report that "We need to continue with a full review to ensure that the Classification for

"Manufacturing", responding to changes in the demand structure, the advancement of technological innovations, and further globalization of production activities" and they are adapted to changes of the industrial structure, and are believed to be appropriate.

As for (3), eating and drinking in the moving stall is included in "Eating and drinking places" providing eating and drinking on the spot, it is appropriate that group "Take-out/moving stall type eating and drinking services" is changed to "Food take out services"

As for (4), it is appropriate: (i) in order to make the distinction between "Professional Services" and "Technical services" clearer, Group "Veterinary services" and "Photographic studios" is transferred to major group "Technical services, n.e.c." from major group "Professional services, n.e.c." (ii) to clarify the actual situation of the service activity more, and to improve convenience in the statistics utilization, the Industry "Certified social insurance and labor consultants' offices" of the group "Miscellaneous professional services" of the major group "Professional services, n.e.c." and "Administrative scriveners' offices" are classified in group item, and "Land and house surveyors' offices" is placed in new industry item. (iii) the Industry "Mechanical design services" of the group "Miscellaneous technical services" of the major group "Technical services, n.e.c." is placed in group item.

(5), (6), (7) are believed to be appropriate, because they correspond to development of the service-oriented trend/diversification of economic activities.

However, concerning the division "WHOLESALE AND RETAIL TRADE", it is necessary to make it possible to grasp changes of the distribution of the product along with advancement of the information and communication technology precisely, it is appropriate to establish new major group "Nonstore retailers" in which classifying the establishments engaged in distribution of commodities to consumers without having a store. At the same time, title and system of the major group item in Manufacturing, wholesales, retail are arranged as a series as much as possible.

About the new major group "Nonstore retailers," it is necessary to grasp and investigate the problems in inspection of the Statistical Surveys in future.

## B. Items to be abolished

Our plans are as follows:

Of the major group, along with integration/reorganization of the major group of the division "Manufacturing", "Manufacture of textile mill products, except apparel and other finished products made from fabrics and similar materials", "Manufacture of apparel and other finished products made from fabrics and similar materials", "Manufacture of general machinery" and "Manufacture of precision instruments and machinery" are deleted, and the establishments classified here are located as respective industry items in major group "Banking" and " Non-deposit money corporations, including money lending business, government-related financial institutions ".

These arrangements are believed to be generally appropriate, in the light of change of the recent industry structure, but the item title of major group "Non-deposit money corporations, including money lending business, government-related financial institutions" should be changed to "Non-deposit money corporations, including lending and credit card business" which does not include Government-related financial institutions in title, on the basis of trend of the reform affecting the abolition and integration of Government-related financial institutions.

### (3) Group/Industry item

#### A. New item:

As for the group item, the classification items such as "Daily lives industry machinery", "Basic material industry machinery", "Semiconductor and flat-panel display manufacturing equipment", "Primary batteries (dry and wet)", "Image and audio equipment" and "Financial products transaction dealers" are newly established. As for industry item, we are planning to establish "Sushi, box lunch and bread with ingredients", "Retort pouch", "Reclaimed aggregate", "Metal sashes and doors", "Steel framed prefab housing", "Mobile phone and PHS", "Analog type integrated circuits", "Digital type integrated circuits", "Liquid crystal panel and flat-panel", "Semiconductor memory media", "Game software services", "Application services providers", "Internet support services", "Animation production", "Milk and dairy products", "Secondhand electronic products", "Post savings bank", "Investment promotion services", "Financial products transaction dealers", "Investment management services", "Pure holding companies", "Hamburger shops", "Grilled meats restaurants (Japanese style)", and "Residence support services".

From a point of view to plan convenience improvement in the statistics use, these arrangements are believed to be generally appropriate, because these are based on development of innovation and the deregulation, the establishment of the new industrial form that reflected changes of the consumers' needs, and expansion of the existing industry.

But, in retail trade, business condition handling article of the specific field of plural fields as the core article is firmly established, and therefore it is appropriate to establish the industry item "Drugstore" in group "Drug and toiletry stores" and Industry "Home improvement stores" in group "Stores, n.e.c".

Moreover, it is appropriate to establish a group "School education support institutions" in major group "School education", as an education-related organization providing services that are close to education for Institution of higher education.

In addition, it is appropriate to transfer the Industry "Commercial art and graphic design" of the group "Miscellaneous professional services" to major group "Video picture, sound information, character information production and distribution" of the division "INFORMATION AND COMMUNICATIONS", from similarity with activity producing information of pictures, sounds, and characters.

In addition, it is appropriate based on those actual situations to arrange (1) The problem to subdivide Industry "Integrated circuits" in Analog model and digital model: Both items should be classified in Industry "Integrated circuits" same as before, (2) The problem of dividing establishments investing into the Industry "Investment promotion services" and Industry "Investment management services ": Both items are assumed to be the same industry "Investment management services".

#### B. Items to be abolished,

As for the group item, we are planning to delete the following classification items, "Special industrial machinery", "Rice, barley and other cereals stores", " Institutions dealing with postal savings, money orders and giro services ", "Government-related financial institutions", and "Special bathhouses". As for the Industry items, we are planning to delete the following classification items such as, " "Umami" seasonings", "Wadding", " Lasts and related products ", "Cellophane", "Paper-made sanitary materials", "Briquettes and briquette balls", "Primary smelting and refining of aluminum", "Clay pipes", " Enameled iron ware", " Cloisonné", " Artificial jewels", "Asbestos products", " Coated steel pipes", "Files", "Matches", " Umbrellas, parasols and parts, of wood and paper", "Thermos bottles", "Raw silk and cocoons", " Dyestuffs and pigments", " Oil, fats and waxes".

The abolishment of these items is believed to be appropriate, in the light of a change of the recent industry structure such as the revision of the legal system, the decrease of the number of the establishments and the volume of production.

In addition, as for the Industry "Tuberculosis sanatoria" of the division "MEDICAL, HEALTH CARE AND WELFARE", it is appropriate to integrate them with Industry "General hospitals", because the number of the establishments is so few.

#### (4) Classification items related to the whole industries

##### A. Head offices primarily engaged in managerial operations and ancillary economic activities

Head offices primarily engaged in managerial operations are considered as one form of establishments conducting ancillary economic activities, to classify them with establishments engaged in ancillary economic activity, it is our plan to establish a group "Establishments engaged in administrative or ancillary economic activities" in each main major group.

These arrangements are believed to be generally appropriate in the following factors: By the current classification method in which at Industry item level, they are considered the same as the main economic activities of the company for the whole establishments managed, the rating often differs by change of demand and the production, and discontinuity of statistics data occurs. But, by the above arrangements, these can be prevented. Moreover, transversely understanding of head office administrative activity can be possible. Furthermore, the problem of different classification for the establishments by different statistics is settled.

However, the group "Establishments engaged in administrative or ancillary economic activities," except the industry that no establishments of such kind cannot exist in a concept, should be located in all major group items as a general rule, and, the Warehouses exclusively used for domestic use which is considered to be ancillary economic activities are appropriate to be located only in division "WHOLESALE AND RETAIL TRADE".

It is necessary to grasp and investigate the problems in inspection of the Statistical Surveys about the classification of "the Establishments engaged in administrative or ancillary economic activities," in future,

#### B. Holding company

It is our plan to divide holding company into Pure holding companies and business holding company, and as for the Pure holding companies, to establish new group "Business consultants and pure holding companies" and industry "Pure holding companies", in the major group "Professional services, n.e.c." of the division "SCIENTEIFIC RESEARCH, PROFESSIONAL AND TECHNICAL SERVICES". As for the business holding company, if main economic activities of the establishments concerned are administrative operation, we plan to classify it as the main offices.

These arrangements are believed to be appropriate because, for activity of the establishments, by classifying Pure holding companies intended for the management of group companies extending over the field of various industry separately from other establishments, convenience in the utilization of statistics data is improved. And moreover, the business holding company is judged to be also engaged in the activity as the main office establishments.

## 2. The fundamental issues relevant to the Industrial Classification system

During the deliberation on current revision plan, in addition to the matters described in the foregoing under the heading " 1. Revision plan for classification items" the fundamental issues relevant to the Industrial Classification system are discussed and we got the following conclusions.

### (1) Decision of Industry for establishments engaged in economic activities falling under plural classification items

In the Japan Standard Industrial Classification, in the General Rules, in the case establishments engaged in the economic activities falling under plural classification items, the industry of the establishments is decided by main economic activities concerned, and their main economic activities of the plurality economic activities is the activity in which produced property, commodity handled or the amount of income of offered service, or the amount of sale have the biggest portion.

In this revision, in the light of development of the diversification related to plural divisions in the enterprises, in accordance with international classification rules " It is best decided by added value of sale or service offered to property delivered to other establishments or the consumers", the

determination of main economic activities will be by the amount of added value as a general rule. When it is difficult to decide by the amount of added value, for alternative index for the added value, the amount of production, the amount of sales, the amount of income, and the number of the employees are taken into account in determination. The description of the General Rules are corrected along with this intension.

(2) The arrangement for the manufacture retail trade

In the Japan Standard Industrial Classification, so-called manufacturing-retail trade where an establishment manufactures products and sells them on the spot to consumers are not classified under "Manufacturing," but are classified in "Retail Trade". Such business condition has been often found in existing-type confectionery, or bakery, but, recently such business form as selling to consumers directly through the Internet from factory appears. This type of business also falls under manufacturing-retail trade in definition. Whereas the former has the real store, the latter has only a virtual store on the net. There is a big difference in expense for retail activity and added value to be provided from they're between the two. In accordance with a principle to rate industry by the size of the amount of added value, it is appropriate to classify the latter in Manufacturing.

Therefore, the manufacturing-retailer is classified in Retailing, when they have a store, and in Manufacturing when they have no store.

(3) Arrangement of the classification items

The classification items of the Japan Standard Industrial Classification are arranged in the order of acquisition, processing/assembling, distribution, and service, according to contents of activity.

In the current revision, along with the establishment of two division, we are planning to arrange them in the order of division item relating to service activity, service primarily intended for establishments, service related to the private life, and social and public service. These arrangements are believed to be appropriate from the viewpoint of securing convenience of the statistics utilization.

However, as for the major group items of the division "MANUFACTURING", in correspondence with the rearrangement of the major group item related to machinery manufacture reorganized/established from "parts to "end product", the major group items relating to electric apparatus manufacture are changed to arrange in the order with similar manner.

The industrial structure deepens linkage of the economy in various countries in the world still more mutually on a global scale now. Therefore the Japan Standard Industrial Classification should be reviewed based on such situation, and need to be revised quickly and precisely. We consider that we should conduct fundamental investigation/study continuously, and make the review in good timing in future.

### (3) Major points revised

The following is a summary of the revisions.

#### A. Basic perspective for revisions

- (a) Adaptation to a change of industrial structure caused by the advancement of telecommunications, and development of a service-oriented economy.
- (b) Establishment of appropriate classification items having distinct concepts and definitions, taking into account the need to raise the use possibility of statistics, and
- (c) Improvement in comparability with international industrial classifications.

#### B. Additions and reductions in classification items by revision

Categories	Divisions	Major groups	Groups	Industries
Existing items (A)	19	97	420	1,269
Revised items (B)	20	99	529	1,455
Change (B-A)	1	2	109	186

#### C. Major points of revisions

An overall review of classification items to adapt the JSIC to changes in the industrial structure since the revision in March 2002, such as review on new establishment and abolition for division, new major group, group and industry, new classification item for establishments engaged in administrative or ancillary economic activities for the head offices and the like which have been treated as the same as the economic activities in the establishment.

##### (a) Reviewing division items

###### (1) New division and integration: "AGRICULTURE AND FORESTRY"

"Agriculture" and "Forestry" are integrated into a new division "AGRICULTURE AND FORESTRY", taking into account the percentage of agriculture and forestry in all industry and present conditions of the policy related to agriculture and forestry.

###### (2) Title change to "MINING AND QUARRYING OF STONE AND GRAVEL"

In light of the situation that the number of the establishments of "Stone quarrying, sand and gravel pit s" account for the majority of the "Mining" (about 84%), the title is changed into "MINING AND QUARRYING OF STONE AND GRAVEL".

###### (3) New division and integration: "TRANSPORT AND POSTAL ACTIVITIES"

In light of start of the Japan Post Service Co., Ltd. and its policy of the activity, major group "Postal activities, including mail delivery" into new division "TRANSPORT AND POSTAL ACTIVITIES", "Transmission of correspondence" most of which concerns Transport activities are separated and integrated from division "INFORMATION AND COMMUNICATIONS"

into new division established.

**(4) New division and integration: "REAL ESTATE AND GOODS RENTAL AND LEASING"**

In light of the situation that Activities of "Goods rental and leasing " including the financial leasing get closer to activities of "the Real estate" such as the buying and selling, lease, and management, and in recent years a real estate lease is being performed, the major group "Goods rental and leasing" of division "SERVICES, N.E.C." and "REAL ESTATE" are integrated into a new division.

**(5) New division: "SCIENTEIFIC RESEARCH, PROFESSIONAL AND TECHNICAL SERVICES" and " LIVING-RELATED AND PERSONAL SERVICES AND AMUSEMENT SERVICES"**

"SERVICES, N.E.C." continue increasing after the splitting in the last revision, and the number of the establishments accounts for about one- fifth of all industry, employee number about one-sixth, and various economic activities are mixed.

- In the field related to Scientific research, professional and technical services and advertising, along with advancement/specialization and diversification of the business management, industrial scale is expanding. So these are separated from division "SERVICES, N.E.C." and a new division is established.
- In the field related to the Living-related and personal services and amusement services, with the diversification of consumers needs along with the change of the lifestyle, and increase of the off time, the industrial scale is expanding, so, these are separated from division "SERVICES, N.E.C." and a new division is established.

**(6) Integration/reorganization: "ACCOMMODATIONS, EATING AND DRINKING SERVICES"**

In light of the increased ratio of the takeout/delivery service to provide the cooked food and drink to the guests for their order, these are separated from division "Wholesale and retail trade" and integrated into division "Eating and drinking places, accommodations" and new division is established.

**By establishment of the new division items, comparability with international Industrial Classification improves.**

The Japan Standard Industrial Classification(JSIC): Twelfth Revision	International Standard Industrial Classification (ISIC) Rev. 4 2007	North American Industry Classification System (NAICS) 2002
H - TRANSPORT AND POSTAL ACTIVITIES	H - Transportation and Storage ( )	48-49 Transportation and Warehousing ( )
K - REAL ESTATE AND GOODS RENTAL AND LEASING	—	53 Real Estate and Rental and Leasing
L - SCIENTEIFIC RESEARCH, PROFESSIONAL AND TECHNICAL SERVICES	M - Professional, Scientific and Technical Activities	54 Professional, Scientific, and Technical Services
M - ACCOMMODATIONS, EATING AND DRINKING SERVICE ( 2 )	I - Accommodation and Food Service Activities	72 Accommodation and Food Services

( ) "Postal activities" is included in this division.

( 2 ) In current revision, eating and drinking service by takeout and delivery is included in the division, resulting in accordance of the scope of classification.

**(b) Reviewing major group items (34 new items; 32 items to be abolished)**

**(1) New major group items**

i) "Manufacture of general-purpose machinery", "Manufacture of production machinery" and "Manufacture of business oriented machinery"

In order to adapt to the change of the production structure of the machinery, the major group "Manufacture of general machinery" of the division "Manufacturing", major group "Manufacture of precision instruments and machinery", group "Manufacture of ordnance and accessories" of the major group "Miscellaneous manufacturing industries" are integrated and reorganized.

ii) "Postal activities, including mail delivery"

Taking into account the situation that along with the privatization of Japan Post, the Japan Post Service Co., Ltd. starts and its business area extends to the area of the distribution. So, the major group is established in the new division "TRANSPORT AND POSTAL ACTIVITIES".

iii) "Nonstore retailers"

In light of the increase of establishments which distributes commodities to consumers

without having a store, along with advancement of the information and communication technology, a new major group is established in new division "WHOLESALE AND RETAIL TRADE" in order to grasp the actual situation.

iv) "Technical services, n.e.c."

In light of increased establishments providing professional technical services, along with diversification of the business management, new major group is established in new division "SCIENTEIFIC RESEARCH, PROFESSIONAL AND TECHNICAL SERVICES" in order to grasp the actual situation.

v) "Food take out and delivery services"

In order to grasp the actual situation of the change of the eating and drinking services along with the diversification of the consumers needs, new major group is established in new division "ACCOMMODATIONS, EATING AND DRINKING SERVICES"

vi) "Employment and worker dispatching services"

In order to grasp the actual situation of the change of the employment form along with the diversification of the business management, new major group is established in new division "SERVICES, N.E.C."

**(2) Abolition**

i) "Manufacture of textile mill products , except apparel and other finished products made from fabrics and similar materials", "Manufacture of apparel and other finished products made from fabrics and similar materials"

This has been changed to a major group "Manufacture of textile mill products" by abolishing major group " Manufacture of apparel and other finished products made from fabrics and similar materials " and " Manufacture of apparel and other finished products made from fabrics and similar materials " of division "MANUFACTURING"

ii) "Institutions dealing with postal savings, government-related financial institutions"

Major group " Institutions dealing with postal savings, government-related financial institutions " of division "FINANCE AND INSURANCE" have been abolished, and positioned as Industry item the "Post savings bank", "Government-related financial institutions".

**(c) Review of group items and industry items**

**(1) Group items (178 new items; 69 for abolition)**

**i) New items**

"Daily lives industry machinery", "Semiconductor and flat-panel display manufacturing equipment", "Mail-order houses and door-to-door sales", "Financial products transaction

dealers", "Financial brokers and intermediaries", "Food delivery services" etc.

**ii) Items to be abolished**

"Ophthalmic goods, including frames", "Rice, barley and other cereals stores",  
"Government-related financial institutions", etc.

**(2) Industry items (360 new items; 174 for abolition)**

**i) New items**

"Sushi, box lunch and bread with ingredients", "Reclaimed aggregate", "Steel framed prefab housing", "Mobile phone and PHS", "Game software services", "Web portal providers", "Investment management services", "Post savings bank", "Drugstore", "Home improvement stores", "Pure holding companies", "Residence support services" etc.

**ii) Items to be abolished**

"Wadding", "Briquettes and briquette balls", "Enameled iron ware", "Asbestos products",  
"Matches", "Thermos bottles", "Raw silk and cocoons", etc.

**(D) Classification items related to the whole industries**

**(1) Group "Establishments engaged in administrative or ancillary economic activities" is created for each major group**

From the viewpoint of improvement of continuity of statistics data and the convenience in the statistics utilization, "Establishments engaged in administrative or ancillary economic activities" which have been treated as the same as the main economic activities in the enterprise are separated from the main activity.

**(2) New Group "Business consultants and pure holding companies" and Industry "Pure holding companies"**

From the viewpoint of improvement of continuity of statistics data and the convenience in the statistics utilization, "Pure holding companies" which have been treated as the same as the main economic activities in the enterprise are separated.

**(E) The fundamental issues relevant to the Industrial Classification system**

**(1) Method for Determination of Industry for establishments engaged in economic activities falling under plural classification items**

In accordance with international classification rules, the general rule is changed from previous rule based on "The activity in which produced property, commodity handled or the amount of income of offered service, or the amount of sale are the biggest" to "The added value of sale or service offered to property delivered to other establishments or the consumers".

**(2) Rearranging of the handling of the manufacturing-retail trade**

The manufacturing-retailer is classified in Retailing, when they have a store, and in Manufacturing when they have no store.