

Rules for Category I Designated Telecommunications Facilities Interconnection Accounting

(Ordinance of the Ministry of Posts and Telecommunications No. 91 – December 19, 1997)

Latest Revision:

Ordinance of the Ministry of Internal Affairs and Communications No. 27 – March 21, 2008

Rules for Designated Telecommunications Facilities Interconnection Accounting shall be stipulated herein pursuant to the provisions of Article 38-2 paragraph (9) of the Telecommunications Business Act (Act No. 86 of 1984).

Chapter I General Provisions (Article 1–Article 6)

Chapter II Assets, and Expenses and Revenue (Article 7–Article 9)

Chapter III Publication, Etc. of Interconnection Accounting Report, Etc. (Article 10–Article 12)

Supplementary Provisions

Chapter I General Provisions

Article 1 (Purpose)

The purpose of this Ministerial Ordinance is to specify the method of keeping accounts for interconnection with Category I designated telecommunications facilities as well as to clarify the status of revenue and expenditures for said interconnection and other matters, and thereby contribute to proper calculation of interconnection charges.

Article 2 (Terms)

(1) The meanings of the terms used in this Ministerial Ordinance shall be in accordance with those of the terms used in the Telecommunications Business Act (hereinafter referred to as “the Act”) and the Rules for Telecommunications Business Accounting (Ordinance of the Ministry of Posts and Telecommunications No. 26 of 1985).

(2) The construction of the provisions of this Ministerial Ordinance shall be in accordance with the following definitions.

(i) The term “Category I designated telecommunications facilities management department” means a unit of account established in order to keep accounts of assets and expenses required for Category I designated telecommunications facilities and their management and operation (referring to activities, such as development,

planning, installation, operation, maintenance, and removal, and their ancillary activities; hereinafter the same shall apply), and the revenue related to interconnection with said facilities and provision of said facilities.

(ii) The term “Category I designated telecommunications facilities usage department” means a unit of account established in order to keep accounts of assets and expenses required for activities for telecommunications business, including sales of telecommunications services, (except Category I designated telecommunications facilities and their management and operation), and the revenue related to said activities.

(iii) The term “support facilities” means a subsidiary department to keep accounts of assets and expenses related to facilities, such as electric power facilities, comprehensive monitoring facilities, and test-conducting facilities, used to support the function of Category I designated telecommunications facilities.

(iv) The term “general management” means a subsidiary department to keep accounts of assets and expenses related to operations at business offices, etc. for a common purpose and activities in the administrative departments, such as a head office.

(v) The term “facilities classifications” means detailed classifications of units of account obtained by classifying telecommunications facilities as belonging to the Category I designated telecommunications facilities management department or the Category I designated telecommunications facilities usage department, respectively, by step or by application, based on the asset items in the Chart of Accounts in Appended Table 1 (except those items from buildings to construction in progress).

Article 3 (Observance Obligation)

(1) Any telecommunications carrier that installs Category I designated telecommunications facilities (hereinafter referred to as “carrier”) shall keep accounts for interconnection with Category I designated telecommunications facilities as specified by this Ministerial Ordinance. However, if there are special grounds, a carrier may obtain, from the Minister for Internal Affairs and Communications, permission to be excluded from the provisions of this Ministerial Ordinance.

(2) With regard to matters that are not specified by this Ministerial Ordinance, a carrier shall observe the Rules for Telecommunications Business Accounting and other accounting principles that are generally accepted as fair and reasonable.

Article 4 (Preparation Etc. of Accounting Standards)

A carrier shall keep accounts for interconnection with Category I designated telecommunications facilities in accordance with the following items.

(i) In addition to establishing proper standards for the classification of capital expenditures and revenue expenditures, a carrier shall institute procedures for accurately calculating assets, and expenses and revenue pursuant to the provisions of this Ministerial Ordinance, and other systems of accounting as well.

(ii) A carrier shall endeavor to accurately recognize expenses directly incurred for each facilities classification.

Article 5 (Classification of Units of Accounting)

(1) A carrier shall properly classify assets, and expenses and revenue related to the telecommunications business, into the Category I designated telecommunications facilities management department and the Category I designated telecommunications facilities usage department to keep accounts.

(2) In the case of the preceding paragraph, a carrier shall keep accounts of transactions, between Category I designated telecommunications facilities management department and Category I designated telecommunications facilities usage department, with regard to the use of Category I designated telecommunications facilities, by the transfer of interconnection charges described in the authorized interconnection tariffs, etc. prescribed in Article 33 paragraph (9) of the Act, which are found to be reasonable to apply to said transactions. However, if said interconnection charges are not specified by authorized interconnection tariffs, etc., the carrier shall keep accounts by the transfer of the amount of money calculated by applying, *mutatis mutandis*, the provisions of Rules for Interconnection Charges (Ordinance of the Ministry of Posts and Telecommunications No. 64 of 2000).

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Article 6 (Accounts, Financial Statements in Interconnection Accounting, Interconnection Accounting Report, and Procedures Manual for Keeping Accounts for Interconnection)

(1) A carrier shall classify accounts in accordance with Appended Table 1, and prepare profit and loss statements in the form of Appended Table 2 and other statements concerning the calculation of accounts pertaining to interconnection (hereinafter referred to as “financial statements in interconnection accounting”), the interconnection accounting report in accordance with Appended Table 3, and the document describing in detail the procedures for keeping accounts of assets, and expenses and revenue, based on which the financial statements in interconnection accounting have been prepared, pursuant to the provisions of this Ministerial Ordinance (hereinafter referred to as “procedures manual for keeping accounts for interconnection” in this Article).

(2) When preparing the financial statements in interconnection accounting as set forth in the preceding paragraph, with regard to items of assets or expenses in the Item column of accounts of Appended Table 1, the carrier shall keep accounts of the items pertaining to optical signal transmission by classifying them for each area

specified by an Ordinance of the Ministry of Internal Affairs and Communications as set forth in Article 33 paragraph (1) of the Act.

(3) With regard to items of assets, or expenses or revenue in the Item column of accounts of Appended Table 1, if it is found that accounting for said items of accounts in more detailed classifications is appropriate, the carrier shall keep accounts in accordance with said detailed classifications.

(4) The amounts for accounts and other matters described in the financial statements in interconnection accounting may be indicated in units of one thousand yen.

Chapter II Assets, and Expenses and Revenue

Article 7 (Keeping of Accounts of Assets)

(1) With regard to assets related to two or more items of accounts in Appended Table 1, accounts shall be kept on the respective items based on proper criteria, such as the proportion of the respective number of lines.

(2) Assets of which accounts have been kept in support facilities and general management shall be made to belong to the Category I designated telecommunications facilities management department or the Category I designated telecommunications facilities usage department based on proper criteria.

Article 8 (Keeping of Accounts of Expenses and Revenue)

(1) With regard to expenses and revenue related to two or more items of accounts in Appended Table 1, accounts shall be kept on the respective items based on proper criteria.

(2) Expenses of which accounts have been kept in support facilities and general management shall be made to belong to the Category I designated telecommunications facilities management department or the Category I designated telecommunications facilities usage department based on the criteria listed in Appended Table 2.

Article 9 (Keeping of Accounts of Expenses in Facilities Classifications)

Out of expenses of which accounts have been kept or made to belong to the respective departments pursuant to the provisions of the preceding Article, those related to the management and operation of telecommunications facilities shall be made to belong to the respective facilities classifications based on proper criteria.

Chapter III Publication, Etc. of Interconnection Accounting Report, Etc.

Article 10 (Publication, Etc. of Interconnection Accounting Report, Etc.)

(1) A carrier shall submit the interconnection accounting report and the procedures manual for keeping accounts for interconnection (hereinafter referred to as “the interconnection accounting report, etc.”) set forth in Article 6 paragraph (1) to the Minister for Internal Affairs and Communications, in writing or by using a

separately specified magnetic disk, within four months from the end of each business year.

(2) A carrier shall maintain a copy of the interconnection accounting report, etc. at its business office (limited to the head office or the branch office registered in the commercial registry) and make it available for public inspection for the period of five years from the date on which the interconnection accounting report, etc. was submitted to the Minister for Internal Affairs and Communications.

(3) A carrier shall publicize a copy of the interconnection accounting report, etc. using an appropriate method, such as issuing a publication.

(4) Notwithstanding the provisions of the preceding two paragraphs, with permission obtained from the Minister for Internal Affairs and Communications, a carrier may withhold part of the interconnection accounting report, etc. from public inspection or publication due to a necessity for business confidentiality.

Article 11 (Certification of Calculation Results)

A carrier shall obtain certification, from a professionally qualified accounting auditor, that the financial statements in interconnection accounting set forth in Article 6 paragraph (1) have been properly prepared pursuant to the provisions of this Ministerial Ordinance.

Article 12 (Keeping of Accounting Records)

A carrier shall keep accounting records, such as books, used to prepare the financial statements in interconnection accounting set forth in Article 6 paragraph (1) for a period of five years from the end of each business year.

Supplementary Provisions

This Ministerial Ordinance shall come into effect as from the date of promulgation and become applicable as from the business year commencing on or after April 1, 1998. However, if designation pursuant to the provisions of Article 38-2 paragraph (1) of the Act is made by the Minister for Internal Affairs and Communications within the course of the business year of a carrier, the accounting concerning interconnection with Category I designated telecommunications facilities pertaining to said designation shall become applicable from the business year commencing on or after the date of said designation.

Supplementary Provisions (Ordinance of the Ministry of Posts and Telecommunications No.3 – January 11, 1999)

This Ministerial Ordinance shall come into effect as from the date of promulgation.

Supplementary Provisions (Ordinance of the Ministry of Posts and Telecommunications No. 60 – September 27, 2000)

Article 1 (Effective Date)

This Ministerial Ordinance shall come into effect as from the effective date of enforcement (January 6, 2001) of the act to amend the Cabinet Act (Act No. 88 of 1999).

Article 2 (Transitional Measures)

(1) Sheets prepared in accordance with the form or the written format prior to the revision pursuant to this Ministerial Ordinance may be used for the time being, even after this Ministerial Ordinance comes into force. In this case, sheets prepared in accordance with the form or the written format prior to the revision may possibly be used after modification.

(2) Postal savings books, postal savings certificates, cards, withdrawal certificates, postal savings principal identifications, postal money order certificates, remittance slips, postal remittance certificates, postal remittance payment notices, and postal life insurance premium receipt books delivered prior to the enforcement of this Ministerial Ordinance are deemed to be delivered in the form or the written format revised by this Ministerial Ordinance.

Supplementary Provisions (Ordinance of the Ministry of Posts and Telecommunications No. 64 – November 16, 2000) (Excerpts)

Article 1 (Effective Date)

This Ministerial Ordinance shall come into effect as from the date of enforcement of the act to amend the Telecommunications Business Act (Act No. 79 of 2000).

Supplementary Provisions (Ordinance of the Ministry of Internal Affairs and Communications No. 150 – November 29, 2001)

This Ministerial Ordinance shall come into effect as from the date of enforcement (November 30, 2001) of the act to amend the Telecommunications Business Act, Etc. (Act No. 62 of 2001).

Supplementary Provisions (Ordinance of the Ministry of Internal Affairs and Communication No. 164 – December 11, 2001)

This Ministerial Ordinance shall come into effect as from the date of promulgation and become applicable as from the business year commencing on or after April 1, 2002.

Supplementary Provisions (Ordinance of the Ministry of Internal Affairs and Communications No. 137 – November 5, 2003)

This Ministerial Ordinance shall come into effect as from the date of promulgation and become applicable starting with the financial statements in interconnection accounting and the interconnection accounting report pertaining to the business year ending on or after the date of enforcement.

Supplementary Provisions (Ordinance of the Ministry of Internal Affairs and Communications No. 44 – March 22, 2004) (Excerpt)

Article 1 (Effective Date)

This Ministerial Ordinance shall come into effect as from the date of enforcement of the provisions listed in Supplementary Provisions, Article 1, item (iii) of the act to amend the Telecommunications Business Act and the Act on Nippon Telegraph and Telephone Corporation, Etc. (hereinafter referred to as “the Revised Act”).

Supplementary Provisions (Ordinance of the Ministry of Internal Affairs and Communications No. 72 – April 1, 2005)

This Ministerial Ordinance shall come into effect as from April 1, 2005.

Supplementary Provisions (Ordinance of the Ministry of Internal Affairs and Communications No. 27 – March 21, 2008) (Excerpt)

(Effective Date)

(1) This Ministerial Ordinance shall come into effect as from the date of promulgation.

(Transitional Measures)

(2) With regard to the financial statements in interconnection accounting and the interconnection accounting report, etc. pertaining to the business year ending on or before March 31, 2008, notwithstanding the provisions of the Rules for Telecommunications Business Accounting and the Rules for Category I Designated Telecommunications Facilities Interconnection Accounting revised by this Ministerial Ordinance, the provisions then in force may remain applicable.

Appended Table 1 Assets [Articles 2, 6, 7 and 8]

Chart of Accounts

Assets

Account	Subsection (Cost department)	Item
1. Telecommunications business fixed assets (1) Tangible fixed	Category I designated telecommunications facilities management department	Transmission channel for loops (for transmitting electrical signals)

assets	Main distribution frame (for transmitting electrical signals)
	Transmission channel for loops (for transmitting optical signals)
	Main distribution frame (for transmitting optical signals)
	Public phone facilities
	Exchange facilities for loops (mainly for providing voice transmission services)
	Exchange facilities for loops (with the function to use transmission facilities for connecting with subscriber exchanges, among facilities mainly used for providing voice transmission services)
	Exchange facilities for loops (mainly for providing data transmission services)
	Exchange facilities for loops (with the routing transmission function, among facilities mainly used for providing data transmission services)
	Transmission channel from exchange facilities for loops to exchange facilities for loops or relay systems (mainly for providing voice transmission services)

		Transmission channel from exchange facilities for loops to exchange facilities for loops or relay systems (mainly for providing data transmission services)
		Transmission channel from exchange facilities for loops to exchange facilities for loops or relay systems (with the routing transmission function, among facilities mainly used for providing data transmission services)
		Exchange facilities for relay systems (mainly for providing voice transmission services)
		Exchange facilities for relay systems (mainly for providing data transmission services)
		Exchange facilities for relay systems (with the routing transmission function, among facilities mainly used for providing data transmission services)
		Signaling network facilities
		Number guiding database and number guiding facilities
		Manual exchange facilities

		Facilities with the function to set return communications channels
		Dedicated subscriber line equipment modules
		Dedicated subscriber line equipment modules with the optical/electrical signal conversion function
		Dedicated line node equipment
		Transmission channel from dedicated subscriber line equipment modules to dedicated line node equipment
		Transmission channel from dedicated line node equipment to dedicated line node equipment or the point of interface
		Call-related database
		(Specify, if any)
		Buildings
		Land
		Structures
		Machinery and equipment

		Vehicles and vessels
		Tools, furniture, and fittings
		Unused facilities
		Construction in progress
	Category I designated telecommunications facilities usage department	Machine equipment
		Antenna facilities
		Communications satellite facilities
		Terminal equipment
		Local line facilities
		Long-distance line facilities
		Civil engineering facilities
		Submarine line facilities
		Buildings
		Land
		Structures
		Vehicles and vessels
Machinery and equipment		

		Tools, furniture, and fittings
		Unused facilities
		Construction in progress
	Support facilities (Subsidiary department)	Electric power facilities
		Monitoring facilities
		Test-conducting facilities
		(Specify, if any)
	General management (Subsidiary department)	Facilities commonly used by departments
		Facilities in the management department
	(2) Intangible fixed assets	Category I designated telecommunications facilities management department
Category I designated telecommunications facilities usage department		Ditto
(3) Investments and other assets	Category I designated telecommunications facilities management department	Keeping accounts in accordance with the accounts of the Rules for Telecommunications Business Accounting
	Category I designated telecommunications	Ditto

	facilities usage department	
2 Deferred assets	Category I designated telecommunications facilities management department	Keeping accounts in accordance with the accounts of the Rules for Telecommunications Business Accounting
	Category I designated telecommunications facilities usage department	Ditto

Expenses

Operation Expenses

Account	Subsection (Cost department)	Item
Sales expenses	Category I designated telecommunications facilities management department	(Specify, if any)
		Contract management
	Category I designated telecommunications facilities usage department	Collection of charges
		PR and advertisement
		Sales of services
		(Specify, if any)
Operation expenses	Category I designated telecommunications	Number guidance

	facilities management department	Manual connection call
	Category I designated telecommunications facilities usage department	Telegram operation
		(Specify, if any)
Facilities maintenance expenses	Category I designated telecommunications facilities management department	() facilities maintenance ((): Specify)
		Software development and usage charges for () facilities ((): Specify)
		Software development and usage charges for facilities other than telecommunications facilities
		() facilities maintenance ((): Specify)
		Software development and usage charges for () facilities ((): Specify)
		Software development and usage charges for facilities other than telecommunications facilities
	Support facilities (Subsidiary department)	Electric power facilities
		Monitoring facilities
		Test-conducting facilities

		(Specify, if any)
Common expenses	General management (Subsidiary department)	Material
		Training
		Medical care
		Common
Administrative expenses	General management (Subsidiary department)	Network-related departments
		Service-related departments
		General administrative departments
Test and research expenses and amortization of research expenses	Category I designated telecommunications facilities management department	Infrastructure system application technology
		Infrastructure system basic technology
	Category I designated telecommunications facilities usage department	Infrastructure system application technology
		Infrastructure system basic technology
		User system application technology
		User system basic technology
		Premises application

		technology
		Pure basic technology
Depreciation	Category I designated telecommunications facilities management department	() facilities ((): Specify)
		Buildings
		Structures
		Machinery and equipment
		Vehicles and vessels
		Tools, furniture, and fittings
		Unused facilities
	Category I designated telecommunications facilities usage department	() facilities ((): Specify.)
		Buildings
		Structures
		Machinery and equipment
		Vehicles and vessels
		Tools, furniture, and fittings
		Unused facilities
	Support facilities (Subsidiary department)	Electric power facilities
		Monitoring facilities

		Test-conducting facilities
		(Specify, if any)
	General management (Subsidiary department)	Facilities commonly used by departments
		Facilities in the management department
Fixed assets elimination	Follow depreciation.	
Communications facilities use charges	Category I designated telecommunications facilities management department	() facilities usage charges ((): Specify)
	Category I designated telecommunications facilities usage department	() facilities usage charges ((): Specify)
Tax and public dues	Category I designated telecommunications facilities management department	National tax
		Local tax
		Road occupation fee
		(Specifyif any)
	Category I designated telecommunications facilities usage department	National tax
		Local tax
		Road occupation fee

		(Specify if any)
Usage charges for interconnected networks	Category I designated telecommunications facilities management department	() facilities usage charges ((): Specify)
	Category I designated telecommunications facilities usage department	() facilities usage charges ((): Specify)

Revenue

Operating revenue

Account	Subsection (Cost department)	Item
Usage charges for received networks	Category I designated telecommunications facilities management department	Specify the item required by the form of interconnection of the carrier.
Usage charges for interconnected networks	Category I designated telecommunications facilities management department	Specify the item according to the form of interconnection of the carrier.
	Category I designated telecommunications facilities usage department	() facilities usage charges ((): Specify)
Interconnection device usage charges	Category I designated telecommunications facilities management department	Create an item for each type of device.
Network modification charges	Category I designated telecommunications facilities management department	Create an item for each type of facilities to be modified.

Income from services	Category I designated telecommunications facilities usage department	(Specify if any)
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Appended Table 2 [Articles 6 and 8]

Form 1 (Omitted)

Form 2 (Omitted)

Form 3 (Omitted)

Form 4 (Omitted)

Appended Table 3 [Articles 6 and 10]

(Omitted)

Account	Subsection (Cost department)	Item
Usage charges for received networks	Category I designated telecommunications facilities management department	Specify the item required by the form of interconnection of the carrier.
Usage charges for interconnected networks	Category I designated telecommunications facilities management department	Specify the item according to the form of interconnection of the carrier.
	Category I designated telecommunications facilities usage department	() facilities usage charges ((): Specify)
Interconnection device usage charges	Category I designated telecommunications facilities management department	Create an item for each type of device.
Network modification charges	Category I designated telecommunications facilities management department	Create an item for each type of facilities to be modified.
Income from services	Category I designated telecommunications facilities usage department	(Specify if any)