

Japan's NTT to spend \$38B to buy out, take DoCoMo private

September 29 2020, by Elaine Kurtenbach



The corporate logo of Japanese telecoms giant Nippon Telegraph & Telephone, or NTT, is seen in front of the building which houses its headquarters, in Tokyo, Tuesday, Sept. 29, 2020. Shares of NTT fell Tuesday on news it is preparing for a takeover of its mobile phone carrier NTT DoCoMo. (Kyodo News via AP)

Japanese telecoms giant Nippon Telegraph & Telephone, or NTT, announced Tuesday it will spend 4.3 trillion yen (\$38 billion) to buy out and take private its mobile unit NTT DoCoMo in one of the largest ever deals of its kind.

NTT and NTT DoCoMo executives released details of the plan Tuesday.

The move is intended to enhance the competitiveness of the NTT group as it consolidates its services, said NTT's CEO Jun Sawada.

"We want to be a game changer," Sawada said.

He said that between Sept. 30-Nov. 16 the company would buy DoCoMo's shares at a price of 3,900 yen. DoCoMo's shares were last trading at 3,213 yen. NTT held about 66% of DoCoMo's shares as of March 31.

The acquisition will be financed by bridge loans, not a [share](#) offering, the company said.

The restructuring dovetails with newly installed Prime Minister Yoshihide Suga's push for lower telecoms rates and more consumer and business-friendly services. It is expected to enable DoCoMo to offer cheaper rates in competition with rivals such as SoftBank and KDDI.

Suga has made expanding [digital services](#) a main part of his policy agenda and has called for reforms of the industry's complex pricing policies and relatively inflexible contract arrangements. Pressures to improve such services have intensified with the push for remote work during the coronavirus pandemic.

NTT's shares fell 2.7% ahead of the announcement, which was made

after markets closed. DoCoMo's shares were suspended from trading. Share prices for other NTT subsidiaries surged ahead of the announcement.



Passers-by walk past a NTT DoCoMo shop in Tokyo, Tuesday, Sept. 29, 2020. Shares in Japanese telecoms giant Nippon Telegraph & Telephone, or NTT, fell Tuesday on news it is preparing for a takeover of its mobile phone carrier NTT DoCoMo. (Kyodo News via AP)

NTT DoCoMo is Japan's largest mobile carrier, with more than 70 million subscribers. It was founded in 1992. According to its website, it holds a 44.2% market share compared with the 32% share held by KDDI's au brand. SoftBank is third ranked, with a nearly 24% share.

Although DoCoMo is the market leader, its profits have been eroding, a factor that helped drive the decision to consolidate.

Sawada said there was no direct link between the buyout and cutting mobile subscription prices.

"However, by doing this, DoCoMo will get stronger. That's why we are doing this. As the result of this, we could build a stable foundation which apparently could give us power to decrease the price," he said.

The NTT buy out is the biggest ever in Japan and one of the largest worldwide. The biggest so far was the \$48 billion acquisition of Dallas, Texas-based energy utility TXU Corp., now known as Energy Future Holdings, by Kohlberg Kravis Roberts, the Texas Pacific Group and Goldman Sachs Capital Partners in 2007.

A trend toward such deals appears to be gathering pace, as Japanese companies sitting on big cash piles adjust their business strategies in a time of growing uncertainty.

NTT traces its roots to 1869, the early days of the telegraph in Japan. Founded in 1952 as the government phone utility, it was privatized in 1987. The company has expanded its network services as its fixed line business has been largely supplanted by mobile phones, at least for individual users.

Japan's mobile phone rates are on average about half the costs charged in the U.S. and much lower than in Canada and South Korea, according to a study by telecoms services research firm cable.co.uk.

At about \$3.90 for 1 gigabyte (1G) of mobile data, however, costs in Japan are far higher than in many European and Asian countries, such as China, where 1G cost 61 cents and India, where the cost was only 9

cents.

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