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*Data Collection and Classification*  
*concerning Information, Telecommunication*  
*and Leasing Services in Japan*

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Data collection and classification concerning information, telecommunication and leasing services in Japan

1 Introduction

1-1 Increasing interest in CPC

Interest in CPC has been relatively low in Japan as there has been the "Standard Commodity Classification for Japan (JSCC)" \* as the statistical classification concerning goods and the "Standard Industrial Classification for Japan (JSIC)" \*\* which has been used as the statistical classification concerning services.

\* JSCC has been compiled as the statistical standard of which role is to indicate results of statistical surveys by commodities. Such an important census and survey as "Census of Manufacture" and "Current Survey of Production" have been aggregated and released according to JSCC.

Classification items of JSCC are as follows. Each basic item of JSCC is attached with corresponding item number of HS as possible.

sections	divisions	groups	classes	subclasses
10	97	678	3,634	11,400
6-digit figures	7-digit figures	8-digit figures	9-digit figures	10-digit figures
13,757	6,198	768	172	13

\*\* JSIC is one of the most popular statistical classification in Japan (number of classification items are as follows). For instance, such censuses and surveys concerning service industries have been aggregated and released according to JSIC: Establishment Census - the basic survey concerning economic activities of establishment, Survey on Service Industries - the basic statistical survey concerning service industries.

sections	divisions	groups	classes
14	99	463	1,324

## 1-2 Agreement of Government Procurement and CPC

However, interest of ministries and agencies in CPC is gradually increasing because 1993 SNA recommended to adopt CPC in transaction of goods and services and CPC becomes to be invoked in the official agreements among governments such as "GATT Uruguay round".

Many questions raised by ministries and agencies concerning negotiations of GATT Uruguay round and "Agreement of Government Procurement". The Agreement came into effect in January 1996 and 23 countries participate in it. It recognizes principles of the national treatment and non-discrimination and recommends participating countries to improve procedures of government's procurement. It stipulates the extent of services, which each countries should improve their procedure of the government procurement, by the CPC classification.

Relatively most of questionable items are not written clearly in the names of items of CPC classification. However, answers can be found easily using the code-converter between CPC and ISIC attached to the CPC Manual. And the part of question was due to the people's misunderstanding that CPC is the statistical classification of establishments which provides services ( like industrial classification ).

Anyway, there would be some needs for comprehensive materials of CPC, as CPC begins to be used more widely including the non-statistical use.

### Examples of questions raised by ministries and agencies

#### (1) CPC-6112 Maintenance and repair services of motor vehicles

(Q) Are these services of the maintenance and repair of a tank, an armored motorcar, a personnel transport car included in CPC-6112 ?

#### (2) CPC-752 Telecommunications services

(Q) Are these services of receiving news by facsimile etc. included in CPC-752 ? Private network services using the telecommunication circuit and satellite circuit are included this item ?

#### (3) CPC-84 Computer and related services

CPC-886 Repair services incidental to metal products, machinery and equipment

(Q) In which items is a service of the maintenance and repair of a copy machine included ?

#### (4) CPC-886 Repair services incidental to metal products, machinery and equipment

(Q) Are things as follows included in CPC-886 ?

- Repair of weapons, warships, repair of planes
- Repair of radar devices, wireless installations, sonars loaded in weapons warships and planes
- Technical support concerning repair and remodeling of weapons, warships, planes

(5) CPC-9405 Noise abatement services

CPC-9406 Nature and landscape protection services

CPC-9409 Other environmental protection services

(Q) In which JSIC items are these services classified ?

### 1-3 Discussion in the Statistics Council

In last June, the Working Group of Statistical classification of the Statistics Council of Japan discussed the tentative CPC and the revised draft of CPC by the Voorburg group. Most of members highly appreciated the experience of CPC by the reasons as follows;

- a. CPC firstly classified services by activity
- b. CPC provides detailed service-category by kind of service products, although the industrial classification provides rough category by kind of industry
- c. CPC was compiled lately in 1989 ( the tentative version ) and positively covers new services appeared in the field such as the information and telecommunication service.

### 2 Classification of information services

There appears new services concerning information services and telecommunications services due to the remarkable advance of technology and the fusion of technology. This makes it difficult for us to set the statistical classifications which covers all of new services and to classify them into the current statistical classification items.

The followings are the explanation of the current structure of statistical classifications and the outline of statistical surveys ( including some data ) in Japan and some questions about CPC classifications.

## 2-1 Classifications concerning information services

Classifications concerning information services in JSIC, which is the basic statistical classification used in Japanese statistical surveys, are as follows;

- 821 Computer programming and other software services
  - 8211 Custom software services
  - 8212 Package software services
- 822 Data processing and information services
  - 8221 Data processing services
  - 8222 Research and information services, except marketing or opinion research services
  - 8229 Miscellaneous information services

## 2-2 Statistical surveys in Japan concerning information services

Basic statistical surveys in Japan concerning information services are "Establishment Census", "Survey on Service Industries" both by Management and Coordination Agency and "Survey of Selected Service Industry" by Ministry of International Trade and Industry.

### 2-2-(1) Establishment Census

Establishment Census is the basic statistical survey concerning economic activities of establishments in Japan. The number of its samples covers the whole establishments ( about 6,750,000 ). The Census surveys establishments' name, location, management organization, number of persons engaged, amount of capital or funds, kinds of activities etc..

The results of the Census are also used effectively as the basic frame of various kinds of sampling survey in economic fields.

The results of Census are shown by the district, industrial group and size. The industrial group is shown by groups ( 3-digit. partly by classes ( 4-digit) ) of JSIC.

Establishment Census is carried out almost every five years and during the period a simplified survey is also done ( "Establishment Directory Maintenance Survey" ). The result of the 1994 Establishment Directory Maintenance Survey is the newest one. The outline of the part of the information service at the 1994 Survey is as follows ;

Table 1. The result of the 1994 Establishment Directory Maintenance Survey concerning information services

Classification items	The number of establishments	The number of persons engaged
821 Computer programming and other software services *	11,338	382,903
8211 Custom software services	—	—
8212 Package software services	—	—
822 Data processing and information services	7,719	224,325
8221 Data processing services	4,915	174,548
8222 Research and information services except marketing or opinion researches	1,534	28,640
8229 Miscellaneous information services	1,270	21,137

\* The data of the software services are shown only by groups ( 3-digit ).

## 2-2-(2) Survey on Service Industries

Survey on Service Industries is to obtain basic data for planning various administrative measures by investigating not only fundamental structure of service establishments in Japan such as industry, size of establishments etc. but also their activity status at national and regional levels. This survey is carried out for establishments ( about 350,000 ) belonging "Sections L Services" of JSIC ( Establishments of more than 100 persons engaged are done by a complete count survey and less is done by a sampling survey ).

Survey items are its name, location, management organization, capital, regular employees and business income, kinds of establishments, income source, receiver of services, the total amount of working expenses and payroll, investment price of accommodations, business hours, regular holidays etc..

Survey on Service Industries has been carried out every five years since 1989. However, the result of the newest 1994 Survey on Service Industries has not been published yet.

Concerning information services, the outline of results of 1989 Survey is as follows. However, the industrial classification below is before revision of JSIC in October 1993 and differs from the current classification system.

Table 2. Results of 1989 Survey on service industries concerning income and expenditure

( million yen )

Classification items	Number of establishments	Income	Expenditure	Salary payment
Information services	14,286	5,655,806	4,997,268	1,799,563
Computer programming and other software services	7,908	3,248,022	2,852,321	1,059,591
Data processing services	3,809	1,771,416	1,570,444	552,045
Research and information services, except marketing or opinion research services	1,343	292,736	267,754	68,965
Miscellaneous information services	1,227	343,632	306,748	118,963

#### 2-2-(3) Survey of Selected Service Industries

The main purposes of this survey are to research the activities and the current business situation regarding service industries and to obtain basic data which are necessary for the planning, the management and the administration of service industries.

In service industries, three industries - Good Rental & Leasing, Information services, Advertising are surveyed every year as the basic industries. And the rests of service industries are surveyed by turns every year.

The Survey concerning information services covers the whole establishments ( 7,050 ) and surveys its name, location, legal organization, value of capital, number of persons engaged, yearly sales value, percentage of sales by industry, percentage of sales by business type, tangible fixed assets acquired for business, business expenses etc..

The Survey which was carried out in October 1993 is the newest one as the released version.

At the Survey, kinds of information service and their examples are distinguished as follows;

Kinds of service		Examples of contents
On-line Processing Services	VAN(Value-Added Network)	Network service as format conversion, protocol conversion and mail box facilities, which are provided in connection with data processing service, such as payroll calculation inventory management and sales management. Usually, these services are provided through communication circuit of the Common Carrier. ( Type 1 telecommunication carriers )
	Caluculation services by the order	On-line processing exept VAN.
Off-line Processing Services ( Batch caluculation services by acceptance of order)		Data processing service which stock a certain quantity of data in the transaction media such as cards, tapes, disks for a certain time and process these collectively.
Couston Software		Custom-made software which is newly developed according to the order of specific users
Software Products		Semi-custom-made or ready-made software which is newly developed, intending for un-specific users. It is usually called "soft-ware products", "multipurpose products", "software package" or "package program" etc..
Data Entry Services		Services for entering data onto recording media of computers.
Machine time sales		Computer rental service by time.

(continued)



Kinds of service		Examples of contents
Management and Operation of Computer system		Contracted services which manage and operate the users' data processing system and computer system. Machine operators or key punch operators are disptced to users.
Data Base Service	On-line	Services which provides data through communication circuit.
	Off-line	Services which provides data by package media such as paper, tape, etc..
Verious Researches	Marketing Research	Services which collect individual data from civilians, consumers and enterprises, process them statistically and provide them as the general estimation.
	Other Research	Services such as surveys of public opinion, think-tank services
Others		Advices concerning information services, a short training course, education training, dispatch services of workers

The aggregated number of establishments and yearly sales value by kinds of services are as follows;

Table 3. Results of 1993 Survey of Selected Service Industries

( sales value; million yen )

Kinds of services		The aggregated number of establishments	The yearly sales value
On-line Processing Services		943	674,378
	VAN(Value-Added Network)	282	217,204
	Calculation service by order	822	457,675
Software development and programing		4,887	3,813,287
	Coustom Software	4,544	3,274,518
	Software Products	1,422	538,770
Data Entry Services		1,403	191,396
Machine time sales		240	43,251
Management & Operations on Commission		1,124	359,384
Data base Srevice		379	211,208
	On-line	234	164,370
	Off-line	231	47,138
Various Researches		712	248,421
	Marketing Research	429	115,618
	Other Research	488	132,302
Others		1,924	639,162

The connection between classification of kinds of services in the Survey of Selected Service Industries and the CPC revised draft is as follows;

Survey of Selected Service Industries	1995 CPC revised draft
On-line Processing Services ----- (VAN, Calculation services by order)	( 843 Computer processing services ) -> 8431 Data processing and tabulation services
Off-line Processing Services -----	( 842 Computer consultancy and management services )
Custom Software -----	-> 8422 Software consultancy services ( 841 Packaged software products )
Software Products -----	-> 8411 Systems and user tools software -> 8412 Application software ( 843 Computer processing services )
Data Entry Services -----	-> 8432 Data entry services
Machine time sales -----	-> 8439 Other computer processing services ( 842 Computer consultancy and management services )
Management and Operation of System -----	-> 8422 Software consultancy services -> 8423 Computer facilities management services -> 8424 Systems maintenance services ( 877 Information retrieval and supply services )
Data base service( on-line,off-line )-----	-> 8771 Data base services
Various Researches -----	-> 864 Market research and public opinion polling
Others -----	-> 849 Other computer services

## 2-3 Questions of classification concerning information services

The Survey of Selected Service Industry shows figures concerning VAN as one of the on-line processing services.

VAN provides such services as follows mixedly, contracting with a "common carrier" to use their circuit ;

- a. Basic communication services ( conversion facility )
- b. Additional services ( such as code conversion, format conversion, protocol conversion and media conversion, network management facility )
- c. information services, information processing services

VAN has been used for building up networks between enterprises ( for example, network between the head office, subsidiary bodies or affiliates and customers ) and for cutting down communication costs. In Japan, hundreds of enterprise have started the VAN service business not only domestic services but international ones since the deregulation of the telecommunication service in 1985.

However, in Japan, how to classify the VAN service in the government statistics is rather controversial matter ( in particular, at the work of the revision of JSIC ), as VAN includes both type of service, the information service and the telecommunication service ( and some additional services ).

Although "8431 data processing and tabulation services", "8771 data base services", "7523 private network services" and "75293 value-added services" in the CPC revised draft partly coincide with the concept of VAN , it is rather difficult for the statistical survey in Japan to grasp figures on these services independently.

The other point is the treatment of the custom-made software. In the CPC revised draft, "8212 package software services" is listed independently as classes, while these softwares which are developed by the order of the specific user seem to be wholly classified to "8422 software consultancy services", and the items like "Systems analysis services", "Systems design services" and "Programming services" in the povisional CPC have been eliminated.

However, in developing the custom-made software, it seems rather usual for users to contract with the venders to develop the custom-made software by venders themtselves, not to expect only their advice.

3-1 Classification and statistics data concerning communication services

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Domestic Communications Carriers		Mobile Communications Carriers	
NTT	NCCs	NTT Mobile Communications Network, Inc.	NCCs
Starting Dates	Services	Starting Dates	Services
6/76 1/77 8/80 8/81 2/83 8/83 6/84 1/85	Touch Dialing Service Automatic Answering and Message Service Public Facsimile Service Rate Discounts for Sundays and Holidays No-ringing service Collect Call Service Credit Call Contract Call Forwarding Service	12/79  3/81	Mobile Phone Service  Dial Lock Service
4/85 9/85 11/85 12/85 7/86  11/86 7/87 8/88 7/89 12/89 3/90 6/90 7/91  4/92 11/93 11/93 11/93 2/94 8/94 8/94 8/94	Teleconferencing Service Duplex Number Service Direct Dial-In Service Free Dial "0120" Service Rate Discounts for Saturdays  Message Dialing Service Optional Service to Free Dial Off-Talk Communication Service Dial Q <sup>2</sup> Service Abbreviated Dialing Service Rate Discounts for Late-night Volume Reduction Plan for Free Dial Voice Storage Service  Discount Services with Fixed Monthly Charge for Nighttime, Weekends and Holidays (Telegout) Mass Information Service (Teledome) Telephone Polling Service (Telegong) Monthly Toll-call Charge Discount Service (Telewise) Virtual Private Network Service (Members-Net) Nuisance Call Reject Service (Malicious Call Block Service) Monthly Toll-call Charge Discount per Line Group (Telewise-Wide)	9/85     4/87 5/88  2/89 3/90 7/90  3/92 3/93	Shoulder Phone Service     Portable Phone Service Privacy Protection Service  Call Transfer Service Discount Rates for Calls between Night and Early Morning (from 11pm to 8am) Call-waiting Service  Call Charge Display Answering Phone Service
	9/87 Free Dial Service		
	2/91 Credit Call Service 2/91 Collect Call Service 7-8 Discount Services with Fixed /92 Monthly Charge for Nighttime, Weekends and Holidays		12/89 Answering Phone Service 3/90 Discount Rates for Calls between Night and Early Morning
	12/93 Discount Services with a ~1/94 Fixed Monthly Charges Regardless of Calling Hours and Date 8/94 Discount Services with a Fixed Monthly Charges for Grouped-line Unit Regardless of Calling Hours and Date 11-12 Discount Services for Specified Destination /94	4/54 Monthly Discount Rates for Calls Service ("DON DON Call") 4/94 Charge Select System 6/94 Time Limitation Service ("DoNichiyō") 11/94 Discount Services with a Fixed Monthly Charges for Grouped-line Unit	4/92 Monthly Discount Rates for Calls Service 10/92 Privacy Protection Service   4/94 Charge Select System  12/94 Monthly Discount Rates (Fixed Rates) for Calls Service

Classifications concerning telecommunication services in JSIC are as follows. Basically, the classification is rather simple one by paying attention to territories of the administration by Minister of Posts and Telecommunications rather than to classification of kinds of services.

47 Telecommunications

471 Domestic telecommunications, except wire broadcast telephones

4711 Domestic telephones, except mobile communications

4712 Domestic leased circuits

4713 Mobile communications

4719 Miscellaneous domestic telecommunications

472 International telecommunications

4721 International telecommunications

473 Wire broadcast telephones

4731 Wire broadcast telephones

474 Services incidental to telecommunications

4741 Services incidental to telecommunications

According to the "Telecommunication Service Law", every enterprise which provides telecommunication services should get the Minister's permission as the Type 1 telecommunications carriers ( Common Carrier; they have their own telecommunication circuit ) or should report their business to the Minister as the Type 2 telecommunications carriers ( they offer services by leasing the telecommunication circuit facilities from the Type 1 telecommunications carriers ). Both the type 1 and type 2 telecommunications carriers should submit their business reports periodically to the Ministry.

Therefore, statistical data concerning the telecommunication services basically and mainly depend on the administrative records derived from the business reports submitted to the regulating agency.

3-2 The division of services at the Survey of Telecommunication Industry

Ministry of Posts and Telecommunications recognized the importance of telecommunication industry and carried out the "Survey of Telecommunication Industry" in July 1994. Its objects are telecommunications, commercial broadcasts and cable televisions. The Survey plans to be carried every year. The Survey items are the condition of the business operation, the financial affair, the employment and the prospects of business.

737 telecommunications carriers were surveyed by the mail and 423 answered (the percentage of collection is 71.5%). The current condition of sales value by the kind of telecommunication services cleared by the result of the survey are as follows.

Table 5. Results of 1993 Survey of Telecommunication Industrys

( sales; million yen )

	Telecommunications carriers			
	total	Type 1 carriers	Special Type 2 carriers	General Type 2 carriers
Number of Carriers	403	77	8	241
Total sales	8,060,294	7,639,917	294,774	125,603
Telephone	5,242,204	5,242,204	—	—
Leased Circuit	587,675	587,675	—	—
Mobile Communication	883,641	883,641	—	—
Telegram	67,947	67,947	—	—
Internal Telephone	26,682	—	12,759	13,923
Circuit Switching	4,573	73	2,917	1,583
Packet Switching	89,649	58,793	24,355	6,501
Resales of Circuit	92,998	—	68,999	23,999
Facsimile	3,206	—	2,218	988
EDI	47,173	—	43,047	4,126
Electronic Mail	4,156	—	3,141	1,015
PC Communication	16,585	—	9,559	7,026
TV Conference	113	—	—	13
Videotex	1,479	—	—	1,479
Voice Mail	1,018	—	—	1,018
File Transfer	5,049	—	2,927	2,122
ON-line Database	2,656	—	2,554	15,938
Remote Computing	8,306	155	2,357	5,794
Others	959,348	799,429	119,941	39,978

### 3-3 Questions of classification concerning telecommunication services

Basically, classification of telecommunication services indicated in CPC should be highly appreciated as the epochmaking classification. However, as there begins to provide new services one after another in this field, there also appears services which are difficult to answer how they should be classified even after examining tables of CPC classification and its explanatory sentences.

Classifications concerning telecommunication services in JSIC are as follows. Basically, the classification is rather simple one by paying attention to territories of the administration by the Ministry of Posts and Telecommunications rather than to classification of kinds of services.

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4713 Mobile communications

4719 Miscellaneous domestic telecommunications

472 International telecommunications

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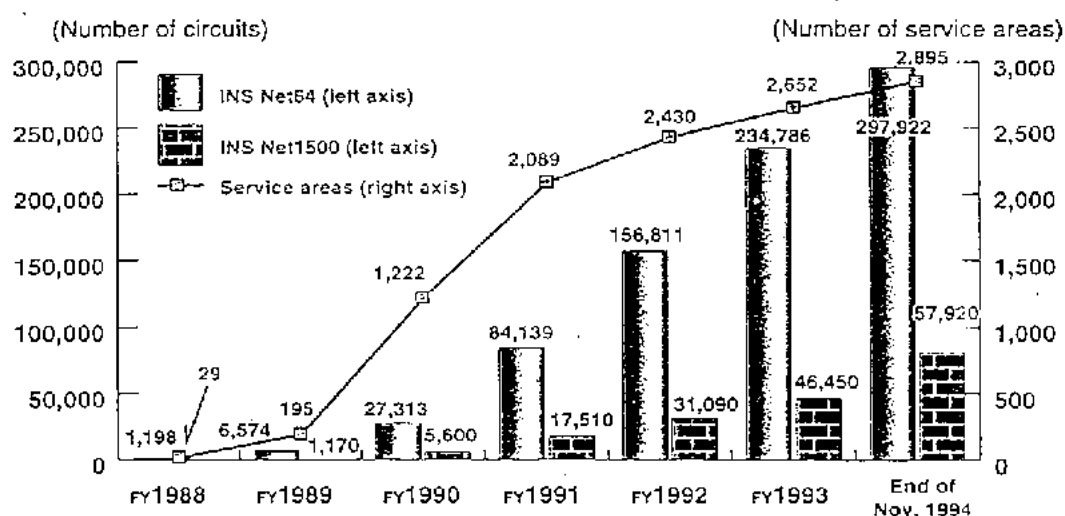
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Most of all, ISDN ( Integrated Services Digital Network, high-speed communication network which sends high-quality voices, facsimile, data, pictures massively and economically as one of the public services provided by the digital network ) is rapidly expanding its services not only in Japan but in other countries.

ISDN may be classified to "7522 Business network services" in the revised draft CPC, however, ISDN sends not only data but every kind of information. And its service should be easily distinguished from other telecommunication services. Therefore, the possibility would be discussed, as "special item established" or "explanation cleared" for ISDN.

#### ISDN diffusion (NTT)



#### 4 CPC classification concerning leasing and rental

##### 4-1 Definition of leasing and rental

The trend of the fixed capital investment of enterprises have changed and importance of leasing and rental is increasing. Under these circumstances, 1993 SNA in addition to ISIC and CPC recommends to distinguish the financial leasing service and the operational leasing services, and the financial leasing service should be included to the financial intermediation service.

However, the explanation of the concept and definition to distinguish the financial leasing service and the operational leasing service seems not to be so clear for us in the current classifications.

CPC-8112 Financial Leasing Services : Leasing services where the term approximately covers the expected life of the asset and the lessee acquires substantially all the benefits of its use and takes all the risks associated with its ownership.

Some examples of the explanation about the leasing and rental services in Japan is as follows ;

A example of definition ( No.1 )

	Leasing	Rental *
Objectives	every kind of machine and equipment	limited to general-purpose machines( cars, construction machines etc. )
Contract term	long term ( more than 2 years )	short term ( time, day )
Leaseholder	limited( mainly enterprises )	unlimited( enterprises, individuals )
Management responsibility of objectives	leaseholder	lessor

\* It is generally considered that the word of "leasing" in Japanese is equivalent to the financial leasing and that of "rental" is equivalent to the operational leasing.

A example of definition ( No.2 )

Financial leasing	Operatioanl leasing
Financial leasing is the contract that a leasing company is responsible all costs i.e. price of leasing objects, interest, tax, insurance premium etc., and the leaseholder is banned to cancel leasing contract during its term.	Operatioanl leasing is one except financial leasing. It is characterized that the leaseholder can cancel leasing during its term.
	Generally leasing objectives of operational leasing are highly general-purpose items. leasing objectives returned from lessors are usually leased to another lessors or sold at the market. Generally, a leasing company provides services as maintenance, repair, inspection, tune-up etc., in order to maintain the value of objects.

There is no distinction between the financial leasing and the operational leasing in JSIC ( "Goods rental and leasing" included in Service section ). They are distinguished only by kinds of objective goods.

### 3-2 Survey of Selected Services Industry

Survey of Selected Services Industry annually surveys "goods rental and leasing".

The survey (In 1994 Survey, it surveyed 3450 establishments which provide rental and leasing service) defines leasing as follows and distinguishes it from other rental services.

- leasing has two conditions: during the contract term
- a. the term of object use is more than one year
  - b. It is not allowed that the contract can be canceled anytime during the contract term

Table 6. Results of 1993 Survey of Selected Services Industry

( sales ; million yen )

number of establishments	3,411
number of person engaged	63,429
sales in the year	8,294,194
leasing	6,713,309
rental	1,580,885
amount of contract of leasing	7,280,526

	Contract of leasing	Sales of rental
Industrial Machinery	1,087,759	12,382
Machine Tools	279,288	6,611
Construction Machinery	166,415	891,849
Medical Instruments	207,910	1,087
Transportation Vehicles & Equipment	381,669	38,413
Cars	296,956	25,757
Others	84,712	12,656
Commercial Machines & Equipment	936,329	20,641
Information-Related Machines & Equipment	3,108,746	376,310
Computers & Related Machines	2,712,628	360,310
Communications Equipment	396,118	16,063
Office Machines & Equipment	652,176	165,099
Others	460,236	68,420

It might be said that a little more operational definition for operating statistical surveys is expected at the international classifications.