

Outline of Proceedings of the 9th Meeting of the Study Group on the Accounting System in the Telecommunications Service

1. Date: 13:30 to 14:15, Tuesday, October 9, 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),
Junichiro Tsuruta, Norio Tezuka, Mikio Tokai (Chairperson)

(2) Ministry of Internal Affairs and Communications

Takeuchi, Director-General of the Telecommunications Business Department; Taniwaki, Director of the Telecommunications Policy Division; Furuichi, Director of the Tariff 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]

- Based on Documents 1, 4, and 5, the Secretariat explained the Draft Report, the results of solicitation of public comments on the Draft Report, and the manner of thinking about these results.
- Major discussions were as given below:

(Member)

We received a wide variety of comments. We feel that many of the comments basically indicate approval of the Draft Report. We received several comments on future tasks as well. In this connection, this Draft Report recommends the necessity of active studies in the future.

(Member)

There is a growing interest in actual data based on the actual cost method and the future cost method. Each chapter of this Draft Report shows the amendments that are conceivable at present against this backdrop and from the viewpoint of more correctly reflecting the realities. Each of these amendments is an important piece of information.

We have also received comments on future actions including the issue of NGNs. Therefore, it may be necessary to shortly start reviewing the content of the Draft Report prepared based on the situation now.

(Member)

Comments from the Japanese Institute of Certified Public Accountants are very informative. Expressions that are more appropriate are used in the written suggested amendments to the

Draft Report. I believe that these amendments can be said to contribute to proper calculation of periodic profits and losses as a whole on the part of companies and persons in charge of audits.

(Member)

It seems that the Japanese Institute of Certified Public Accountants received the impression that the administrative authorities show excessive directionality regarding the application of the accounting system. We explained the situation to this Institute and gained its understanding. On this basis, the Institute has the understanding that the Draft Report was finalized with the expressions given this time.

At present, application of the 250 percent fixed rate method in the Tax Law is a pending issue in terms of practical business work, and an interest is shown in matters related to depreciation. We understand that the amended expressions are based on such a situation. It is our understanding that the Japanese Institute of Certified Public Accountants can accept the resulting wording.

(Member)

The draft amendments in which comments from the Japanese Institute of Certified Public Accountants are considered consist of unambiguous expressions. I feel that the changes are appropriate.

(Member)

With regard to the improvement of the transparency of transactions with entities such as subsidiary companies, there is an issue of how to make use of pertinent information provided to the Ministry of Internal Affairs and Communications. This issue is a future task in terms of practical business work.

I am under the impression that other content is appropriately compiled under the circumstances where various comments were received from entities including telecommunications carriers.

(Member)

As regards the allocation of costs, the cost calculation scheme is such that it is not until both calculation processes and calculated results are complete that pertinent information is integrated. It is not very meaningful to look only at calculated results. Therefore, calculation processes are also focused upon. In this case, distinctions will have to be made between portions to be disclosed and those not to be disclosed. I think that it will be requested in the future that the grounds for such distinctions be substantiated based on the cost calculation theory.

(Member)

I would like to point out four items with regard to this Study Group. First, the cross-reference feature regarding telecommunications business accounting and interconnection accounting was improved. Large changes were made to the accounting system when interconnection accounting was introduced. However, subsequent changes were mere partial adjustments. Under such circumstances, the entire accounting system was looked at and straightened out this time. Consequently, I think that a big role was fulfilled.

Second, I have been feeling that the purpose of the accounting system is to grasp the actual conditions of business and enterprises, and that accounting should make greater contributions to various systems related to telecommunications business. In this connection, if the system is established in accordance with the intent of this Draft Report, I expect that the relationship between various related systems and accounting information will be significantly straightened out.

Third, environments undergo various changes with regard to future tasks including IP-based networks, NGNs, and FMC. In this regard, I feel that due to the development of the accounting system as mentioned in the foregoing first and second points, it will be possible to establish a setup for actively dealing with future tasks.

Last, reasonableness and disclosure of accounting treatment are important in the accounting system. I think that in this Draft Report, it was possible to straighten out the scope of accounting treatment and disclosure that should be determined.

It is true that some tasks are left unresolved, but such tasks are at least indexed in this Draft Report. In this sense, I think that they are straightened out on the whole in the Draft Report.

- No objection was raised by any member about this Draft Report, and it was decided that this report be regarded as the final one.

End