

## TELECOMMUNICATION

# NTT to take over Docomo, aiming to accelerate research on 6G tech

KDDI and SoftBank slide as Japan's biggest carrier responds to pressure from new PM



NTT announced on Sept. 29 that it will take telecommunications unit NTT Docomo private in a 4.25 trillion yen (\$40.1 billion) takeover bid. (Photo by Nikkei)

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TOKYO -- Nippon Telegraph & Telephone announced on Tuesday that it will take telecommunications unit NTT Docomo private in a 4.25 trillion yen (\$40.1 billion) takeover bid, raising expectations of a fresh rate war in Japan's mobile phone industry.

"We are not doing this [acquisition] to cut mobile phone bills," NTT President Jun Sawada told reporters during a news conference. "But as a result, [of the deal] there will be room for price cuts."

Sawada added that although the company offers "inexpensive" services, it does not do so because of government pressure.

The development is seen as an early victory for Yoshihide Suga, Japan's new prime minister, who has made reducing mobile phone charges a policy priority. But it is likely to fuel concerns over the industry's profitability now that carriers are rolling out 5G network infrastructure and developing apps, on top of running their networks.

"Docomo has a large share [of the market] but by income has fallen into third place," Sawada said. The group will aim to strengthen sales for corporate customers and improve its cost competitiveness.

Sawada also said the group will do more research into and development of 6G technology.



Jun Sawada, president of NTT in left, and Kazuhiro Yoshizawa, president of NTT DoCoMo, smile during their online news conference on September 29.

In the deal, first reported by Nikkei, NTT is to purchase the roughly 34% of outstanding Docomo stock it does not own. It will delist the carrier once the transaction is complete.

NTT said it will pay 3,900 yen for each Docomo share, about 40% higher than its closing price on Monday. That puts the value of the deal at about 4.25 trillion, making it the largest ever tender offer for a Japanese company. NTT expects to complete the transaction by March.

Japan's top lenders -- Mitsubishi UFJ Bank, Sumitomo Mitsui Banking Corporation and Mizuho Bank -- will provide a syndicated loan of over 4 trillion yen to NTT to help finance the transaction, Nikkei has learned. It is likely to be the largest loan of its kind by a Japanese bank.

The loan will be due within a year, and NTT is expected to refinance it to long-term loans or issue corporate bonds. The three megabanks will lead the arrangement; financial institutions such as Sumitomo Mitsui Trust Bank and Norinchukin Bank are expected to participate as well.

Taking Docomo private will enable NTT, which counts the Japanese government as the largest shareholder, to respond more easily to Suga's calls to cut mobile phone bills. Suga has said Japan's mobile rates can be reduced by around 40%.

Internal Affairs and Communications Minister Ryota Takeda has expressed expectations for the deal to foster competition.

Speaking to reporters on Tuesday, Chief Cabinet Secretary Katsunobu Kato said, "I hope each company will actively consider reducing prices."

Docomo responded to Suga's previous calls for lower tariffs last year by launching a new pricing plan. But competitors have responded with their own discount measures, resulting in a lackluster response.

After Nikkei broke the story on Tuesday, fears of a fresh price war prompted a sell-off in shares of rival mobile carriers KDDI and SoftBank, although each pared some of their losses in the afternoon.

The stock price of KDDI, the second-largest carrier, fell more than 4% during trading on Tuesday, while SoftBank Corp, the third largest, fell more than 4% as well. The declines slashed the combined market capitalization of the two carriers by some 550 billion yen (\$5.2 billion).

Shares in Docomo, which is majority-owned by NTT, were up more than 15% at Tuesday's close.

However shares of NTT fell amid concerns that it will take on debt or issue shares to fund the acquisition.

Tatsunori Kawai, chief strategist at Kabu.com Securities, said, "Making Docomo a subsidiary has a large political background." He added the acquisition will enable NTT to turn aggressive in pricing, which will "negatively affect KDDI and SoftBank."

Taking Docomo private will enable it to respond more easily to pressure from the new prime minister to cut mobile phone bills. Suga has said Japan's mobile rates can be reduced by around 40% and considers the issue a policy priority.

Docomo was spun off from NTT in 1992 as part of government efforts to promote competition in the communications sector. It debuted on the first section of the Tokyo Stock Exchange in 1998 to fund capital investment.