

Summary of Minutes of the 8th Meeting of the Study Group on the Accounting System in the Telecommunications Service

1. Date: 16:30 to 18:15, Tuesday, August 7, 2007

2. Location: Conference Room 1001, Central Joint Government Building 2

3. Attendees

(1) Members (Entered in alphabetical order of last names, with honorifics omitted)

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

(2) Ministry of Internal Affairs and Communications

Takeuchi, Director-General of the Telecommunications Business Department; Furuichi,
Director of the Tariff Division; Taniwaki, Director of the Telecommunications Policy Division;
Ninomiya, Senior Planning Officer of the Tariff Division; Iimura, Assistant Director of the
Tariff Division; Okamoto, Assistant Director of the Tariff Division

4. Agenda

(1) Draft Report

(2) Others

5. Outline of proceedings

[Draft Report]

- The Secretariat explained the Draft Report based on Documents 1 to 3.
- Major discussions were as given below:

(Member)

As regards the accounting system in telecommunications service, there are cases where interconnection accounting and two types of regular accounting exist in relation to the proper method of basic telecommunications service accounting and the proper method of handling interconnection charges. Therefore, the current study had to be conducted from very versatile points of view. Under such circumstances, the members held vigorous discussions. As a result, it seems to me that the points at issue are expressed very appropriately, not to say perfectly, as seen from various viewpoints.

New problems are expected to arise in the relatively near future due to changes in the market environment. A part of the Draft Report paves the way for addressing such situations.

(Member)

The Corporation Tax Law was amended to introduce the 250-percent fixed rate method. I presume that NTT East Japan and NTT West Japan will calculate depreciation expenses by the

above-mentioned method. If my presumption is right, it follows that depreciation expenses for a single fiscal year will increase. On the other hand, if the economic service life recommended by this Study Group is applied, depreciation expenses for a single fiscal year will decrease. Are studies being conducted specifically as to how much of an effect will be brought about because of the influence of each of the methods?

(Secretariat)

At present, we do not have any relevant numerical values.

(Member)

If NTT East Japan and NTT West Japan adopt the 250-percent fixed rate method specified by the Corporation Tax Law, will this method be approved in the case of accounting audits based on statutes including the Company Law?

(Member)

On this point, the Japanese Institute of Certified Public Accountants has officially announced that if any company that has so far complied perfectly with the Corporation Tax Law adopts the 250-percent fixed rate method as a result of their intention to continue to comply with the said law, then such adoption may be treated as a change of accounting policy based on a justifiable reason.

(Member)

If NTT East Japan and NTT West Japan express their intention of adopting the new method called “250-percent fixed rate method,” it is difficult to reject that intention.

(Member)

If discrepancies occur between financial accounting and tax accounting, then is it necessary to carry out a so-called adjustment in filing final tax returns?

(Member)

If the 250-percent fixed rate method is rejected, it follows that in terms of financial accounting, lower costs will be recorded than under the Corporation Tax Law. Then, in Japan, pertinent rights are deemed to have been waived, therefore making it impossible to make such adjustment.

(Member)

It is difficult to rationalize arguments on the Corporation Tax Law here in this Study Group. My understanding is that this Study Group has only conducted a study on the proper method of accounting for depreciation in telecommunications service.

(Member)

Arguments on the Corporation Tax Law should be separate from our study. I do not think that it is necessary to mention this matter in this Report, but it may be necessary to confirm how NTT East Japan and NTT West Japan will actually treat this matter.

(Member)

It is my understanding that the content of the proposal in this Report regarding the provision of information to subsidiary companies and the like greatly exceeds the scope of institutional accounting, and that, as a matter of course, such information will not be disclosed. How does the Ministry of Internal Affairs and Communications intend to utilize such information?

(Secretariat)

As stated on page 46 of the Report, the status of transactions involving subsidiary companies and administrative agencies including this Ministry cannot necessarily be said to be clear at the present time. Therefore, it is primarily important to understand this fact. It is not possible to clarify everything in a single report, and therefore we plan to continue assimilating information, thereby eventually passing judgment on whether or not to reflect such information in interconnection charge costs.

(Member)

Page 50 contains a statement on disclosure of information about the state of commissioning work to subsidiary companies and the like. It seems to me that there is a discrepancy in the sequence of the logic. I presume that it would be appropriate to place the first half of the fourth paragraph immediately after the first paragraph.

(Member)

The following statement concerns wording. I presume that it would be more appropriate for the term “undepreciated assets” to be replaced with “undepreciated balances.”

(Member)

What follows is a matter of style. Page 23 contains the expressions “intracity telephone calls” and “out-of-city telephone calls.” I presume that the quotation marks are unnecessary.

(Member)

The following statement also concerns wording. Page 37 contains the title “Verification results.” I presume that it would be more appropriate if this title were revised to read “Direction of the review.”

(Secretariat)

We will conduct studies on revising all of the expressions pointed out.

(Member)

Are there any other items to be pointed out? If not, those pointed out so far will be corrected, thereby revising the Draft Report of this Study Group. I would like to have public comment solicited for a period of one month concerning the revised Draft Report.

[Others]

- In the next meeting, discussions will be held on the Draft Report in consideration of the opinions resulting from the invitation of public comment.

End