

The Structure of Connection Accounting and Methods of Prime Cost Reversion

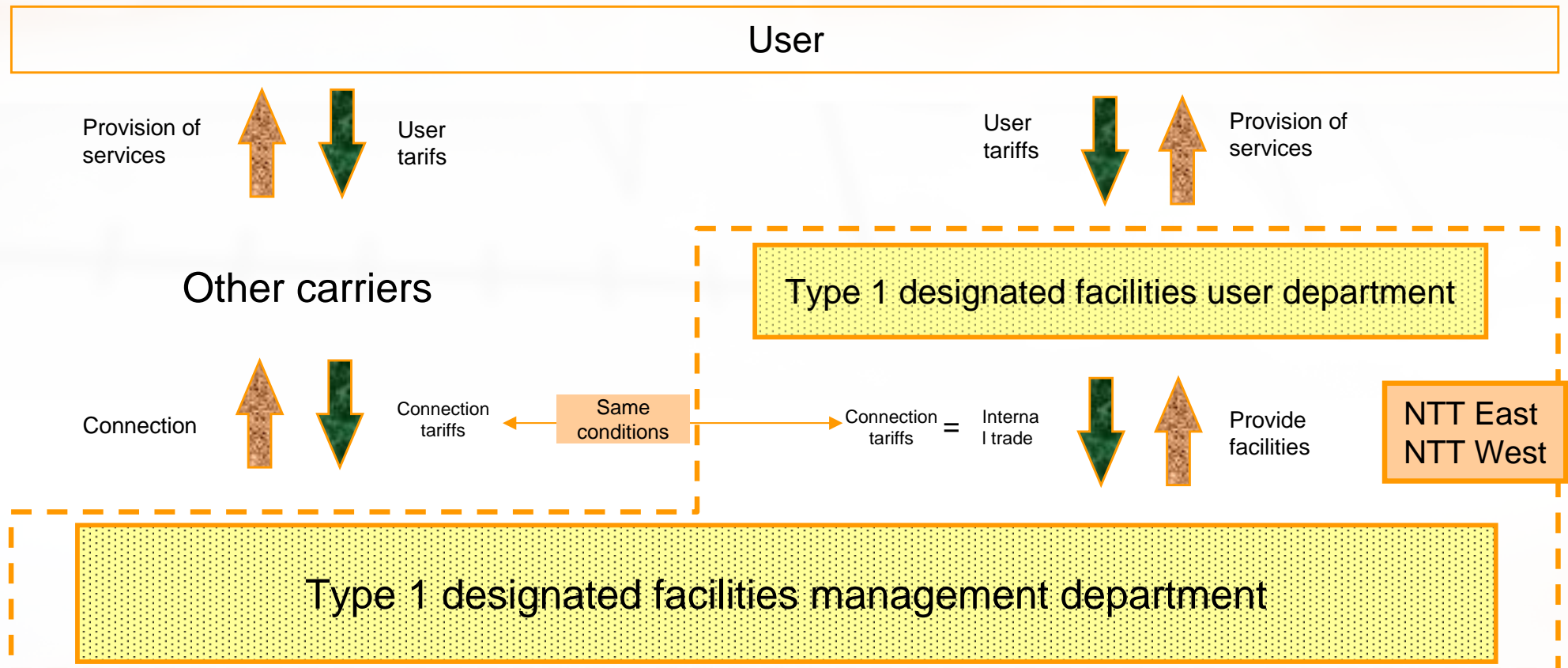
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1 Basic Framework of Connection Accounting

(1) Structure of Connection Accounting Revenue

Accounting for carriers installing type 1 designated carrier facilities is divided into departments managing and operating designated facilities (type 1 designated facilities management departments) and departments providing services to users utilizing those facilities (type 1 designated facility user departments). Type 1 designated facility management departments are managed under the same conditions (tariffs) as type 1 designated facility user departments and other carriers.



1 Basic Framework of Connection Accounting

(2) Prime cost measurement

Assets, income/expenditure and costs related to carrier businesses are divided according to appropriate standards and facility divisions () organized in relation to management and operation of type 1 designated Facilities, providing necessary basic data for calculation of prime costs for unbundled connection charges. Refer to the next item for membership of facility divisions.

Company settlement

Assets, income/expenditure and costs related to carrier business

Organization of costs into facility divisions based on type 1 designated facility connection accounting regulations.

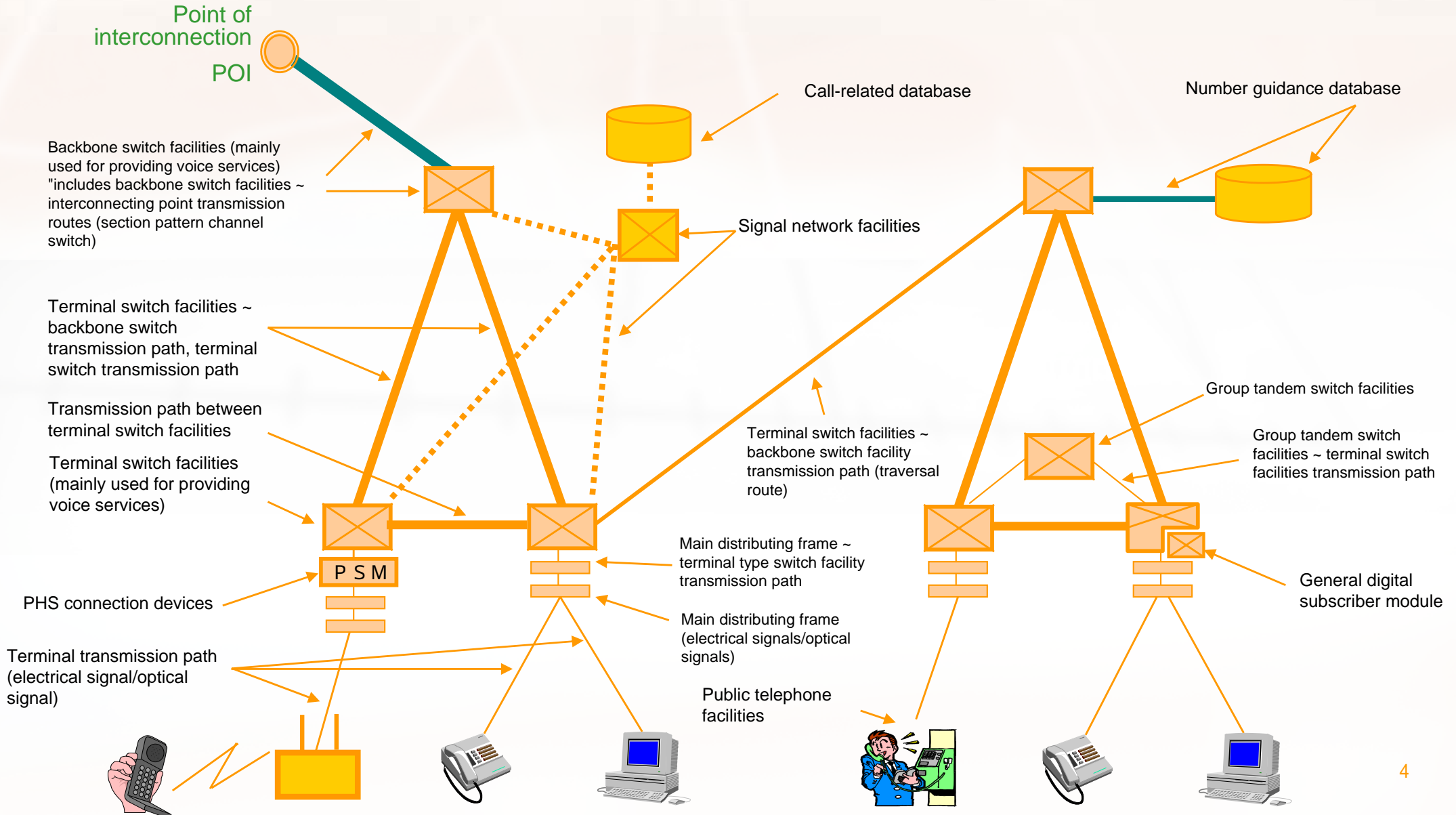
Establish costs for each equipment type

Type 1 designated facility management division	Type 1 designated facility user division
Terminal switch facility transmission path	Service activities
Terminal switch facility (mainly used for providing voice services)	Added functionality user charges, deductible items, such as miscellaneous expenses
Terminal switch facility (mainly used for providing data services)	Machine facilities
Main distributing frame - Terminal switch facility	Terminal facilities
Main distributing frame (related to transmission of optical signals)	Inter-prefecture transmission paths
Main distributing frame (related to transmission of digital signals)	Non-designated intra-prefecture transmission paths
Terminal distribution path (related to transmission of optical signals)	Network remodeling costs
Terminal distribution path (related to transmission of optical signals)	Leased line node devices - leased line node device transmission paths
Terminal distribution path (related to transmission of optical signals)	Public telephone network facilities
Terminal distribution path (related to transmission of optical signals)	Leased line node device - interconnecting point transmission paths
Terminal distribution path (related to transmission of optical signals)	Leased line subscriber line device module-leased line node device transmission path.
Terminal distribution path (related to transmission of optical signals)	Main distributing frame - leased line subscriber line device module transmission path.
Terminal distribution path (related to transmission of optical signals)	Leased line node device
Terminal distribution path (related to transmission of optical signals)	Leased line subscriber device module
Terminal distribution path (related to transmission of optical signals)	General digital subscriber module
Terminal distribution path (related to transmission of optical signals)	PHS connection module
Terminal distribution path (related to transmission of optical signals)	Number guidance database
Terminal distribution path (related to transmission of optical signals)	Call relation database
Terminal distribution path (related to transmission of optical signals)	Signal network facilities
Terminal distribution path (related to transmission of optical signals)	Backbone switching facilities - interconnecting point transmission paths (section pattern channel switch)
Terminal distribution path (related to transmission of optical signals)	Backbone switch facilities (mainly used for data providing data transmission services)
Terminal distribution path (related to transmission of optical signals)	Backbone switch facilities (mainly used for data providing voice transmission services)
Terminal distribution path (related to transmission of optical signals)	Terminal switch facilities - backbone switch facilities transmission path (traverse route)
Terminal distribution path (related to transmission of optical signals)	Terminal-type switch facilities - backbone switch facility transmission path
Terminal distribution path (related to transmission of optical signals)	Group tandem switch facilities
Terminal distribution path (related to transmission of optical signals)	Group tandem switch facilities - terminal switch facility transmission path
Terminal distribution path (related to transmission of optical signals)	Terminal switch facility transmission path

Calculation of connection charges based on actual cost method

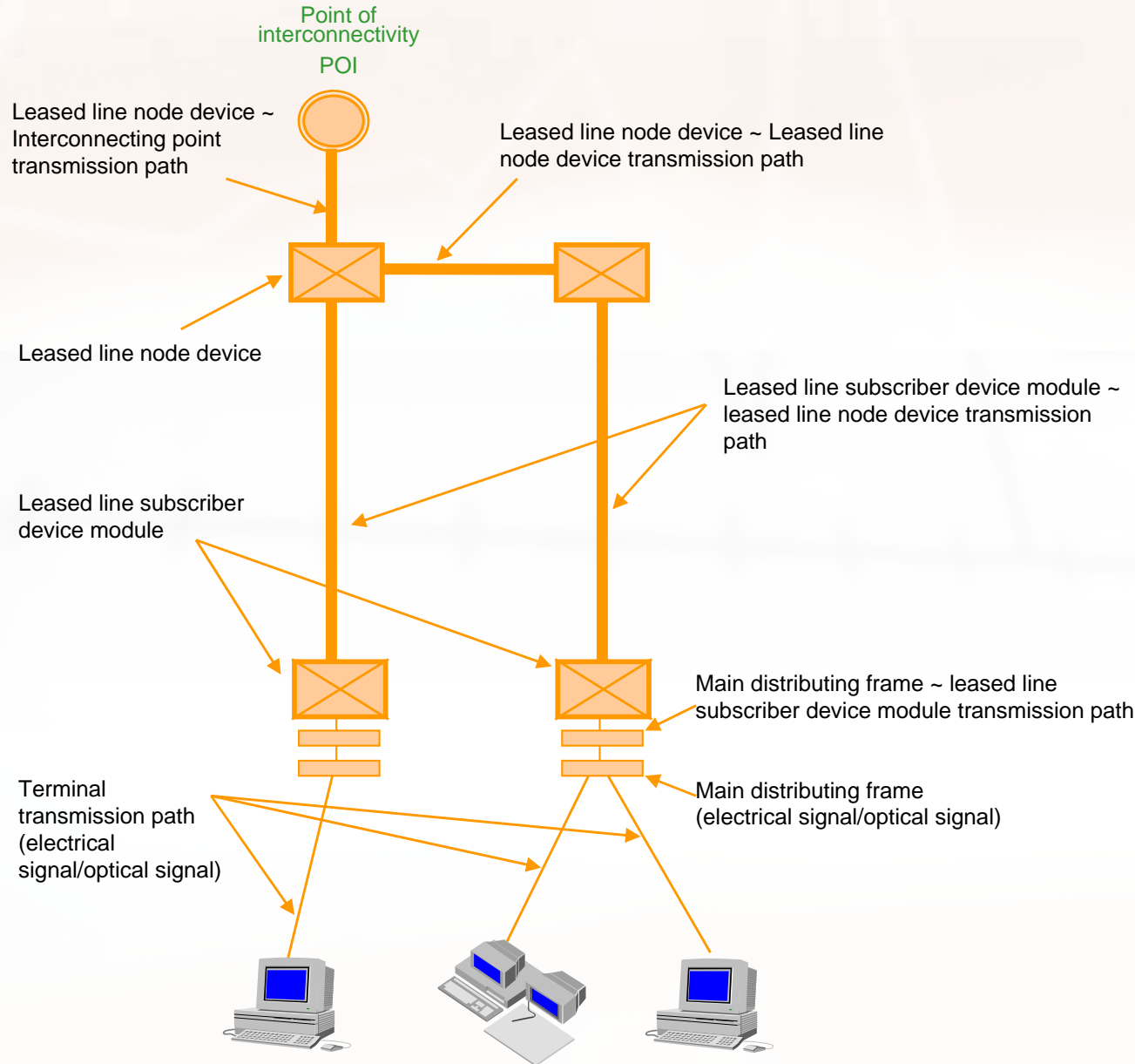
(Reference) Structure of Facility Divisions (image diagram)

(1) Public network

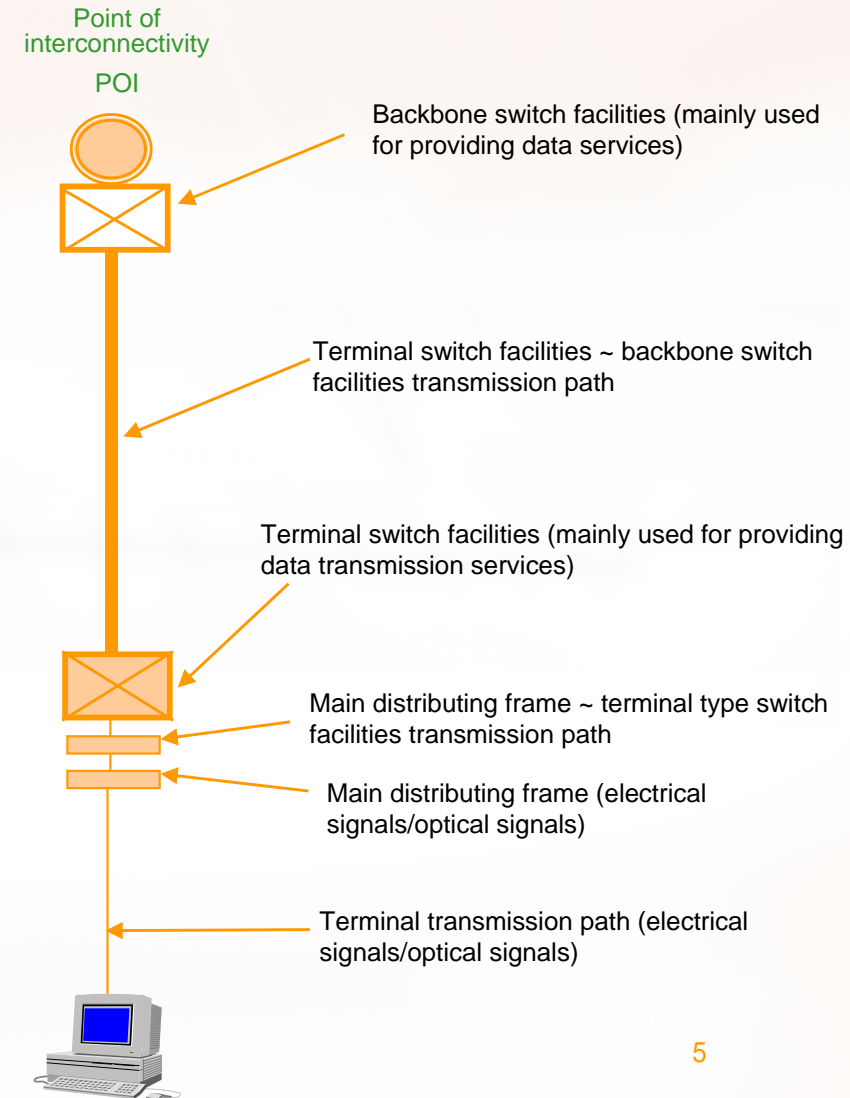


(Reference) Structure of Facility Divisions (image diagram)

(2) Leased line network



(3) Data transmission network



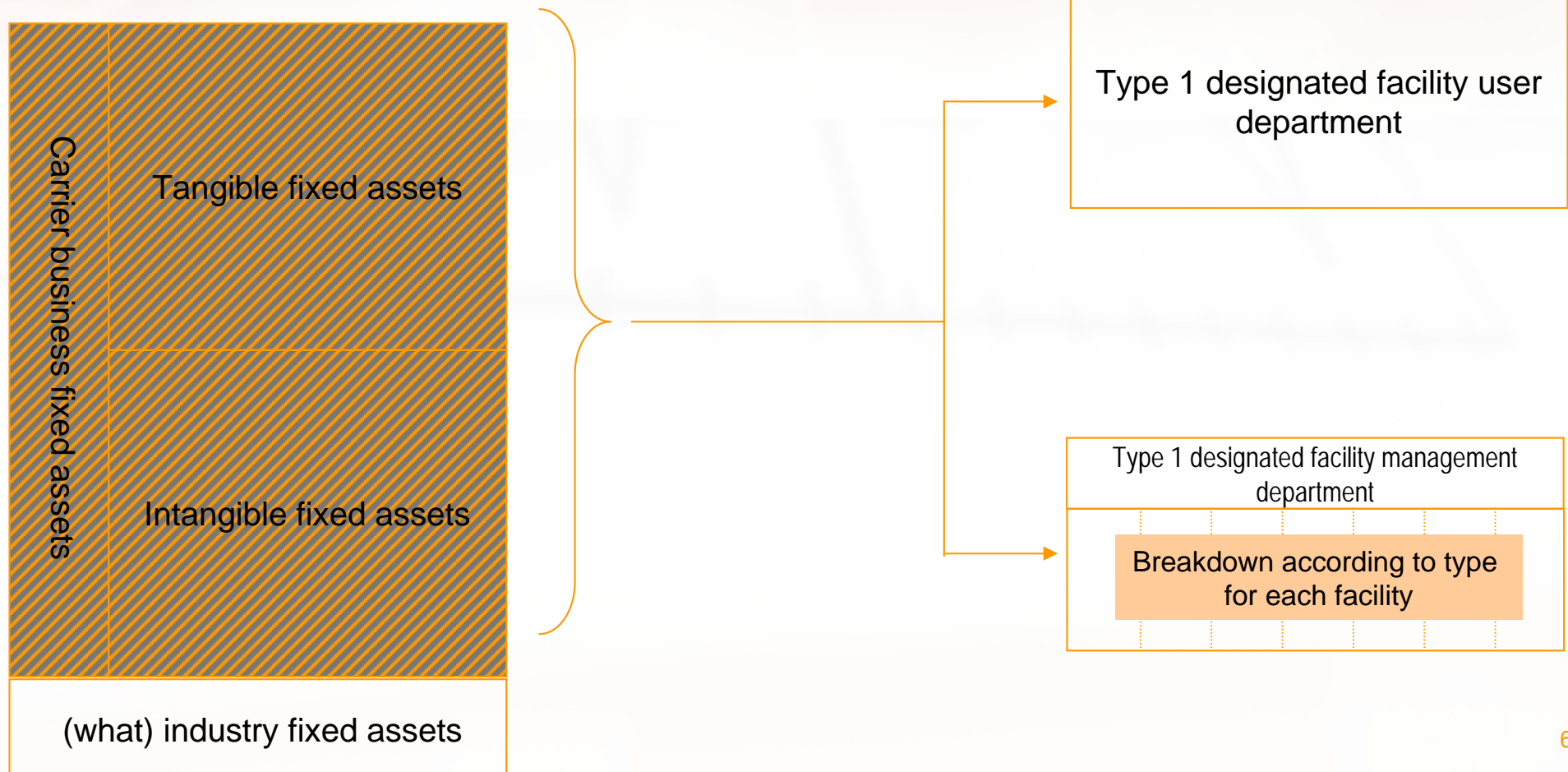
2. Accounting related to Carrier Business Accounting Regulations (Financial Accounting) and Related Matters

(1) Fixed assets

In regard to the fixed assets arranged by carriers during financial accounting, conduct reversion processing according to the smallest unit (subdivision) in financial management.

【 Telecommunications business accounting 】

【 Connection Accounting 】

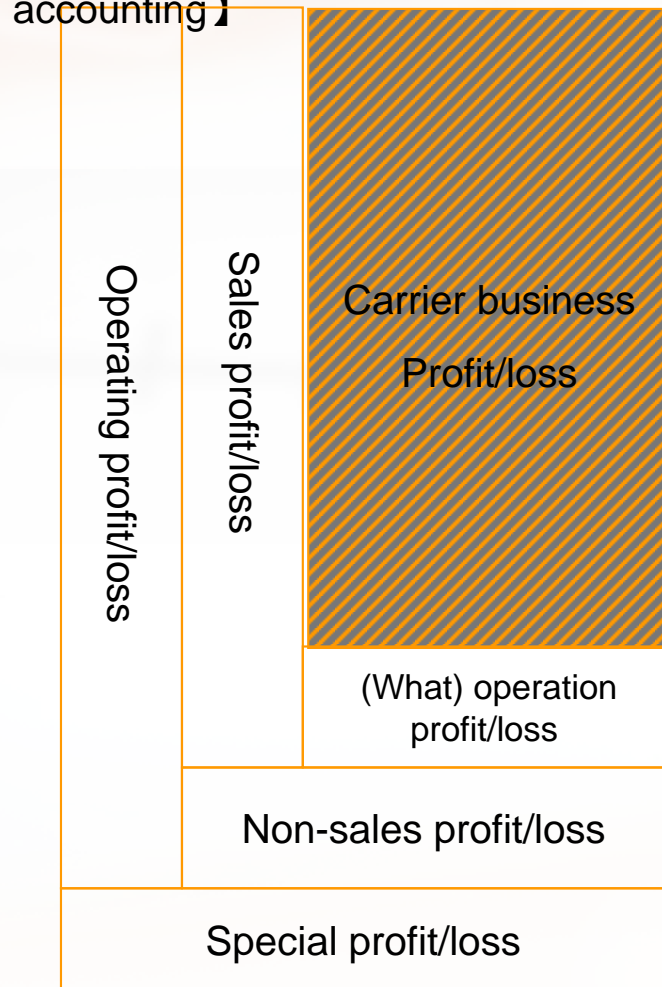


2. Accounting related to Carrier Business Accounting Regulations (Financial Accounting) and Related Matters

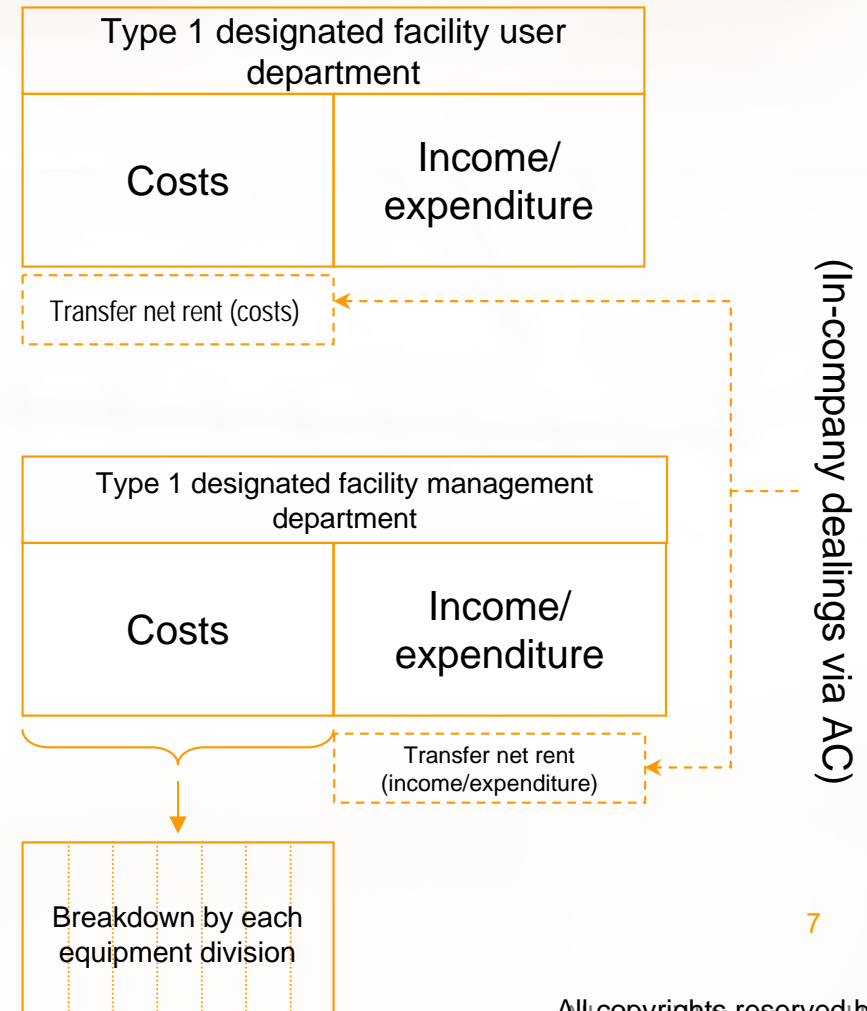
(2) Costs and income/expenditure

Conduct reversion processing according to costs and income/expenditure related to carriers organized during financial accounting.

【Telecommunications business accounting】



【Connection Accounting】



3. Summary of Costs and Assets by Facility Division and Basic Flow

(1) Setting activities

In order to arrange costs and assets between the management department and user department, set "activity" as a collective unit of calculation for dividing company activities and assets.

Main facilities

Organize costs and assets related to equipment such as the switches that comprise the carrier networks (set divisions that can be managed physically)

Support facilities

Arrange costs and assets related to power facilities used for supporting functionality of main facilities, general monitoring facilities, and test reception facilities.

Clear sales costs and operating costs for reversion on facilities

Arrange costs and assets related to operator businesses such as line database management and number guidance.

Test research

Arrange necessary costs and assets for test research

General management

Arrange costs and assets related to common work, such as general affairs at branches and operations related to head office management departments.

Service activity

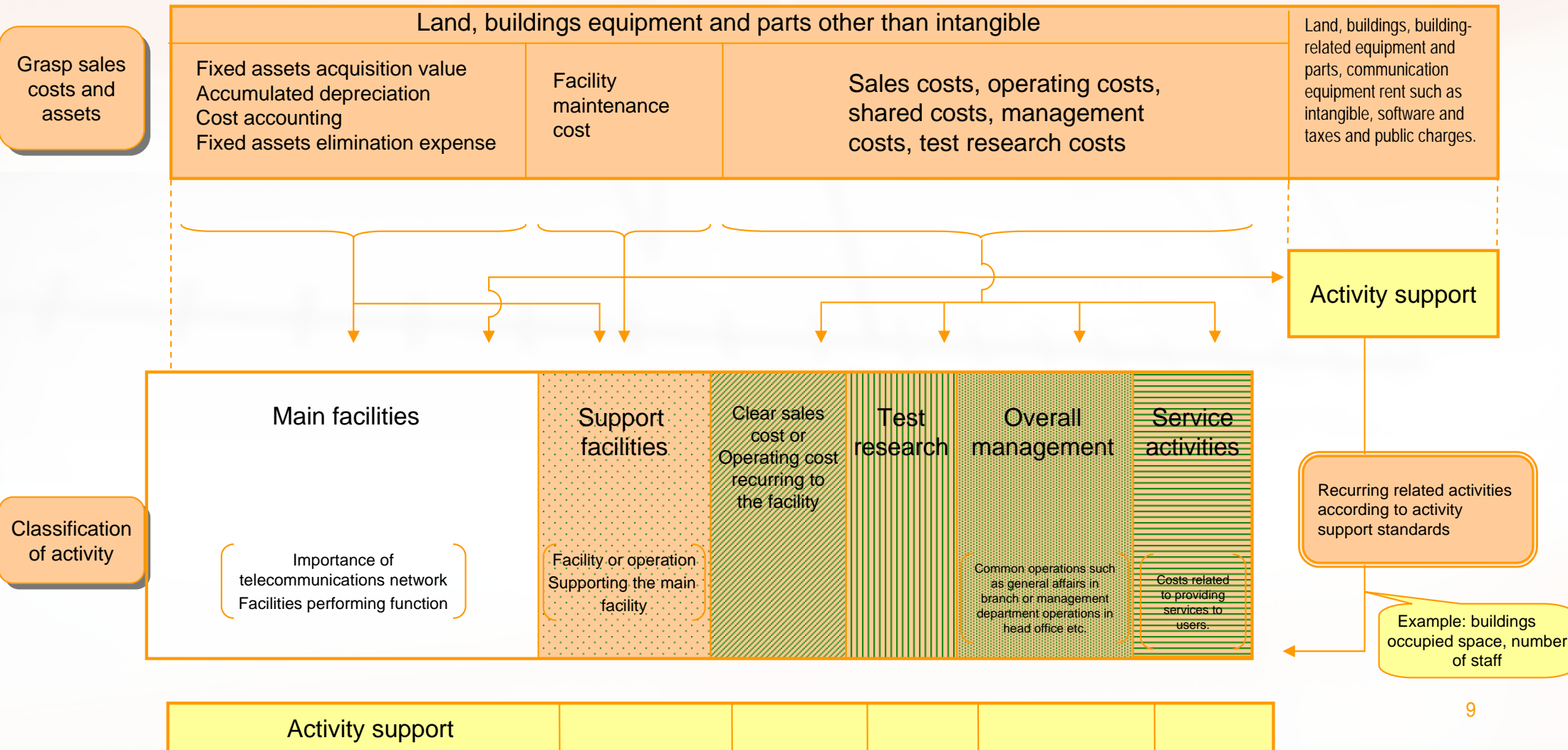
Organize necessary costs and assets according to operations unrelated to retail activities, management and operation of specified facilities.

* Set "activity support" for dividing costs and assets common to two or more of the above divisions such as buildings and land.

3. Summary of Costs and Assets by Facility Division and Basic Flow

(2) Classification of activities

Reverse the costs and assets (accounting settlement data) arranged according to the determinations of the carrier accounting regulations into activities and activity support set in connection accounting, and reverse these further into activity support.



3. Summary of Costs and Assets by Facility Division and Basic Flow

(2) Classification of activities

1) Recurring activities to depreciating costs and eliminated costs (detail)

Directly section each activity for asset costs (depreciated costs/eliminated costs) .

Depreciated costs/eliminated costs
Grasp for each physically manageable unit (subdivision)

Directly section for each activity

Intangible assets (others)	Intangible assets (machine-related)	Terminal facilities	Vehicle maintenance	Intangible assets (machine-related)
Software for internal use	Software for internal use	Number guidance facilities (TDIS)	Frame equipment	Software for internal use
Telecommunications software (path))	Telecommunications software (path))	Number guidance facilities (information desk)	General monitoring	Telecommunications software (path))
Telecommunications software (exchange)	Telecommunications software (exchange)	Number guidance facilities (ANGEL Center)	Power facilities	Telecommunications software (exchange)
Construction in progress	Construction in progress	Communication satellite facilities	Trial reception	Construction in progress
Training machines and devices	Training machines and devices	Backbone switching facility (data)		Training machines and devices
Instrument fixture	Instrument fixture	Terminal switch facility (data)		Instrument fixture
Research device related	Research device related	Transmission machine facilities		Research device related
Welfare building related	Welfare building related	Remote subscriber line multiplex transmission device		Welfare building related
Building material related	Building material related	Leased line node device		Building material related
Medical building related	Medical building related	Leased line subscriber line device module		Medical building related
Training building related	Training building related	Wireless equipment facility		Training building related
Communications and clerical building related	Communications and clerical building related	Equipment facilities		Communications and clerical building related
		Number guidance facilities (switch)		
		Signal net facilities		
		Call-related database (for PHS)		
		Service control facilities		
		Backbone switch facility (Voice)		
		Group tandem switch facilities		
		General digital subscriber module		
		Main distributing frame ~ terminal switch facility path, leased line subscriber device module		
		PHS connecting device		
		Main distributing frame (FTM)		
		Main distributing frame (MDF)		
		Terminal switch facility (Voice)		
		Public telephone facility		
		Underground facilities		
		Suburban line equipment		
		Backbone route facility		
		Terminal transmission path (common)		
		Terminal transmission path (optical)		
		Terminal transmission path (copper)		

Main facilities

Support facilities

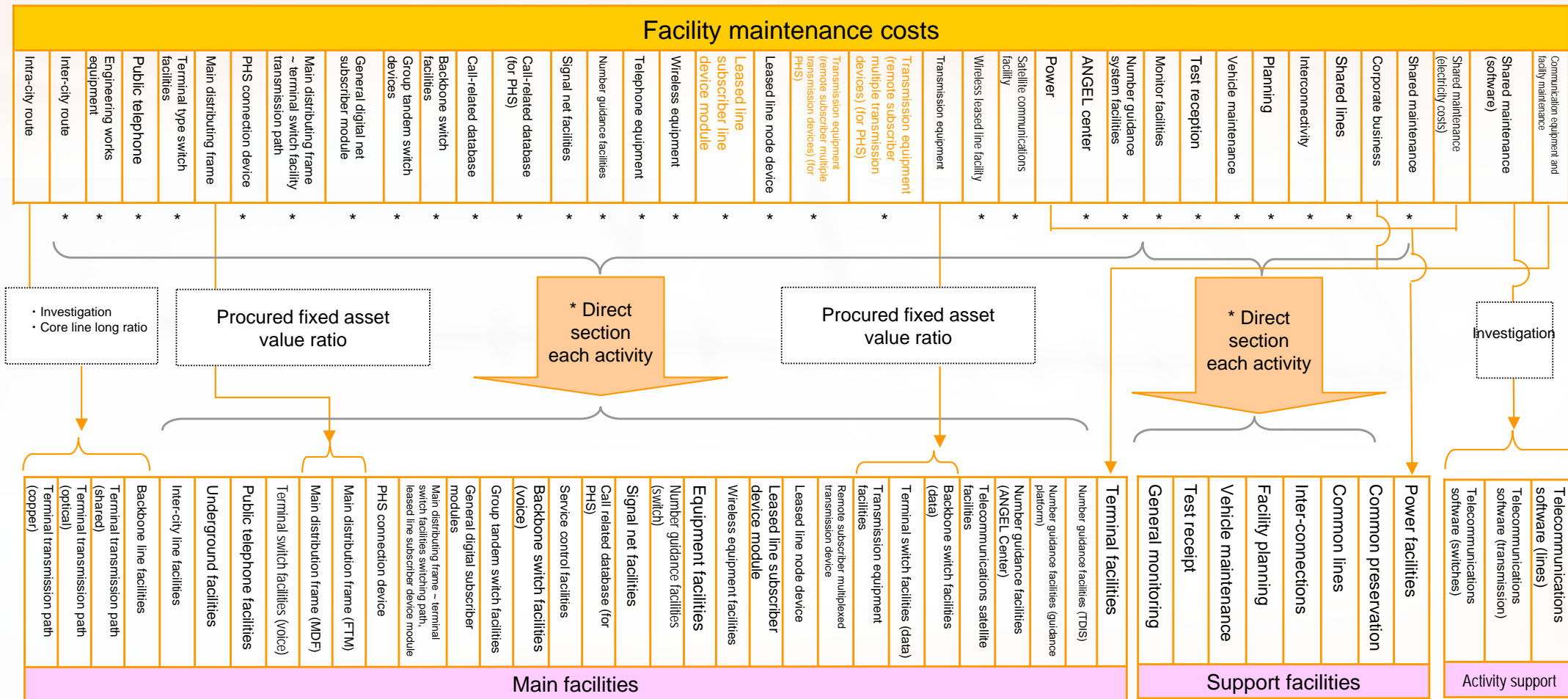
Activity support

3. Summary of Costs and Assets by Facility Division and Basic Flow

(2) Classification of activities

2) Recurrence of activities to facility maintenance costs (detail)

In terms of facility maintenance costs, basically directly section to each activity, but recur to each activity based on below a certain standard

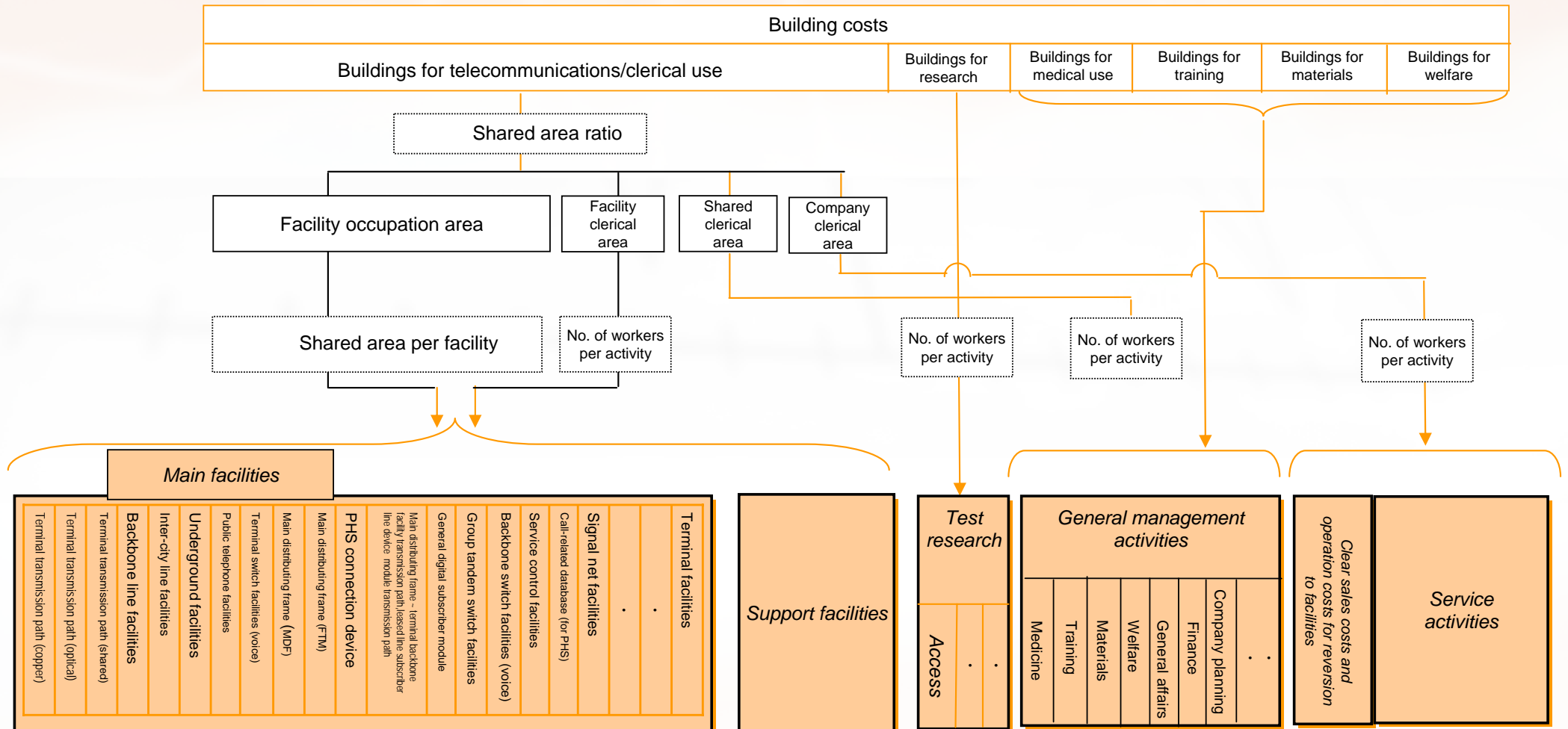


3. Summary of Costs and Assets by Facility Division and Basic Flow

(2) Classification of activities

3) Activity support (building related)

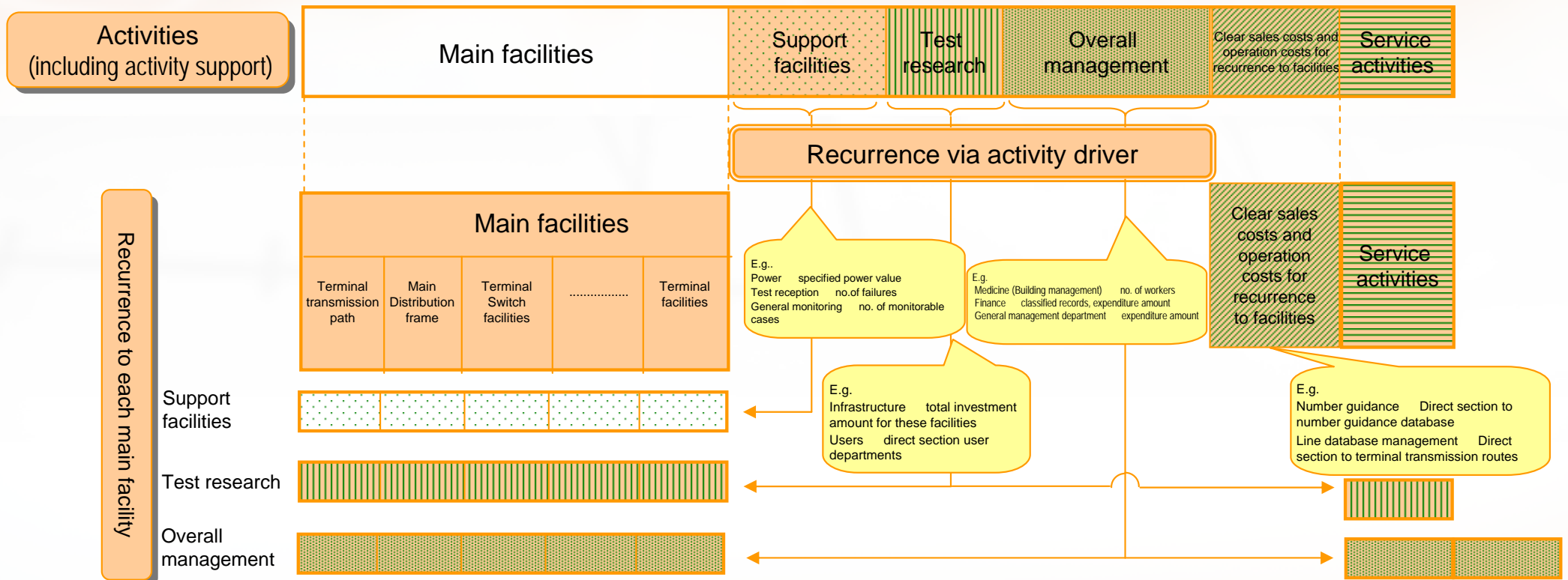
Recurrence flow for activity support (costs incurred for buildings etc.)



3. Summary of Costs and Assets by Facility Division and Basic Flow

(3) Recurrence to main facilities of each activity (after activity support recurrence)

Recurrence of “support facilities”, “test research” and “overall management” to “main facilities” and “clear sales costs and operation costs for recurrence to facilities” and “service activities”

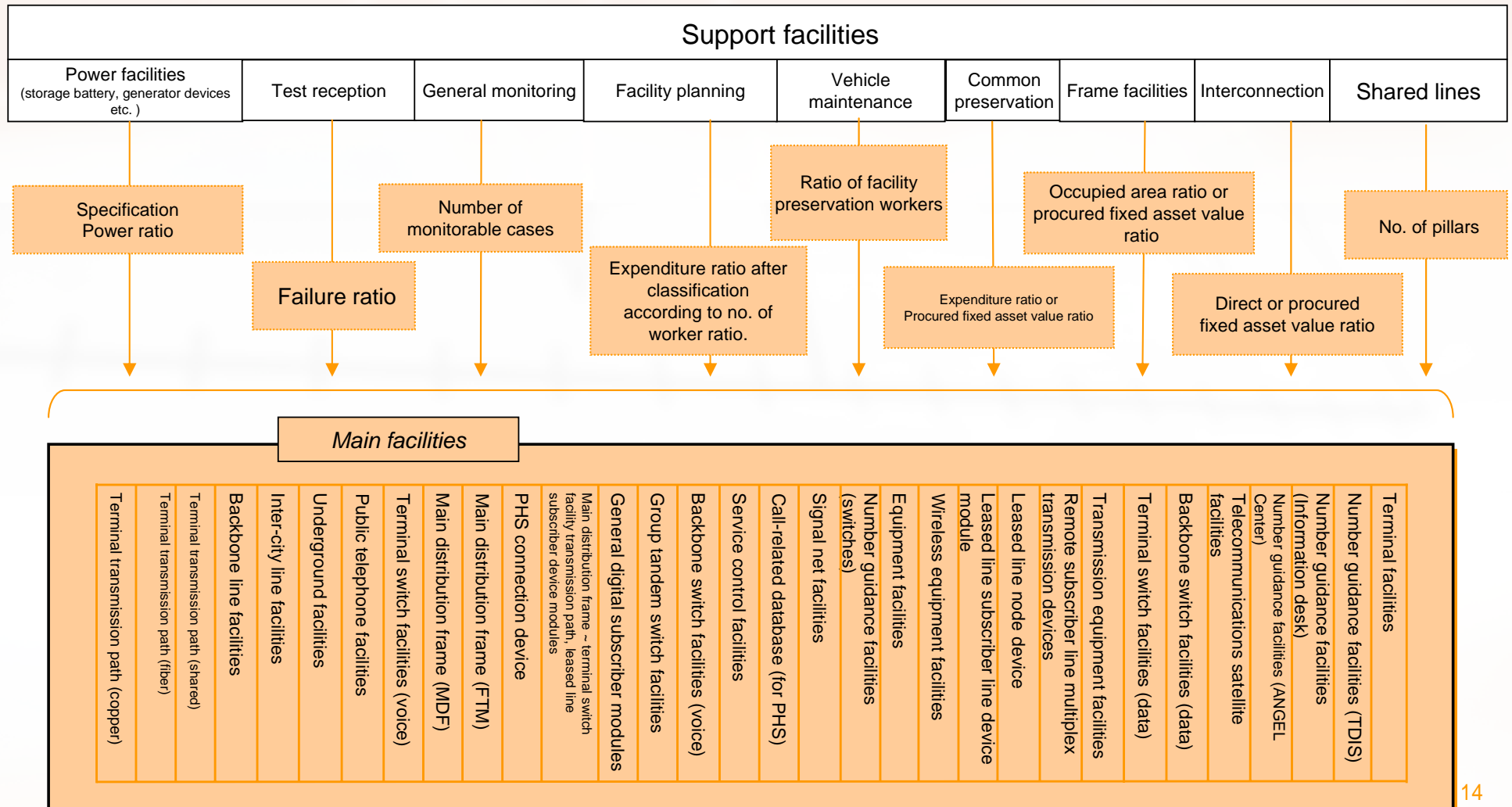


3. Summary of Costs and Assets by Facility Division and Basic Flow

(3) Recurrence from various activities (after activity support recurrence) to main facilities

1) Support facilities

Recurrence flow to support facilities

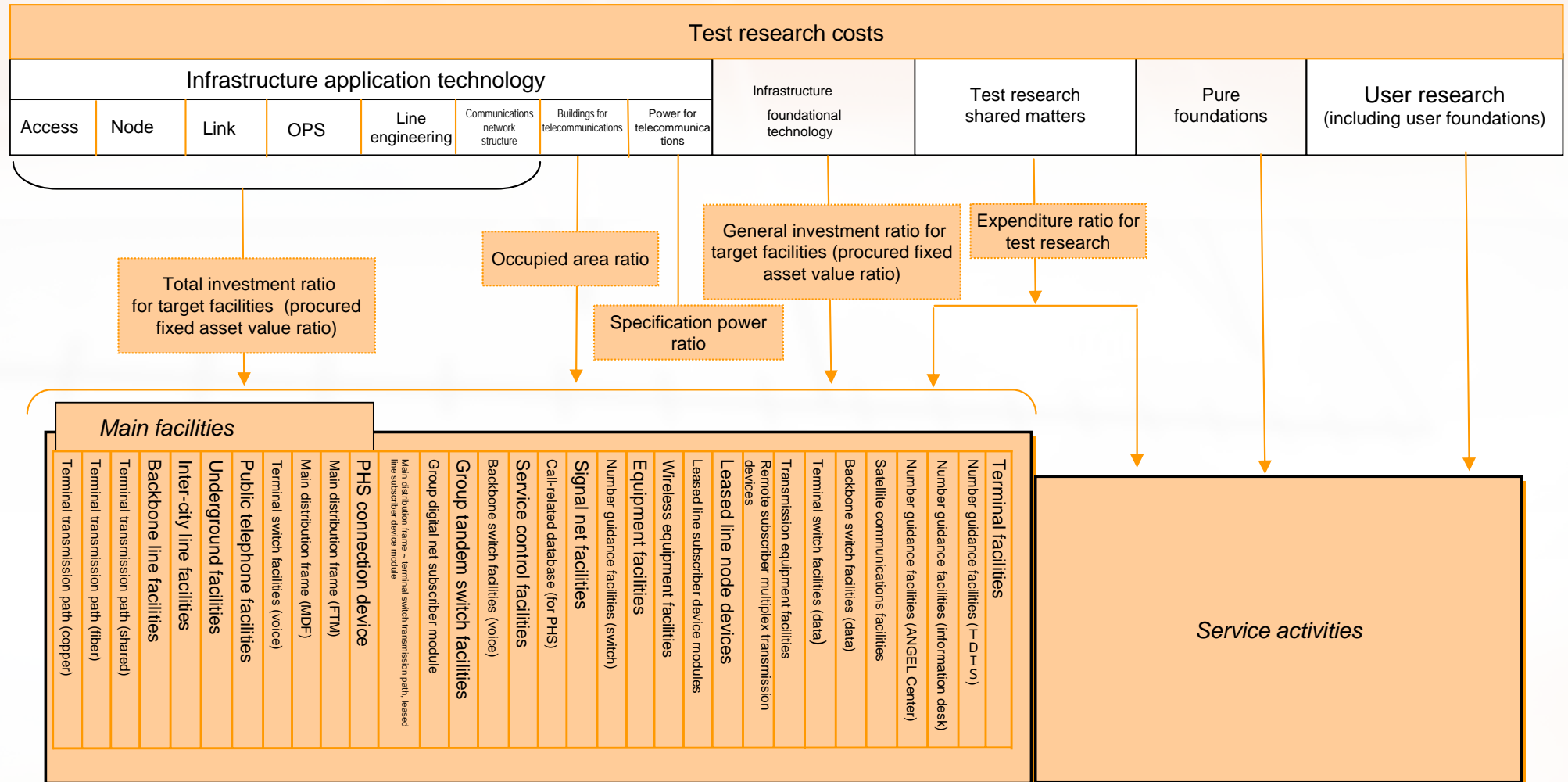


3. Summary of Costs and Assets by Facility Division and Basic Flow

(3) Recurrence from various activities (after activity support recurrence) to main facilities

2) Test research

Recurrence flow to test research

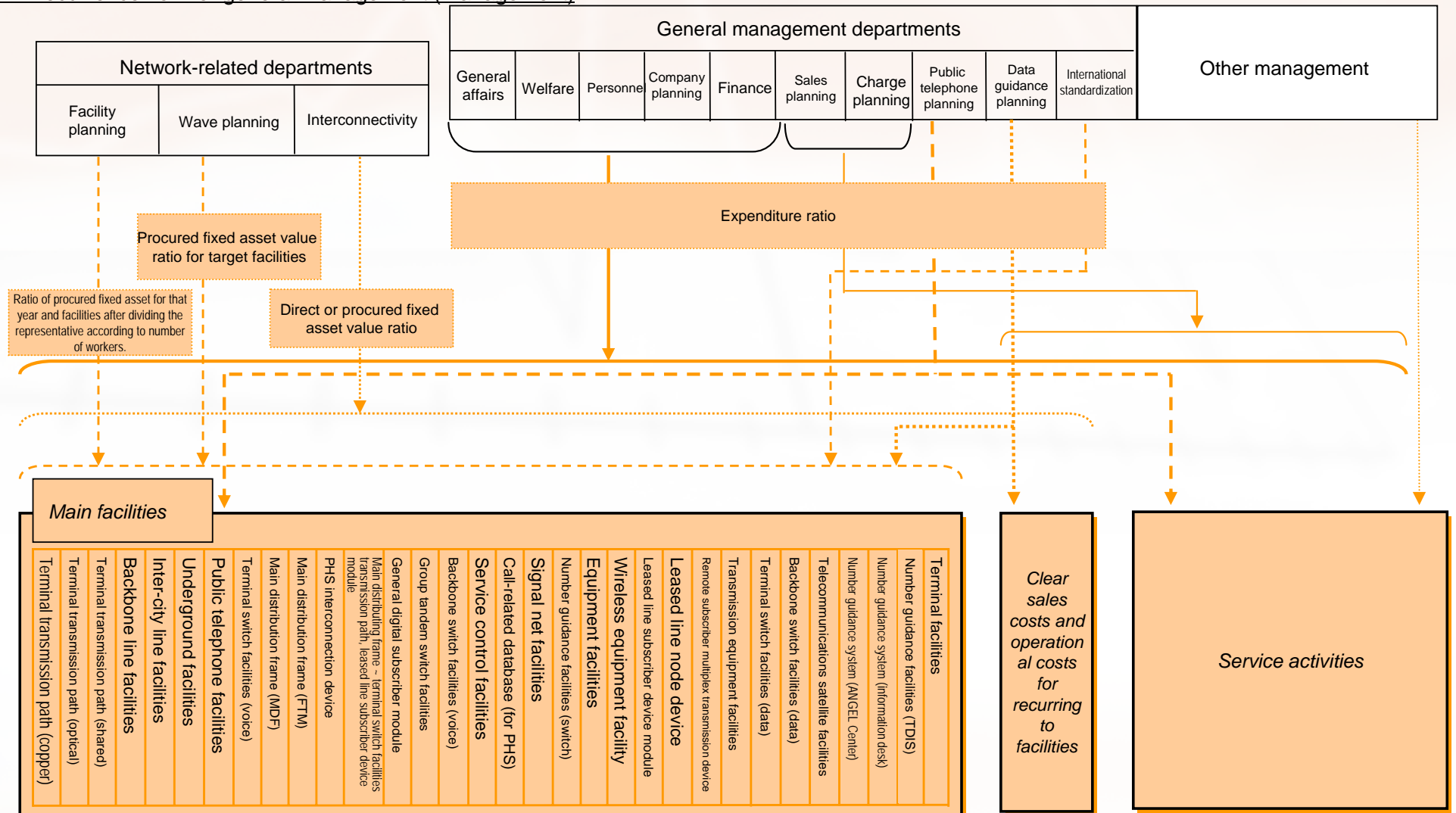


3. Summary of Costs and Assets by Facility Division and Basic Flow

(3) Recurrence from various activities (after activity support recurrence) to main facilities

3) General management (management)

Recurrence flow for general management (management)



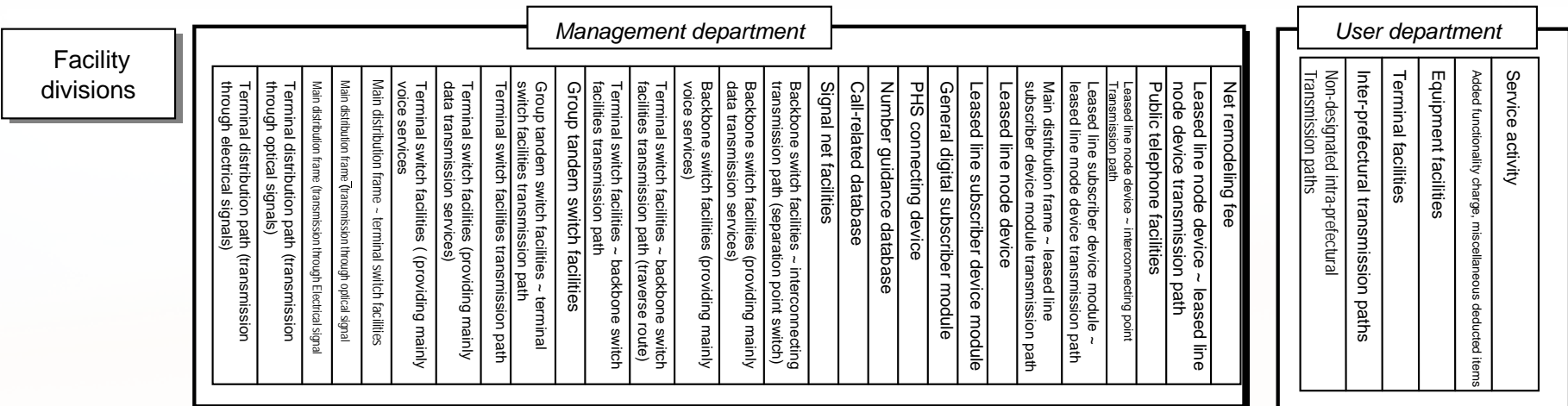
3. Summary of Costs and Assets by Facility Division and Basic Flow

(4) Recurrence from main facilities to facility divisions

Recurrence of “facility divisions” of costs and assets organized into “main facilities” as determined by the connection accounting regulations



Recurrence of each facility division according to the line ratio and traffic ratio



3. Summary of Costs and Assets by Facility Division and Basic Flow

(5) Clear recurrence of sales costs and operational costs when recurring facilities

Recurrence of “facility divisions” of costs and assets organized into “clear sales costs and operational costs recurring to facilities” as determined by the connection accounting regulations

