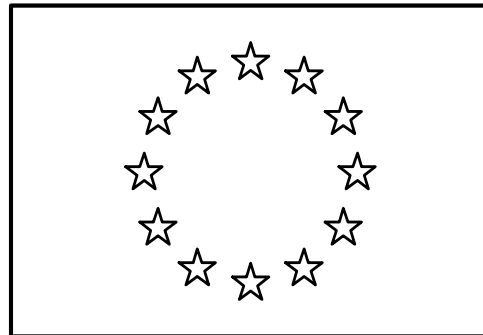


26 October 2009

Addendum 1 to the document of 2 October 2009

EU Proposals for Regulatory Reform in Japan



26 October 2009

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Amendments to the EU RRD proposals document of 2 October 2009

Chapter 7-Food safety and agricultural products/Section 7.7 Organic food certification

p 48, Background: to replace the first sentence by: "the EU remains strongly concerned about the cost and administrative difficulties of importing organic products into Japan".

p 49, **after point c)**, inside the bracket, second sentence to be replaced by: "No extra intervention by a certification body is required, and the operator's right to use the logo is not subject to any further approval or registration procedures".

Chapter 8- Wood standards

p 51, to replace the title of chapter 8 by "Wooden construction materials, elements and systems"

P 52, **proposal a)** to delete the reference to JAS glulam standard in the first sentence: "To recognise European White Spruce (*Picea abies*) as a separate tree and timber species from other spruces".

proposal c) to delete the suggestion of a working group to be held by the first quarter of 2010: "To set up jointly with the EU technical work on the fire endurance tests and fire regulations in order to allow the import by Japan of innovative, large scale wooden products and systems, as well as fire resistant materials from Europe".

proposal d) to add a reference to innovative products in the first sentence: "To examine ways to simplify the accreditation procedure for testing organisations, especially with regards to new, innovative products, under the JSA/JIS (...)".

proposal e) to replace the expression "testing methods leading to CE marking" by testing methods and related CE marking (...).

Chapter 1- Investment- section 1-1

As announced, paragraph on taxation to be included at the end of the subsection 1.1 FDI-corporate restructuring-corporate governance-taxation:

5. Taxation

Transparent and fair taxation rules are important to encourage foreign investment. The EU notes GoJ's goal to make the Japanese tax system more transparent, fair and simpler. The EU welcomes the increase in tax rulings introduced in the revised *Bunsho Kaito* tax ruling system and encourages further work in this respect. We believe special attention should be paid to enable companies to request and obtain tax rulings, to eliminate obstacles to cross-border mergers and to eliminate secret comparables used in transfer pricing disputes.

The EU is interested in further intensifying exchange of views on taxation with GoJ within the framework of the EU-Japan Regulatory Reform Dialogue. It invites Japan to consider the list of EU RRD proposals mentioned below for discussion in an expert meeting back to back with the Tokyo RRD meeting foreseen by end 2009.

Reform proposals

The EU requests the GoJ to consider the following proposals: (...)

V. Taxation

Transparency, accountability, confidentiality, level playing field:

- a) To provide for a right for companies to request and obtain transparent tax rulings;
- b) To inform on the GoJ's methods to prevent leaking of confidential tax payers' information and the provisions on the responsibility of tax administrations in such cases;
- c) To inform if consumption tax is levied for products destined for third countries, when maintenance and repair services are done in Japan.

Corporate restructuring and tax consolidation system:

- d) To revise current rules regulating cross-border mergers so as to allow a tax deferral on capital gains, regardless of the use of the triangular merger scheme;
- e) To provide for a continued tax deductibility of impairment losses incurred upon group internal business restructurings;
- f) To define company law key concepts which are used for taxation purposes in case of restructuring operations;
- g) To reduce to 50% the threshold to opt for the tax consolidation system;

Transfer pricing:

- h) To inform on the measures taken to ensure uniform application of transfer pricing rules; including documentation and use of multiple year data;
- i) To eliminate the use of secret comparables in transfer pricing assessments;

Dividends, interest, royalties:

- j) To inform on new developments on the dividend and royalty payment system between foreign subsidiaries and parent companies which carry out international business;
- k) To inform on possible initiatives aimed at reducing withholding taxes levied on cross-border securities income (dividends, interest, royalties).

EU concluding remarks, RRD High Level Meeting, Tokyo, Dec. 2008:

" (...). On taxation issues, we note the inclusion of this subject in the Japanese preliminary replies and welcome the willingness of GoJ to pursue discussions in this field."

New RRD chapters:

9- Financial services

Highlights: The EU welcomes progress on its 2008 RRD proposals related to the banking and investment services (e.g. EU RRD proposals c) e) f) and g)); actual implementation

will determine whether the reforms will have positive impacts on the financial services industry and consumers. It is pleased to see the cooperative process ongoing in the fields of auditing and accounting. It believes that there is great strategic value in working together with Japan, including multilaterally, to promote the international convergence and modernization of solvency frameworks in the field of insurance. Cooperation should also continue to promote the stability of the international financial system.

9.1 Banking and investment services

Highlights: The EU welcomes the enactment of the amendments to the Financial Instruments and Exchange Law (FIEL) in December 2008 and June 2009; some of these amendments support reforms in line with the 2008 EU RRD proposals. The Better Regulation Initiative promoted by the Japanese Financial Services Agency (FSA) remains an important tool with regard to the goal of making Tokyo an international financial centre. Universal banking should remain the long-term goal of the GoJ as well as regulatory convergence under the auspices of the Financial Stability Board (FSB).

Case history: First raised in RRD in 2006, last discussed in 2008. Progress noted on some EU RRD proposals. The Japanese reply delivered in December 2008 does not remove all EU concerns.

Background

1. Stability of the international financial system

The EU welcomes the work carried out by the GoJ at the Financial Stability Board (FSB) and in the G20 Process with a view to ensuring international consistency of regulation and supervision. To improve the stability of the financial system, public authorities should take measures to help the market better deal with information related to risk. Discussions are underway globally regarding capital adequacy of banks, pro-cyclicality in the financial system, market integrity and transparency, and international cooperation among regulators. All countries, including Japan, should now implement quickly the FSB recommendations allowing for a coordinated response to the financial crisis as well as the Framework for Strong, Sustainable and Balanced Growth agreed at the G20 in Pittsburgh in September 2009.

2. Better Regulation

The EU welcomes FSA's efforts to further promote Better Regulation, including when carrying out crisis response measures. In the third progress report on Better Regulation of July 2009, the EU notes in particular that the FSA seeks to ensure the effectiveness of the entire regulatory framework through an optimal combination of rules-based and principles-based regulation. The EU also notes FSA's efforts to improve communication with stakeholders and cooperation with the Central Bank of Japan.

However, an important issue remains the industry's need for strengthened transparency and consistency in the implementation of the regulatory framework.

3. Implementation of FIEL amendments regarding firewalls

The EU welcomes the decision to revamp the firewall regulation in December 2008 which entered into force in June 2009. As a result, financial services firms are able to appoint a

country manager with dual responsibilities and to carry out cross-marketing of products by double hat officers and employees. The EU strongly encourages Japan to adopt appropriate implementing measures to achieve the full potential of this reform. The FSA should adopt guidelines to allow for the same level of information sharing as in the EU, a simplified opt-out system and reasonable inter-locking of executives.

So far, the EU operators remain concerned by the difficulty to integrate operations in Japan. Actual implementation of the recent amendments to the FIEL will determine the extent of positive impacts on the financial services industry and whether consumers in Japan can benefit from the full range of services.

4. Inspections

The EU welcomes FSA's efforts to improve the quality of financial inspections and notes the publication of FSA's annual basic policy and plan for financial inspections for 2009-2010. The EU hopes that the annual plan will contribute towards streamlining of the inspection process.

Indeed, overlapping inspections by the FSA, Securities & Exchange Surveillance Commission (SESC), Tokyo Stock Exchange (TSE), Japan Securities Dealers Association (JSDA), Ministry of Finance (MOF) and Bank of Japan (BOJ) have long imposed an excessive administrative burden on regulated firms. Moreover, the inspection process remains insufficiently transparent and predictable.

The Japan Investment Trust Association has become a self-regulatory body since September 2007, under Article 78 of the FIEL. The EU considers that this Association should play its self-regulatory role, including inspection of its member firms, autonomously and without duplicating the supervision carried out by the FSA.

Reform proposals

The EU requests the GoJ to consider the following proposals:

- a) To implement, in an internationally coordinated way, the recommendations of the Financial Stability Board (FSB) and follow-up of the G20 Summits as a response to the financial crisis;
- b) To implement the Better Regulation policy in the financial services area so as to encourage innovation and competitiveness, and ensure dialogue with regulated entities on how to comply with the rules;
- c) As regards elimination of firewalls, to ensure the full potential of revisions of FIEL. In particular to implement the opt-out system in a way that will actually ease the restrictions on customer information-sharing while ensuring consumer protection;
- d) To avoid duplication of regulatory roles played by the Japan Investment Trust Association and by the FSA, and to streamline the inspection process in general;
- e) To keep universal banking as a governmental priority.

EU concluding remarks, RRD High Level Meeting, Tokyo, Dec. 2008:

"- We are pleased with the fruitful cooperation between the EU and Japan on financial services.

- We also consider it important that dialogue on financial services be pursued through other existing channels. In this respect we wish to organise the next EU-Japan High Level Meeting on Financial Issues to be held in Brussels at the beginning of 2009.
- We welcome the FSA's commitment to continue efforts towards better regulation in Japan, and the engagement to further publish information on progress."

Other relevant dialogue: High Level meeting on financial issues between the European Commission and FSA (next meeting in spring 2010 in Tokyo).

9.2 Auditing

Highlights: The EU and Japan are involved in a process to reach the goals of moving towards mutual reliance on each others' regulatory systems, as well as enhancing mutual understanding, co-operation, and exchange of information. The EU welcomes the constructive cooperation in this field. Recent progress on both sides includes the European Commission's decision in July 2008 on the registration of Japanese auditors, and a Framework for Inspection/Supervision of Foreign Audit Firms adopted in September 2009 by the FSA on foreign oversight systems.

Case history: First raised in RRD in 2006, last discussed in 2008 RRD. The replies delivered in December 2008 show a continuous support from GoJ to a constructive dialogue with the EU.

Background

As public oversight of auditors develops around the globe, jurisdictions are looking for ways to address the quality of the audits of cross border listings.

Equivalence (for further details see the EU RRD proposals document of 2 October 2008)

Auditors of third country companies listed on European capital markets are required to register with the relevant EU audit oversight bodies. However, the Member States may dis-apply these provisions insofar as the European Commission assesses that these third country auditors are properly overseen in their own jurisdiction.

In August 2008, the European Commission decided to grant Japanese audit firms a transitional period until July 2010 for their registration in the EU. The 2008 Decision puts in place a provisional policy and a legal framework. The European Commission is preparing an equivalence assessment with a view to recognising equivalence (Art 46 of Directive 2006/43/EC) of the FSA and the Certified Public Accountants and Auditing Oversight Board (CPAFOB). In this context, the European Commission has received extensive information from the FSA.

Since April 2008, the Japanese authorities have required foreign audit firms to register with the FSA ("notification") under the revised Certified Public Accountants Act. In September 2009, the FSA adopted the "Framework for Inspection/Supervision of Foreign Audit Firms" (Framework) clarifying the approach towards non-Japanese Audit oversight systems. As with the EU model, this Framework fosters mutual reliance, cooperation of audit oversight bodies and reciprocity. The EU is interested in seeing the implementation of the Framework over 2009-2010, especially on whether the nine relevant EU oversight bodies will be recognised as equivalent.

During summer 2009, the FSA has started discussions with the regulators of Denmark, France, Germany, Ireland, Italy, Luxemburg, the Netherlands, Spain and the UK with a view to confirming mutual interest in enhancing co-operation, and suggesting concrete measures for mutual reliance and exchange of information.

Exchange of information

The FSA and CPAAOB have expressed interest in entering into an information exchange scheme (Art 47 of Directive 2006/43/EC). In this context, the European Commission proposed in January 2009 that the FSA and the CPAAOB be considered as adequate to enter into exchange of information schemes with any competent authority located in the EU.

The European Commission has received from FSA comprehensive details allowing for an assessment of the adequacy of the FSA and CPAAOB. Continuous dialogue and exchange of information are still necessary to fully achieve mutual reliance and cooperation on both sides. The European Commission will move forward on this issue and intends tabling a Decision on the adequacy of the FSA before the end of 2009.

Reform proposals

The EU requests the GoJ to consider the following proposals:

To ensure that the Japanese competent Authorities will maintain a constructive stance in the process of moving towards the recognition of equivalence and the information exchange scheme. In this context, it is essential that a dialogue continues between the Commission Services (Directorate-General for internal market and services) and the FSA and CPAAOB.

- In the short term, in the frame of the transitional regime granted by the EU to Japanese audit firms until July 2010, to ensure that the FSA and the CPAAOB assist the relevant Japanese audit firms in providing relevant information (including inspection reports as appropriate) to the relevant EU audit oversight bodies.
- In the medium term, to ensure that the FSA fully relies on oversight and inspections carried out by the relevant EU oversight bodies, so as to create an effective regime and legal certainty for all EU audit firms registered with the FSA.

EU concluding remarks, RRD High Level Meeting, Tokyo, Dec. 2008:

"I note we have established a close cooperation with the FSA, and hope this will continue in the future with a view to achieving equivalence in the auditing fields."

Other dialogues: regular discussions in the context of the bilateral dialogue on auditing between the European Commission and FSA set up in November 2006 as well as during the High Level Meeting on financial issues between the European Commission and FSA (next meeting in spring 2010 in Tokyo).

9.3 Accounting

Highlights: The EU encourages Japan to accelerate the convergence process as foreseen in the Tokyo Agreement (2007) and to move to the International Financial Reporting Standards (IFRS) as soon as possible.

Case history: EU proposals first discussed in RRD in 2007, further to the inclusion of accounting issues in the Japanese RRD proposals in the past.

Background

1. Accounting convergence

Since 1 January 2005, companies listed on a regulated market of any EU Member State have to use IFRS as adopted by the EU for preparing their consolidated financial statements. However, third country listed companies on an EU regulated market can produce financial reports either on the basis of IFRS or on the basis of certain third countries' national accounting standards equivalent to those standards. In December 2008, the European Commission established that Japanese GAAPs are equivalent to IFRS for use within the Community.

In September 2009, the Accounting Standard Board of Japan published an update of its plan regarding the process of convergence between Japanese GAAPs and IFRS through 2011. This plan has been developed taking into account the Interim Report issued by the Business Accounting Council (BAC) in June 2009, which recommends the ASBJ to continue and accelerate the convergence of accounting standards, as well as the International Accounting Standards Board work plan from August 2009 to 2011.

The EU encourages Japan to continue its efforts towards convergence in order to eliminate all existing differences between Japanese GAAPs and IFRS.

2. Adoption of IFRS

The EU notes that there is a strong momentum in Japan on the issue of adopting IFRS and encourages GoJ to take the necessary measures to reach this goal as soon as possible.

The Planning and Coordination Committee of the BAC approved in June 2009 an Interim Report for the adoption of IFRS in Japan. The BAC has approved the voluntary use of IFRS for FY 2009 for consolidated financial statements of certain internationally active listed companies. The EU notes that the decision regarding the mandatory use of IFRS is envisaged in 2012 and its entry into force in 2015 or 2016.

3. IASB governance

Strengthening IASB governance has become a top priority in the context of the financial crisis. The EU considers it important to maintain the close cooperation with Japan on strengthening IASB governance.

Reform proposals

The EU requests the GoJ to consider the following proposals:

- a) To accelerate the process of convergence between Japanese GAAPs and IFRS and ensure that the momentum and support within Japan are kept at the highest possible level even beyond the year 2011;

- b) To work towards a final decision regarding the mandatory application of IFRS and start concrete work towards the adoption of IFRS on the basis of the BAC report;
- c) To continue to cooperate closely with the EU on the issue of strengthening IASB governance.

EU concluding remarks, RRD High Level Meeting, Tokyo, Dec. 2008:

"We understand that the Japanese authorities are now considering moving to IFRS in the near future. We strongly support such move, which would be in line with global trends."

Other dialogue: High Level meeting on financial issues between the European Commission and FSA (next meeting in spring 2010 in Tokyo) as well as regular contacts in the context of the monitoring session on auditing.

9.4 Insurance

Highlights: The EU supports GoJ's work on solvency reform in line with developments in the International Association of Insurance Supervisors and methods being developed in the EU (Solvency II). It welcomes the establishment of an EU-Japan insurance specific dialogue. No progress has been noted on the issue of regulated *Kyosai*. Therefore, the EU reiterates its requests that the GoJ eliminates the differing treatment applied to regulated *Kyosai*, and removes any remaining restrictions applied to the sale of insurance products by banks.

Case history: First raised in 1999, last discussed in RRD in 2008. The Japanese reply delivered in December 2008 does not remove all EU concerns especially with regard to *Kyosai*.

Background

1. Regulated Kyosai (see for further details the EU RRD proposals document of 2 October 2008)

In its replies to the EU 2008 RRD proposals, the GoJ described *Kyosai* as "mutual aid associations composed of members circumscribed by region or workplace" whose "activities are of a different nature than the profit-making insurance businesses that target the general public". The GoJ has also stated that the expansion of product ranges of *Kyosai* does not modify the nature of *Kyosai* activities.

However, according to the recent data by Japan Cooperative Insurance Association, *Kyosai* regulated by Ministries other than FSA sell nearly 25% of all life insurance policies and account for 30% of all insurance premiums for non-life insurance policies in Japan.

Having millions of customers, these "regulated" *Kyosai* directly compete on the market as large-scale insurance companies. However, "regulated" *Kyosai* are not subject to the same safeguards as entities supervised by FSA, they do not contribute to the Policyholder Protection Corporation ('PPC'), are not subject to the same taxes and are not subject to FSA inspections.

Previous discussions focused on the status of *Kyosai*; the EU would now like to insist on a market perspective. In such a context, the EU reiterates its request that a level playing field should be established.

2. Deregulation plan for the sale of insurance products by banks

The EU has welcomed the deregulation of bancassurance activities, allowing banks to sell all insurance products with effect from 22 December 2007. However, whilst sales are picking up slowly, there is yet to be a level playing field. Extra restrictions still apply to bank sales (e.g. restriction on sales of insurance products to SMEs by a bank which extends loans to a small firm).

The EU also notes that the existing measures governing bank sales intended to prevent harmful effects on consumers will be reviewed after approximately another three years. The EU considers it important that the GoJ starts an early review of these extra restrictions ahead of the 3-year planned review.

3. Revision of the PPC scheme

The Insurance Business Law establishes the current safety net for insurance policyholders (Policyholder Protection Corporation, 'PPC'). According to the Law amended in 2008, the system regarding the PPC's financial resources will be reviewed, if necessary, within 3 years after the entry into force (i.e. by March 2012).

The EU notes that, during the PPC's review, the GoJ will have discussions with experts and stakeholders and that FSA will share information and exchange views with insurance companies. The EU also understands that a shift to a post-funding system will be discussed.

The EU encourages the GoJ to carry out a revision in 2010 and to share with the EU its present thinking regarding the PPC scheme and prospects, including the treatment of variable annuity products.

Reform proposals

The EU requests the GoJ to consider the following proposals:

- a) To end the favoured position of *Kyosai*, i.e. to bring regulated *Kyosai* within the scope of Insurance Business Law and submit them to FSA supervision;
- b) To accelerate reforms to attain convergence between Japanese and global and European insurance standards;
- c) To review any remaining restrictions on insurance products which apply to sales by banks relative to other channels;
- d) To share with the EU its current thinking on the PPC scheme and its prospects, including the treatment of variable annuity products. The EU encourages the GoJ to carry out a revision of the PPC in 2010 and to ensure that companies which contribute to the PPC scheme are involved in the review;
- e) To continue the specific EU-Japan Insurance Dialogue on a regular basis.

Other relevant dialogue: EU-Japan insurance dialogue between the European Commission and JFSA, set up under the High Level meeting on financial services (first meeting in January 2008, third meeting to be held in the first half of 2010).

EU concluding remarks, RRD High Level Meeting, Tokyo, Dec. 2008:

"- The EU supports GoJ's work on solvency reform in line with developments in the IAIS and methods being developed in the EU (Solvency II). I note with satisfaction that Japan has agreed to develop a dialogue on this issue. In this regard, we are pleased to set up a specific EU-Japan Insurance Dialogue, in the margins of the EU-Japan High Level Meeting on financial services to be held in Brussels at the beginning of 2009.

- On "regulated" *Kyosai* [*i.e. outside the jurisdiction of the Insurance Business Law and thus FSA supervision*], we were not able to record any progress on our concerns regarding lack of fair competition / level playing field."

10 - Japan Post

Highlights: The EU understands that GoJ decided on 20 October to reorganize the Japan Post group and to adopt new legislation to regulate Japan Post operations to ensure postal services across the country; Japan Post Holdings Co. should reintegrate management of mail, banking and insurance operations and provide the same financial services nationwide. The EU also understands that GoJ will submit a bill to halt the legally required sale of government-owned shares, and plans to secure enough time to discuss how much ownership it should retain in those entities.

The EU considers that measures should not have the unintended effect of altering competitive conditions in market segments where Japan Post entities are competing with other service providers. Any steps to be taken should ensure both transparency of the process and a level playing field in financial and postal services.

Specific attention will remain on the issues of access to the postal network, expansion of business of all Japan Post entities and cross-subsidisation between entities and between activities of a same entity.

The EU remains convinced that a dialogue between EU and Japan experts, allowing for exchange of experience in this field, will be mutually beneficial and looks forward to developing contacts with the services of the new Minister of State for Postal Reform.

Case history: First raised in 2002, discussed in RRD in 2008. The Japanese reply delivered in December 2008 does not remove all EU concerns.

Background

1. Review of the privatisation process of Japan Post

The EU understands that GoJ intends to review the privatisation process launched in 2007. The EU encourages GoJ to ensure that its new policy is developed and implemented in a transparent and inclusive way, and that a level playing field is upheld between Japan Post entities and competing service providers.

In light of the announced new policy, the EU asks GoJ to confirm its continued commitment to opening of certain services to competition, high quality universal service, independent regulatory bodies, and the prevention of anti-competitive practices.

2. Expansion of activities of all Japan Post entities (for further details see the EU RRD proposals document of 2 October 2008)

Japan Post Bank (JPB) and Japan Post Insurance (JPI) have been supervised by the Financial Services Agency (FSA) since October 2007, in accordance with the Banking Law and the Business Insurance Law. They have developed new business lines, tie-ups and alliances, and are requesting authorization of further expansion into new businesses.

A level playing field between JPB and JPI and other competing financial service providers is a priority issue. The EU understands that the FSA makes decisions on the expansion of business scope by taking into account their capability in the field of risk and compliance management as required by the Banking Law and the Insurance Business Law.

It is essential that GoJ closely monitors the expansion of activities of all Japan Post entities to ensure equivalent conditions of competition with other service providers offering similar kinds of services. All parties should have the opportunity to raise comments.

3. Opening up the mail delivery sector

The EU would appreciate continued transparency in the Ministry of Internal Affairs and Communications (MIC)'s plans to gradually open up Japan Post mail delivery services to competition. A dialogue between EU and Japan experts would be mutually beneficial, allowing for an exchange of experience on opening of certain services to competition, while ensuring high quality universal service, protecting users' rights and the introduction of strong independent regulatory authorities.

4. Ensuring open and fair access to the Post Office network

A nationwide post office network will be maintained to continue universal mail service. The EU understands that JPB and JPI will continue to offer their financial services nationwide through the existing over-the-counter network of the Post Office Company.

In light of the review of the privatisation of Japan Post, the EU wishes the GoJ to clarify what steps could be taken to ensure access to this network for other financial service providers on fair and equitable terms.

5. Ensuring equal treatment of EMS with private express carriers

The EU notes that the MIC considers Express Mail Services (EMS) as falling under the universal service obligation. EMS continues to enjoy preferential treatment as regards security regulations (which call for non-inclusion in cargos of dangerous or illegal objects such as explosive, radioactive or toxic substances, narcotics, etc.) and customs.

Being a competitive, value-added service, the EU reiterates its views that EMS should be subject to the same laws and regulations as private carriers, including all transportation, security regulations and customs laws.

6. Cross-subsidisation between universal service and competitive services

Equal treatment of EMS with other express carriers also means that no cross-subsidisation should occur between the universal postal service and EMS, which is a competitive business.

Accounting procedures related to the co-use of universal service operations processes and assets by competitive services of Japan Post are not transparent. The EU welcomes the fact that MIC has established a study group, the task of which is to assess the appropriateness of the accounting system of Japan Post in this regard. However, this assessment process should be held in transparency, including consultations of stakeholders.

Reform proposals

The EU requests the GoJ to consider the following proposals:

- a) To ensure full transparency in the new process regarding the future of Japan Post Holding Co and organise public consultations on implementation measures;
- b) To consider any request for expansion of business scope by Japan Post entities in the light of the need to ensure equivalent conditions of competition with other service providers. The impact of such expansion on competition should be measured in advance and taken into account. All parties should have the opportunity to raise comments;
- c) To continue ensuring transparency in the policy examination process as regards further opening of the mail delivery sector;
- d) To take measures to ensure that the conditions of access by other financial service providers to the postal network are clear and public;
- e) To treat EMS as a competitive service, not falling under the universal obligation service, and therefore apply to EMS the same regulatory treatment and the same customs clearance procedure which applies to other carriers.

To set up a time schedule by which the customs threshold for EMS will be lowered.

To ensure that adequate regulations and controls will be established to prevent cross-subsidisation between the universal postal service and EMS. In this respect, accounting separation between EMS and regular postal mail services should be established. The methodology and the process of the study of the accounting system should be kept transparent.

EU concluding remarks, RRD High Level Meeting, Tokyo, Dec. 2008:

"The EU will continue to follow closely the development of the privatisation process, which is a complex one, covering postal services aspect and financial services aspects. Our main concern is that a level playing field is ensured between the successor entities of Japan Post and private sector operators.

The EU has offered an enhanced cooperation at expert level in the field of postal reforms issues in December 2007. The EU is convinced that a dialogue between EU and Japan experts will be mutually beneficial. We welcome Japan's agreement to have a meeting at expert level on postal reform issues as soon as possible in 2009, e.g. by a video conference."