

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

(1) Inquiry to the Statistics Commission Regarding the Revision of the Japan Standard Industrial Classification

Office of Director-General for Policy Planning (Statistical Standards)

Ministry of Internal Affairs and Communications

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Chair of the Statistics Commission

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Inquiry No. 172

Changes to the Japan Standard Industrial Classification (Inquiry)

The opinion of the Statistics Commission is hereby requested in accordance with the provisions of Article 28, Paragraph 2 of the Statistics Act (Act No. 53 of 2007), in changing the Statistical Standards specified in Article 2, Paragraph 9 of the same Act as indicated in the Attachment.

(2) Statistics Commission Report

Statistics Commission
Document No. 9
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Chair of the Statistics Commission

Report to Inquiry No. 172
Re: Changes to the Japan Standard Industrial Classification

The Statistics Commission hereby reports on the conclusions obtained based on deliberating on changes to the Japan Standard Industrial Classification.

1. Suitability of changes

The proposed revisions to the Japan Standard Industrial Classification (JSIC), which have been referred to the Commission for deliberation, are largely appropriate in content. It is appropriate, however, that they should be as described in the attached sheet after further amendment based on the reasons contained in Item 2 below.

For the next revision (the 15th revision), it is also necessary to address the issues indicated in Item 3.

2. Rationale for the Revision and the Revisions Based Thereon

(1) Matters Related to the General Rules

The matters related to the General Rules, which were referred to the Commission for deliberation, are largely appropriate. However, with respect to the matters listed below, necessary revisions should be made.

(a) Section 2: Definition of Establishment

Additional item (9) in the Definition of Establishment, which was referred to the Commission for deliberation, was considered with respect to the matters listed as specific measures to be taken over the next five years in the attached table for the Master Plan Concerning the Development of Official Statistics (hereinafter referred to as the “Master

Plan for Official Statistics Phase III”, decided at the Cabinet meeting on June 2, 2020). Corporations or similar whose facilities, etc. as an establishment are difficult to easily identify from external appearances but which are profitable can be treated as establishments and included therein, and this definition is largely appropriate, but additional item (9) should be written as follows by adding the notion of location to the proposed revision.

(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.

(b) Section 3: Classification Criteria

The proposed revisions have not changed the classification system extensively, but the descriptions of the Classification Criteria have been clarified, and in addition, the order of descriptions has been changed by referring to the descriptions of international classifications. Based on the supplementary explanations by the Ministry of Internal Affairs and Communications (MIC), the purpose of this change to the order of descriptions can be summarized as follows:

- The Classification Criteria of the current Japan Standard Industrial Classification describe the standards of the demand side first, but the intention is not to emphasize the standards of the demand side. In addition, the intention behind the order of descriptions in JSIC’s Classification Criteria has thus far not been clearly stated.
- In considering the proposed revisions, the Commission held discussions while taking into consideration the matters pointed out in the report submitted when JSIC was previously revised (the 13th revision), items examined in the Master Plan for Official Statistics Phase III, comments by experts who pointed out that the notions of the demand side were mixed with those of the supply side, and so forth.
- As a result, since the Product Classification, which is the classification of the demand side, has already been prepared, the Commission decided to change the order of descriptions in the Classification Criteria and to write the standards of the supply side first in the recent proposed revisions in order to clarify the positioning of JSIC from the viewpoint of the supply side.
- As described above, the new order of descriptions in the Classification Criteria is intended to reorganize the current Classification Criteria; therefore, it is not intended to change the classification system.

The change of the Classification Criteria and the rationale for said change, referred to the Commission for deliberation, are consistent with the descriptions of international classifications, and in the current JSIC, there are a certain number of items, etc. that are classified according to the standards of the supply side, so for these reasons, the change and the rationale, including the clarification of descriptions, are largely appropriate.

In order to have users understand the purpose of this change to the order of descriptions, however, MIC should publish an easy-to-understand explanation of said purpose on its website and other sites in conjunction with the new revision of JSIC.

In addition, the additional description should be as specified below so that it is understood that the classification items of JSIC may also be used for purposes other than statistical surveys.

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.

(c) Section 4: Composition of Classifications

Along with the changes to JSIC, the Commission discussed the Composition of Classifications.

The described number of classification items in each classification is the result obtained by summing the number of items in each classification after the revision, and it is difficult to explain that these numbers are part of the General Rules; for this reason, it is appropriate to delete them from the Section. The number of items in each classification should be published on the website and other sites for reference.

The description in the main text should summarize the whole as follows:

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.

(d) Section 5: Unit Applied to Classifications

Along with the changes to JSIC, the Commission discussed the Unit Applied to Classifications.

If JSIC is applied to enterprises, etc., it is appropriate to describe the Unit Applied to Classifications as specified below from the viewpoint of making it easy to understand.

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.

(2) Matters Related to Classification Items

(a) The newly established classification items and the reorganized classification items in the table of classification items referred to the Commission for deliberation are appropriate because each satisfies the quantitative standards for establishing new classification items and because they respond to changes in industrial trends and to system revisions. However, the names of the classification items listed below should be amended.

(i) Industry: “Food supers” (abbreviation for “Supermarkets”)

The industry should be called “Food supermarkets” instead of “Food super” because it is considered appropriate to use the official name “Supermarket” for the classification item.

(ii) Reorganization of Major Group 56

Since it is considered appropriate to use the official name “Supermarket” for the classification item, “General merchandise supermarkets” should be used instead of “General merchandise supers” for both the Group and Industry.

Also, it is difficult to say that the term “One-price” of the Group and Industry “One-price stores” is in common use in the Japanese language, so taking this fact into account, “Uniform-price stores” should be used for both classifications instead of “One-price stores”.

(b) The changes of classification item names are appropriate because the changes have been made from the viewpoint of indicating the industries covered by the classification item names in a more appropriate way.

(3) Matters to Note When Applying JSIC

Along with the changes to JSIC, the Commission discussed matters to note when applying JSIC. It is appropriate to indicate matters to note when applying JSIC to the compilation of public statistics as follows:

(a) The period during which JSIC is applied

(b) In applying JSIC, it is permissible to use only some of the classification items in the classification table; in addition, the classification items immediately below those in the classification table except Divisions may be subdivided, and some classification items that belong to a classification item immediately above them may be combined.

Note that depending on the purpose of production of public statistics, to the extent that the classification system is not impaired, classification items may be indicated together.

(4) Response to the Matters Pointed Out in the Previous Report (13th revision) of the Statistics Commission

As a response to the issues pointed out for consideration in the previous report (13th revision) of the Statistics Commission, the proposed revisions are largely appropriate. However, the handling of “nonstore retailers” and “establishments engaged in administrative or ancillary economic activities” should be as described in Section 3 “Future Challenges”.

(5) Response to the Challenges in the Master Plan for Official Statistics Phase III

Among the challenges in the Master Plan for Official Statistics Phase III, the response related to the reorganization of corporations or similar that do not have full-time workers, etc. should be as described in 2. (1) (a) above, and this is appropriate.

In considering the challenges of shifting to the SUT system from the viewpoint of similarities in production technology, the proposed revisions sorted these challenges out by reorganizing the concepts of manufacturing and several other industries as well as making trials from the viewpoint of similarities in production technology, and this response is largely appropriate. However, these challenges should continue to be considered as described in Section 3 “Future Challenges”.

3. Future Challenges

The Commission recently discussed the changes to the Japan Standard Industrial Classification and made necessary revisions to the proposed revisions referred to it for deliberation. However, the Master Plan Concerning the Development of Official Statistics (decided at the Cabinet meeting on March 28, 2023) makes the point that, “From the viewpoint of continuously providing users of statistics, etc. with appropriate and comparable statistics that address the situations of society and the economy as well as of reporters, establishing and revising statistical standards, etc. are important as a measure to be taken for the future of statistical administration. It is necessary to conduct such establishment and revision periodically in line with changes in the times while taking into consideration the timing of large-scale surveys”, and based on this, from the viewpoint of grasping changes in economic structures appropriately in a timely manner in the future, it is necessary to give ongoing consideration to reviewing the statistical standards, etc. on a continuous basis.

Taking the above point into account, it is necessary to address the issues listed below for the next revision (the 15th revision).

(1) Common Challenges

(i) Continuous consideration

Ongoing efforts should be made for improvement on a continuous basis from the viewpoint of grasping changes in economic structures appropriately in a timely manner while taking into account the respective positions of users, the people who benefit from policies, and policymakers. Measures to set new, important industries as quickly as possible while responding to the detailed challenges described hereinafter should also be considered. However, the balance between the costs incurred by retroacting as the result of revision and the benefits gained by doing so should be taken into consideration.

(ii) Improvement of comparability with international classifications

When considering establishing new classification items and reviewing the classification system, in order to make international comparison possible to the maximum extent, it is useful to make them as similar to those of international classifications as possible, but in this process, which classification items are suitable for the future of Japan should continue

to be considered based on the assumption that international classifications shall be applied to each country.

(iii) Review of the classification items and the classification system

- In addition to uniform quantitative standards, trends in relevant industries such as whether they are growing or declining should be confirmed while grasping the granularity of related classification items, and at the same time, the establishment of new classification items, the consolidation thereof, and so forth should be considered while taking into account their social importance and institutional necessity.
- When establishing new classification items for subdivision, it is important to examine benefits and costs. While subdivision makes it easy to obtain a more proper grasp of actual economic conditions, it also puts heavy pressure on the respondents; therefore, full consideration should be given to the balance between the two, including confirmation of prospects for the effective use of such classification items.
- In some sectors, there is an imbalance among the Industries because their granularity differs. Some Industries, retailers and restaurants in particular, are set too minutely, and in addition, since the standards for establishing classification items are unclear, they should be considered in order to realize a desirable classification system while taking into account the progress in considering reviewing them from the viewpoint of similarities in production technology. Moreover, if particular classification items occupy a certain percentage, reviewing the classification items immediately below them should be considered.

(iv) Review from the viewpoint of similarities in production technology

The Task Team on JSIC sorted out the challenges after reorganizing the concepts of manufacturing and several other industries as well as conducting qualitative trials from the viewpoint of applying similarities in production technology. In the future, the results of consideration obtained thus far should be reviewed in order to apply them to the classification system and classification items.

(v) Dealing with transactions between administrative or ancillary economic activities and establishments in the same enterprise

JSIC differs from the International Standard Industrial Classification and the North American Industry Classification System in that it sets classification items for the head office and other establishments engaged in managerial operations in each Major Group. How this can be reviewed appropriately should be considered mainly from the viewpoint of ensuring consistency with these international systems.

(2) Detailed Challenges

(i) Review of the Major Group “Services Incidental to Internet”

The change of the Major Group “Services Incidental to Internet” in Division G: Information and Communications in the 14th revision consisted mainly of illustrating its content, but the nature of the Major Group should continue to be considered by taking into

account factors such as the future results of consideration of international classifications and changes in the economic and social environment.

(ii) Dealing with digital industries

Since digital industries and DX are expected to grow, their positioning and relationships with the information and communications industries as well as the manufacturing, wholesaling, retailing, financial, insurance, and other industries should be considered while taking their relationships with the Product Classification into consideration.

(iii) Dealing with nonstore retailers

The current JSIC cannot grasp business operators engaged in both Internet sales and nonstore sales; therefore, the nature of the Major Group “Nonstore Retailers” in Division I: Wholesale and Retail Trade should continue to be considered by taking into account factors such as future trends in international classifications and changes in the economic and social environment.

(iv) Setting of Industries for power generation businesses by power source type

In the 14th revision, new classification items were set for power generation businesses as the result of revisions to laws. Meanwhile, from the viewpoint of improving economic statistics, setting Industries for businesses by power source type should continue to be considered based on the supply side’s point of view.

(v) Setting of new items for 3PL services

In the 14th revision, it was difficult to position 3PL (third-party logistics) services as a particular industry by defining it in a unified manner because it was difficult to grasp its actual conditions as well as because it encompasses diverse forms of business. Meanwhile, the Product Classification defines 3PL services as an industry. How 3PL services can be positioned should be considered by taking this situation into account.

(vi) Dealing with fabless enterprises

For the fifth revision of the International Standard Industrial Classification, classifying fabless enterprises as a manufacturing industry is under consideration if such enterprises have intellectual property rights related to product planning and design in manufacturing. For this reason, how to ensure consistency should be considered by taking into account factors such as the results of such consideration and changes in the economic and social environment.