

## Summary of Minutes of the 2nd Meeting of the Study Group on the Accounting System in the Telecommunications Service

1. Date: Thursday, January 25, 2007 from 2:30 pm to 4:45 pm

2. Location: Conference Room 1101, 11th Floor, Central Joint Government Building 2

3. Attendees

(1) Members (In alphabetical order; honorifics omitted)

Hiroshi Obata, Hiromasa Sekiguchi (Deputy Chairperson), Seno Tezuka, Mikio Tokai (Chairperson), and Junichiro Tsuruta

(2) Ministry of Internal Affairs and Communications

Sakurai, Director-General of the Telecommunications Business Department; Taniwaki, Director of the Tariff Division; Ninomiya, Senior Planning Officer of the Tariff Division; Katagiri, Assistant Director of the Tariff Division; and Iimura, Assistant Director of the Tariff Division

4. Agenda

(1) Results of Solicitation of Public Proposals Regarding the Accounting System in the Telecommunications Service

(2) Draft Study Items Regarding the Accounting System in the Telecommunications Service

(3) Presentation by Mr. Masuno, Senior Researcher at Financial and Economic Research Center, Nomura Securities Co., Ltd.

(4) Current Situation of the Accounting System Regarding the Telecommunications Service in the United Kingdom

(5) Others

5. Outline of proceedings

Results of Solicitation of Public Proposals Regarding the Accounting System in the Telecommunications Service

- The Secretariat explained the “Results of Solicitation of Public Proposals Regarding the Accounting System in the Telecommunications Service” (Document 1).

Draft Study Items Regarding the Accounting System in the Telecommunications Service

- In continuation of the above, the Secretariat explained the “Draft Study Items Regarding the Accounting System in the Telecommunications Service” (Document 3).
- Major statements made by members during the exchange of opinions were as below.

- At present, the telecommunications industry is in a period of changeover to a new type of network. Thus it is necessary to hold discussions on next generation networks. In this regard, when we consider that even in 2010 the ratio of legacies to IP networks will be fifty-fifty, making a distinction between legacies and IP networks will be a difficult task from now on. In this sense, I presume that it is possible, for example, that accounting by type of work will be replaced by accounting by type of service.
- So far, costing, which pertains to accounting statements, and pricing, which concerns LRIC, have been considered to be distinct from each other. However, it has become increasingly important to make reference to calculated costs and to actual costs. Furthermore, with regard to pricing, a certain degree of transparency has been guaranteed, for example in the discussions on LRIC. In connection with this, there is a request that the transparency of costing be further guaranteed. Particularly in the case of accounting by type of work, there is a request for improved transparency, including the publicizing of allocation rules similar to procedures for interconnection.
- Requests have been received regarding transactions with entities such as subsidiary companies in the process for guaranteeing transparency. I think that various improvements can be made, for example, by utilizing disclosed information on rules for transactions between the parties concerned, which were reviewed by the Enterprise Accounting Standards Committee in August last year. In any case, improving the transparency of interconnection accounting and business accounting is one of the aims of this Study Group.
- In 2010, legacies will still coexist with IP networks. Discussions should be held on the assumption of such coexistence.
- The purpose of studying these issues is not to place restrictions on future discussions in the Study Group but to encourage flexible discussions as necessary.

Presentation by Mr. Masuno, Senior Researcher at Financial and Economic Research Center,  
Nomura Securities Co., Ltd.

- Mr. Masuno, Senior Researcher at Nomura Securities Co., Ltd., gave an explanation regarding Document 4.
- Major statements made by attendees, including members, during the question-and-answer session were as below.
  - Necessary data differ depending on user. General users, other companies and analysts need different information. I have just been told of an example of how information is utilized by an analyst. This presentation has provided me with useful information.
  - In the present circumstances where types of services are themselves being consolidated, there have been changes in criteria for what should be included in telecommunications services. Conceivable candidates include content-based services as well as services closely

related to them.

- It was mentioned that items under investigation were flexibly reviewed. My understanding is that great changes in environments caused the needs of analysts to change. In the Study Group as well, the way changes in environments are dealt with is also important.

#### Current Situation of the Accounting System Regarding the Telecommunications Service in the United Kingdom

- The Secretariat explained the “Current Situation of the Accounting System Regarding the Telecommunications Service in the United Kingdom” (Document 5).
- Major statements made by members during the question-and-answer session were as below.
  - The situation in the United Kingdom was an important reference point when interconnection was adopted in Japan. However, current value accounting should be excluded from our consideration, since this type of accounting does not have any direct bearing on the discussions of this Study Group.
  - One question is, what part of the British accounting system should be used for reference? No criticism has so far been made to the effect that the interconnection accounting system in Japan is difficult to use. However, in the course of inviting opinions on the Draft Study Items, there were a fairly large number requests for traceable information to be provided. In the case of the British accounting system, all items, including the allocation process, are traceable. I think that this point serves as a reference.
  - There are many areas in the British accounting system, including allocation procedures, which are used as a reference for the accounting system in Japan. Be that as it may, the great difference is the fact that in Japan, the relationship and the compatibility between interconnection accounting and business accounting are insufficient. If such relationship and compatibility issues are straightened out, I think that the accounting system in Japan will become similar to that in the United Kingdom.

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