

## Outline of Proceedings of the 9th Meeting of the Study Group on Mobile Business

1. Date: 13:30 – 16:00, Wednesday, August 29, 2007
2. Location: Special Conference Room 1, Ministry of Internal Affairs and Communications
3. Attendees

(1) Members (Entered in alphabetical order of last names, with honorifics omitted)

Fujiwara, member; Goda, member; Hasegawa, member; Iizuka, member;  
Ishiwata, member; Saito, Chairperson; Sato, member; Sensui, Deputy Chairperson;  
Takahashi, member

(2) Ministry of Internal Affairs and Communications

Terasaki, Director-General of the Telecommunications Bureau; Takeuchi,  
Director-General of the Telecommunications Business Department; Ando, Director of  
the General Affairs Division; Taniwaki, Director of the Telecommunications Policy  
Division; Furuichi, Director of the Tariff Division; Kurose, Director of the Computer  
Communications Division; Takeuchi, Director of the Telecommunications Systems  
Division; Honma, Senior Advisor of the Telecommunications Policy Division; Takachi,  
Senior Planning Officer of the Telecommunications Policy Division; Ninomiya, Senior  
Planning Officer of the Tariff Division; Yanagishima, Senior Planning Officer of the  
Computer Communications Division; Hishinuma, Senior Planning Officer of the  
Telecommunications Systems Division; Matsuda, Assistant Director of the  
Telecommunications Policy Division

4. Agenda

(1) Hearings from mobile operators

- 1) NTT DoCoMo, Inc.
- 2) KDDI CORPORATION
- 3) SOFTBANK MOBILE Corp.
- 4) WILLCOM, Inc.
- 5) EMOBILE Ltd.

(2) Exchange of opinions

5. Outline of proceedings

o Based on the relevant documents, NTT DoCoMo, Inc. KDDI CORPORATION, SOFTBANK MOBILE Corp., WILLCOM, Inc., and EMOBILE Ltd. explained opinions on the Draft Report of the Study Group.

<Member> One of the purposes of the Draft Report is to make it clear to users what are communication charges and what are terminal charges. As an example of the pertinent methods, the separation plan is shown. In that sense, it seems that all relevant companies agree to the plan. NTT DoCoMo, Inc. offered an opinion that “methods other than the separation plan should also be widely accepted.”

Other than the separation plan, what methods are conceivable?

<NTT DoCoMo, Inc.> If viewpoints are focused on transparency and sense of fairness, then what immediately comes to mind is the installment plan.

<KDDI CORPORATION> We are conducting various studies, but since charge plans are a source of competition, we cannot speak about them in a public place.

<SOFTBANK MOBILE Corp.> We feel that installment sales are one of the practicable methods, but we believe that it is unnecessary even to discuss agreement or opposition to any specific method. It is sufficient if relevant competing operators exert originality and ingenuity. Free economy is the best, since choices are available.

<Member> Do you mean that there is no need for separation between communication charges and terminal charges?

<SOFTBANK MOBILE Corp.> Each operator should consider whether there is such a need.

<Member> Do you think that there is no need for fairness or sense of transparency?

<SOFTBANK MOBILE Corp.> That is what each operator should judge in accordance with law in the course of business management.

<WILLCOM, Inc.> Our company reduced sales incentives and raised terminal prices. Instead, we offered inexpensive flat-rate plans, thereby increasing subscribers. Because of increasingly keen competition, however, it became necessary to prepare multiple choices that are easy to understand. Therefore, we also introduced an installment sales model.

<EMOBILE Ltd.> As shown on page 13 of our company's explanatory document, differences between Japan and foreign countries lie in technical development costs. In Japan, technologies are developed by means of profits from communication charges. The purpose of this is to prevent users from canceling contracts. General-purpose models in foreign countries do not permit terminals to be sold in Japan. Vertical models have greater problems than do sales incentives. In the case of vertical models, terminals cannot be sold unless technologies are developed by disbursing money.

<Member> If users do not understand what they pay money for, they cannot make a choice between expensive and inexpensive terminals. Transparency and lucidity are therefore desired. Within the framework of current models, from manufacturers' viewpoints, it is difficult to allow inexpensive terminals to be manufactured, or inexpensive foreign terminals to be purchased. This is one of the problems to be solved. It is important to allow users to make a free choice. At present, however, only a single model is applied, as symbolized by zero-yen terminals. Installment sales started by SOFTBANK MOBILE Corp. are significantly more lucid than in the case of conventional models and therefore deserve appreciation. I would like to request all companies to introduce transparent models. There is an opinion that no restraint should be imposed, but this matter should be left to the outcome of free competition.

This is quite right. In this Study Group, no argument has ever been put forth about the imposition of restraints.

<Member> I feel that it is better to share steel towers, if possible. What do NTT DoCoMo, Inc. and KDDI CORPORATION think about this?

<NTT DoCoMo, Inc.> In the present circumstances, all steel towers built by our company are just capable enough to accommodate our own equipment. Steel towers are shared in national parks, public parks, and areas where consideration should be given to the environment. In the Kanto-Yamanashi-Nagano-Niigata Region, steel towers are shared at about 100 places. Steel towers can be shared if designed for this purpose from the beginning. It may be a task to decide what to do when 4G networks are built.

<KDDI CORPORATION> Steel towers that can be built jointly are erected jointly. If other companies ask for sharing and if it is technically feasible, then sharing is performed. In the past, we considered founding a steel tower holding company. However, this was not realized, since the places where steel towers were desired to be built differed from company to company. Furthermore, it is possible to share independent steel towers, but towers built on rooftops of buildings, as is often the case in urban areas, are difficult to share because of weight and space issues.

<SOFTBANK MOBILE Corp.> As shown on page 10 of our company's explanatory document, in South Korea, SKT alone uses 800 MHz, while it is mandatory, in principle, to share steel towers. Actually, 50 percent of steel towers are shared. In the case of steel towers of NTT DoCoMo, Inc., we would like to request that not just those at about 100 places but about 50 percent of all steel towers be shared. We understand that there are many problems, but the same problems are supposed to have been encountered in South Korea. There is a handicap in that we do not have 800 MHz. Frankly speaking, in order to overcome this handicap, we would like to request that the 800 MHz frequency be allocated equally. In this regard, as the next best thing, we would like to ask that arrangements be made so that radio waves can be covered by the sharing of steel towers or by roaming. This is important in ensuring fair competition. Our company's positive stance is well appreciated, but we cannot accept any idea that guides business models into any specific direction. It is the role of the Government to leave things to the outcome of competition, thereby securing equal footings. It is not that we are opposed to making accounting transparent.

<Member> The ensuring of the fairness and transparency of cost burdens is the most important subject for this Study Group. Point programs are now closely and inseparably related to terminal charges and communication charges. How will point programs undergo changes from now on if consideration is given to ensuring transparency?

<NTT DoCoMo, Inc.> The purpose of point programs is to achieve the customer retention effect. As in the case of mileage service, points are used after being accumulated. DoCoMo's points can be used for purposes such as replacement of terminals by purchase, travel, and terminal repairs. However, the allocation

of points to telephone call charges constitutes virtual discounts, thus failing to lead to the customer retention effect. It is therefore difficult to accept such allocation.

<KDDI CORPORATION> In the case of our company as well, points are often used to replace terminals by purchase. The current situation is that points can be exchanged with those of other companies. It is difficult to change or remove this situation. If discussions are made by regarding point programs as part of charge systems, then things can be understood. We do not think that point programs themselves are illegal or irregular schemes.

<SOFTBANK MOBILE Corp.> Point programs are also objects for which all operators should exert originality and ingenuity. It is unreasonable to prohibit such programs.

<Member> The argument is that point programs will constitute a difficult factor in considering any separation between terminal charges and communication charges. It is not that point programs should be prohibited or restricted.

<Member> We can understand the assertion that things should be left to the outcome of free competition in principle. In this connection, not only free but also fair competition is necessary. Discussions should also be held on what to do about charges when inequitable competition is conducted or consumers are treated unfairly. It is desirable that fair and free competition can be carried out not only among carriers but also including MVNOs. In this respect, I would like to put this question to SOFTBANK MOBILE Corp. Why does page 5 of the explanatory document state that the entities that need to be subjected to rules should be limited to dominant operators?

<SOFTBANK MOBILE Corp.> We were hesitant when we wrote it. As a matter of fact, if entities in positions of challengers are restricted by rules, competition will be hampered. In this regard, dominant operators can afford to bear severity. We therefore presume that there will be no problem even if they are restricted by rules. Be that as it may, we can understand that, on the part of operators positioned in high-ranking layers and intending to newly build a market as MVNOs, it is easier to make such entry if there are certain rules. We do not oppose MVNOs themselves. However, we in the position of challengers will have a difficult time if we are compelled to establish connection with MVNOs. We would therefore like to be exempt from it for the time being.

<Member> In conclusion, I agree to the argument that things should be left to the outcome of free competition. In the current circumstances, however, only limited charge systems and services are provided. In order to enable consumers' free choices and to ensure the provision of sufficient information under such circumstances, it will also be necessary for the Government to provide guidance in a certain direction as an interim measure. Furthermore, with regard to the accounting system, it is necessary to provide guidance in a certain direction. This is because, on the part of MVNOs, the premise for competition is that interconnection charges should be clarified.

<NTT DoCoMo, Inc.> With regard to the accounting system, the anxiety about the

separation of terminals from networks is that if separation is carried out retroactively, things will get out of control. I presume that, as a coping method that meets the purpose, it is sufficient to add a note instead of changing the accounting system.

<Member> Isn't there any problem if operating costs pertaining to sales incentives are separated from interconnection charges?

<NTT DoCoMo, Inc.> We do not disallow the very act of clarifying that point. We are aware that the fact that long-term contract users continue to pay the sales incentive portion of communication charges is a problem. We think that it is necessary to exert ingenuity in some way or another. However, whether it is necessary to institutionally impose restraints remains in question.

<Member> This matter concerns high-ranking layers. We feel that the mobile business market will not be revitalized unless MVNOs as well as software operators like ASPs actively make their appearance. However, we feel that there are tremendous differences in degrees of interest in technical opening-up. It may be advisable for the five companies to jointly address some items. What do you think these items are?

<NTT DoCoMo, Inc.> "i-mode" was opened up, and technologies are disclosed to operators that adopted "i-mode." Joint efforts by the five companies were mentioned. Does this matter concern actions from a viewpoint that does not involve opening-up?

<SOFTBANK MOBILE Corp.> Sufficient opening-up was performed for content manufacturers and application developers. Moreover, we act for them in the matter of charging their customers. However, it is difficult to go so far as to standardize the basic platforms of multiple companies. Be that as it may, what constitutes the biggest obstacle to the promotion of competition is the fact that in the matter of number portability, e-mail addresses are not portable. The sharing of e-mail addresses should be carried out first by way of the five companies' joint efforts.

<KDDI CORPORATION> The term "opening-up" tends to be readily mentioned. However, it is difficult to uniformly open up platform functions, since interfaces and functions differ from platform to platform.

<EMOBILE Ltd.> As shown on page 11 of our company's document, an important thing about opening-up is to make arrangements so that even if contracts with NTT DoCoMo, Inc. are canceled, for example, content and e-mail functions can continue to be used by means of other companies' mobile telephones. In this case, user charges for e-mail and content are paid to NTT DoCoMo, Inc., and therefore, this company will not incur losses. In the case of the fixed system, progress is made in industrial horizontalization, resulting in such schemes being realized. In the case of mobile telephones, number portability was slow to be introduced, and effects are still to be produced. This fact constitutes a problem.

<NTT DoCoMo, Inc.> It is certainly unreasonable if a Yahoo screen appears when an

“i-mode” button is pressed. Is it necessary to standardize platforms to that extent? Data communication services are subject to keen competition. Such competition has caused this industry to grow. Voice services allow only charge competition to be made. Competition will therefore be prevented unless differentiation is performed in data communication services.

<WILLCOM, Inc > As shown on page 14 of our company’s document, we put efforts into telephones equipped with Windows. There are cases where e-mail functions of personal computers are shared with those of mobile telephones. I wonder if it can be made possible, by the same token, to check “i-mode” e-mail from WILLCOM terminals. This does not mean that customers will be scrambled for. Users having one each of DoCoMo and WILLCOM terminals will be able to make convenient use of them.

<Member> This is a difficult issue. There are pros and cons. Relevant companies continued to carry out development, with the result that it became impossible to use other companies’ mobile telephones even if number portability is implemented or SIM locking is removed. In order to improve this situation, it is necessary to make common profiles as was done in the world of GSM. If it becomes possible to use terminals in common, then on the part of vendors, the market will expand and it will become possible to manufacture terminals at low cost. Such a situation exists in foreign countries, but it does not in Japan. Our country is noticeably behind foreign countries in matters including cost reduction. This fact is a cause of anxiety. The practice whereby relevant companies exert ingenuity on their own is all right, at least on a short-term basis. However, in terms of long-term effects, various problems have been caused, with the result that Japanese carriers are forced to buy expensive terminals. Originally, ARIB was supposed to make a uniform profile in such a way as to permit competition, thereby manufacturing terminals capable of being used in common. However, this was not realized. At the time of the founding of this Study Group, I feared that in Japan terminals would never be standardized. In addition, I was concerned that Japanese mobile telephone terminals would remain expensive forever in the Japanese vendors’ market, which is far smaller than the world market.

<Member> Mobile telephones have been chasing personal computers, and this trend will forever remain unchanged. We have a feeling that high prices of terminals are a problem. We can understand that there is an anxiety about the fact that relevant companies carry out development on their own. We are making efforts to reduce terminal prices by utilizing common platforms.

<KDDI CORPORATION> Things will end up with the question of why Japan did not adopt GSM. Therefore, it is no use having discussions. Our company introduced CDMA on the assumption that international standards would be introduced. Standardization of the CDMA system platform lags considerably behind that of GSM. How much standardization can be performed under 3GPP and 3GPP2, with Japanese manufacturers playing key roles, constitutes a task. Basic OS portions of terminal platforms have been handled by relevant manufacturers. Applications and communication layers are the areas where these manufacturers have been exerting ingenuity on their own. Therefore, careful discussions should be conducted about the extent to which

standardization should be performed. Furthermore, as to who should play key roles, it cannot be helped that not only operators, but also the whole of Japan, should give consideration.

<SOFTBANK MOBILE Corp.> Japan should have adopted GSM. However, in the case of 3G, Japan adopted CDMA and, therefore, complies with international standards. Our company sells, in Japan, terminals of the whole world. It is necessary to modify them in Japan, since only high-function mobile telephones can sell in Japan. On the other hand, if Japanese manufacturers produce inexpensive mobile telephones, such manufacturers can make their way into foreign countries as much as they like. In this connection, if common specifications unique to Japan are established, thereby erecting entrance hurdles, then foreign manufacturers will blame Japan for building entry barriers again. We do not mind discussions being held. Only, we do not want to be compelled to do anything. We would like to request that things be left to the outcome of competition.

<Member> Page 6 of NTT DoCoMo's document says, "It is indispensable for MNOs and MVNOs to appropriately share risks." What risks are there? Furthermore, "fairness pertaining to the use of MNOs networks should be ensured," is stated. What does this mean?

<NTT DoCoMo, Inc.> The former statement means the following, for example: When a changeover is made from 2G mobile telephones to 3G mobile telephones, all terminals need to be replaced; it is then necessary for the replacement costs to be borne by MVNOs as well. The latter statement means the following: Even MNOs are not allowed to apply flat-rate systems to data communication or voice services; it would be unreasonable if only MVNOs were allowed to do this; therefore, it is necessary to impose appropriate restraints.

<Member> I presume that if any MVNO asks for any method that may cause trouble to users of other networks, then such a request can be rejected.

<NTT DoCoMo, Inc.> In the course of specific negotiations including prices, we will be perplexed if we are not allowed to make adjustments.

<KDDI CORPORATION> Our company is also contemplating positively promoting MVNOs' entry. The biggest issue in the acceptance of MVNOs is the changes in frequencies scheduled for 2012. Various problems will arise as a consequence of changes in frequencies. The extent to which MVNOs' understanding can be obtained regarding such circumstances remains in question. A question will be raised as to whether MNOs should bear even MVNOs' equipment change costs. It is necessary for both parties to deepen understanding in regard to technical and institutional problems sufficiently. We would like to do various things for MVNOs. We would like to open up the areas that can be opened up. In this connection, these problems are bound to arise.

<Member> I think that issues such as those of risks should be solved by conditions of contracts. I positively expect that satisfactory outcomes will result.

<EMOBILE Ltd.> Our company has been holding negotiations for roaming contracts with NTT DoCoMo, Inc. In this regard, there are no rules. It is therefore impossible to make complaints about matters like conditions. No win-win relationships can be established in relative negotiations.

<NTT DoCoMo, Inc.> In the case of EMOBILE Ltd., nationwide provision of services is one of the conditions for frequency allocation. Therefore, we therefore presume that it is not suitable to discuss this company in the same terms as for ordinary MVNOs.

<SOFTBANK MOBILE Corp.> The issues of terminal costs and communication prices should be left to the outcome of free competition. The Government's task is to conduct studies on the realization of the portability of e-mail addresses, which belong to users. As regards the allocation of 800 MHz and the sharing of steel towers, it is difficult to change the rules immediately. We therefore presume that several years should be spent to change them. What should be done immediately is to make roaming obligatory. If it is so arranged that network holes can be filled by paying proper prices, it is possible to lead the industry to conduct fair competition.

<Member> Page 6 of EMOBILE's document says that interconnection charges for mobile communication are high. Why are interconnection charges for mobile telephones so expensive?

<KDDI CORPORATION> Interconnection charges are calculated in accordance with the rules. There is no further reason.

<Member> No operating cost is included in interconnection charges for NTT's fixed networks. In this connection, I presume that costs such as sales incentives are included in interconnection charges for mobile communication.

<KDDI CORPORATION> It is my understanding that interconnection charges of our company are decided in the course of negotiations between operators, unlike in the case of interconnection charges of NTT East Corporation and NTT West Corporation, both of which own bottleneck facilities.

<Member> There is no concept of bottleneck facilities in the case of mobile systems. Restraints pertaining to Class 2 designated telecommunications facilities for mobile systems are quite different from those pertaining to bottleneck facilities for fixed systems. Therefore, as mentioned by SOFTBANK MOBILE Corp. in the case of mobile systems, no restraints exist whereby challengers are distinguished from the others. The user share has always been fluctuating in free competition.

<KDDI CORPORATION> If SOFTBANK MOBILE Corp. calls itself a challenger, KDDI CORPORATION is also a challenger. User share has been changing under free competition.

<NTT DoCoMo, Inc.> NTT DoCoMo, Inc. and the other companies started to provide services at the same time. Therefore, there is no difference in conditions.

- <Member> If EMOBILE Ltd. calls itself a challenger, I can understand it. The three companies of NTT DoCoMo, Inc., KDDI CORPORATION, and SOFTBANK MOBILE Corp. are dominant.
- <SOFTBANK MOBILE Corp.> Be that as it may, whether or not the frequency of 800 MHz is allocated makes a decisive difference.
- <KDDI CORPORATION> In the case of our company, frequency change has to be carried out with respect to 800 MHz, thus completely resulting in double investment. When the current situation is considered, there is no superiority over 2 GHz. Therefore, it is inappropriate to say that this is unfair.
- <Member> Rules are necessary for free competition as well. If operators do not want to be compelled to do anything, I presume that they should join forces to create rules. If rules are set up regarding methods of charge indication and advertisements by organizing a council, for example, and if such rules are complied with, then consumers will support this practice. Furthermore, it is necessary to enhance the transparency of accounting and prepare financial statements that can be compared. Is there a foundation for implementing these matters under self-imposed restraints?
- <SOFTBANK MOBILE Corp.> As regards advertisement wording, we were once placed under administrative guidance and learned a lesson, with the result that we made the charge system and advertisements easier to understand. With regard to the council for preventing advertisements, etc., from being misunderstood by consumers, persons in charge started to join forces to organize it. We would like to make efforts to make the council a sound one.
- <KDDI CORPORATION> It is arranged so that the issue of proper advertisement wording is to be handled in common by the Telecommunications Carriers Association. We released considerable quantities of necessary information regarding IR. In this connection, it will be a problem if this practice is institutionally placed under restraint.
- <NTT DoCoMo, Inc.> Our Company is listed on the stock exchanges of some foreign countries as well. Therefore, we prepare financial statements in a severe way. If the data we released is looked at, almost all information can be obtained, and rough comparisons can be made. We have no intention of hiding such data.
- <Member> Releasing very detailed numbers does not necessarily lead to ease of understanding. It is important to have consideration so that even ordinary investors can easily make comparisons. What is done about voluntary rules for charge indication for individual consumers? Moreover, what do you think of qualification certification systems for salespeople of sales agencies?
- <NTT DoCoMo, Inc.> We perform ranking under our own certification system, and thus we are taking sufficient actions. Education of salespeople is important. We therefore feel that we have to continue to deal with this issue in the future as well.

<KDDI CORPORATION> We deal with this issue in terms of both knowledge and manners.

We give guidance to sales agencies so that certain numbers of persons having qualifications that are not below certain levels will be assigned. In this regard, it is difficult to establish industry-wide uniform qualifications. Services differ from company to company. In order to explain all of the differences, it is necessary to inform salespeople of new services before giving information to consumers. As a consequence, it turns out that relevant companies release management strategy information to one another. Such information pertains to areas where all relevant companies exert ingenuity for the purpose of improving customer satisfaction. In this regard, sounder development of the industry will result if uniform rules are not created.

<eMobile Ltd.> Transparency of charges is very important. The biggest problem with telephone charges is that incoming call charges are invisible on the part of users. In Japan, incoming calls are free of charge, but users indirectly pay incoming call charges. It is necessary to clarify what amounts are charged on calls arriving at what places.

<Member> Competition is very important. In this connection, there are many problems hidden behind competition. As a result of competition, vendors' power was weakened, resulting in raised terminal prices, and it is very expensive to use mobile telephones in foreign countries. Such problems arise if competition alone is depended upon. It is therefore necessary to consider what should be done from the consumer viewpoint.

○The secretariat explained the future schedule of the Study Group.

End