

May 26, 2006

Business Condition Outlook for Telecommunications Industry

—Results of Fact-finding Survey of the Telecommunications Industry as of April 2006 (flash report)—

- The sales outlook index*¹ for the telecommunications business sector continued its “plus” trend (i.e., more businesses expected an increase in sales), as did the index for the cable TV business sector, although at a much greater level. Meanwhile, the sales outlook index for the commercial broadcasting business sector continued its “minus” trend.
- The business condition outlook indices*² for the telecommunications business and cable TV business sectors continued their “plus” trend (i.e., more businesses expected an improvement in business condition). The business condition outlook index for the commercial broadcasting business sector slid into the “minus” range for the first quarter of FY2006 but bounced back to a “plus” trend for the second quarter.

Notes: 1. Sales outlook index (DI) = [percentage of businesses predicting an increase (%)] – [percentage of businesses predicting a decrease (%)]
 2. Business condition outlook index (DI) = [percentage of businesses predicting an increase (%)] – [percentage of businesses predicting a decrease (%)]

The Ministry of Internal Affairs and Communications has summarized this business condition outlook (in a flash format) based on the results of the Fact-finding Survey of the Telecommunications Industry (a statistical survey approved by the Minister for Internal Affairs and Communications) for the first and second quarters of FY2006 that was conducted in April 2006. For a more detailed summary, please refer to the attachment.

Final figures, including those related to sales, will be made available via the online Information & Communications Statistics Database (<http://www.johotsusintokei.soumu.go.jp/>) from late June 2006.

○ [Survey Overview]

The Fact-finding Survey of the Telecommunications Industry examines actual sales, sales outlook, etc. in order to dynamically grasp trends in business management in the telecommunications industry (telecommunications business and broadcasting business sectors). This survey has been conducted since April 1995.

[Businesses Covered]

A sample of a total of 133 businesses in the telecommunications industry were organized according to their FY2004 sales share in their respective business lines (telecommunications, commercial broadcasting, etc.) and the sample size for each business sector (line) was then determined. Note that the master sample was selected from the parent population of the overall telecommunications industry so as to ensure statistical significance. Thereafter, for each business sector, as many businesses as the allocated sample size allowed were selected in order of sales volume.

[Survey Method]

Polling was conducted by questionnaire (a printed questionnaire was mailed or faxed; or the respondents directly entered their answers via the Internet).

[Survey Subjects (Information collected)]

Sales outlook, cash flow outlook, and business condition outlook (for July, October, January, and April*) and all monthly sales volumes.

* In actuality, sales outlook, etc. in June, September, December, and March are reported in the following months.

[Response Rates]

Industry Sector	No. of Questionnaires sent	No. of Responses	Response Rate (%)
Total telecommunications industry	133	101	75.9
Telecommunications business	63	45	71.4
Broadcasting business	70	56	80.0
Commercial broadcasting business	50	40	80.0
Cable TV business	20	16	80.0

1. Sales Outlook

The sales outlook indices for the first and second quarters of FY2006 were as follows:

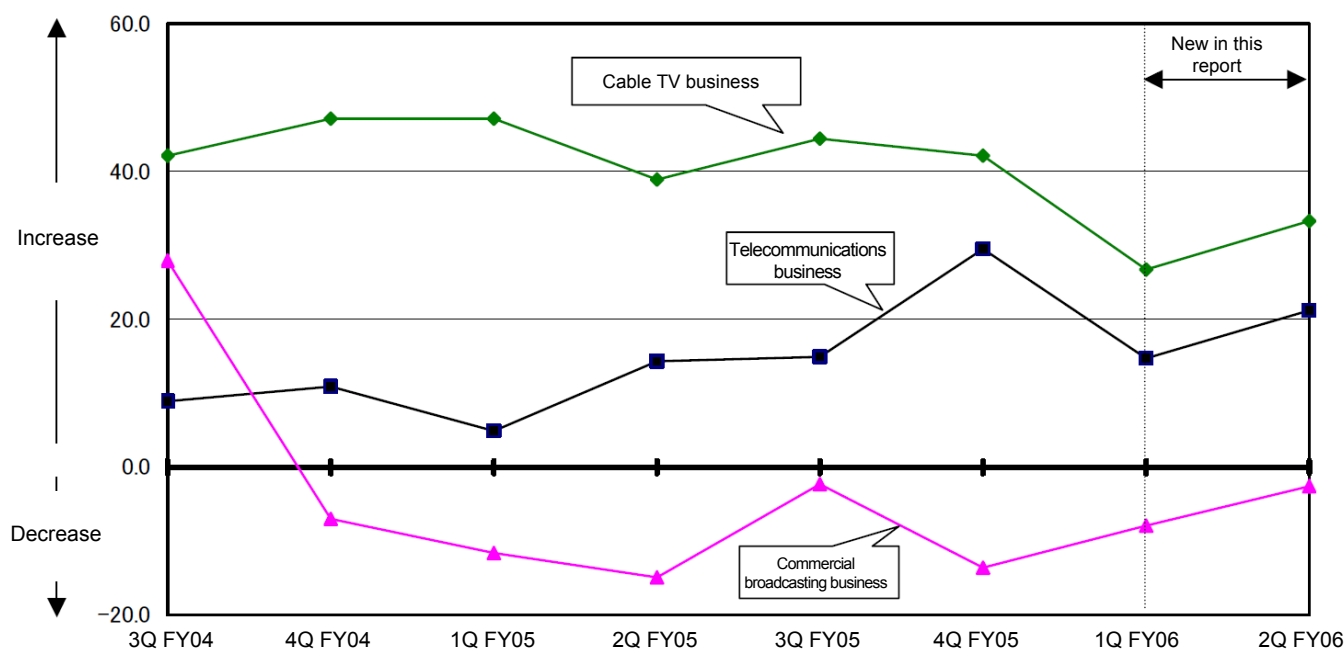
- The sales outlook index for the telecommunications business sector was 14.7 and 21.2, respectively, continuing the “plus” trend (i.e., more businesses expected an increase in sales).
- The sales outlook index for the commercial broadcasting business sector was ▲7.9 and ▲2.6, respectively, continuing the “minus” trend.
- The sales outlook index for the cable TV business sector was 26.7 and 33.3, respectively, continuing its significant “plus” trend.

Table 1 Sales outlook indices

Business sector	FY04		FY05				FY06	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Telecommunications business	8.9	10.9	4.9	14.3	14.9	29.5	14.7	21.2
Broadcasting business	32.3	8.3	5.0	0.0	11.5	3.2	1.9	7.5
Commercial broadcasting business	27.9	(7.0)	(11.6)	(14.9)	(2.3)	(13.6)	(7.9)	(2.6)
Cable TV business	42.1	47.1	47.1	38.9	44.4	42.1	26.7	33.3
All-industry average (for reference)	9.4	6.1	(0.2)	19.5	16.1	13.4	7.0	16.8

- Notes:
1. Sales outlook index (DI) = [percentage of businesses predicting an increase (%)] – [percentage of businesses predicting a decrease (%)]
 2. The figures for the first and second quarters of FY2006 were determined at the end of the fourth quarter of FY2005; those for the other quarters were determined at the end of the quarters immediately preceding them.
 3. The reference figures for the “all-industry average” are taken from the section on the sales outlook (for large enterprises) in the “Corporation Business Outlook Survey (January–March 2006),” published by the Cabinet Office’s General Research Institute for Economy and Society and the Policy Research Institute, Ministry of Finance.

Fig.1 Trends in sales outlook indices



2. Cash Flow Outlook

The cash flow outlook indices for the first and second quarters of FY2006 were as follows:

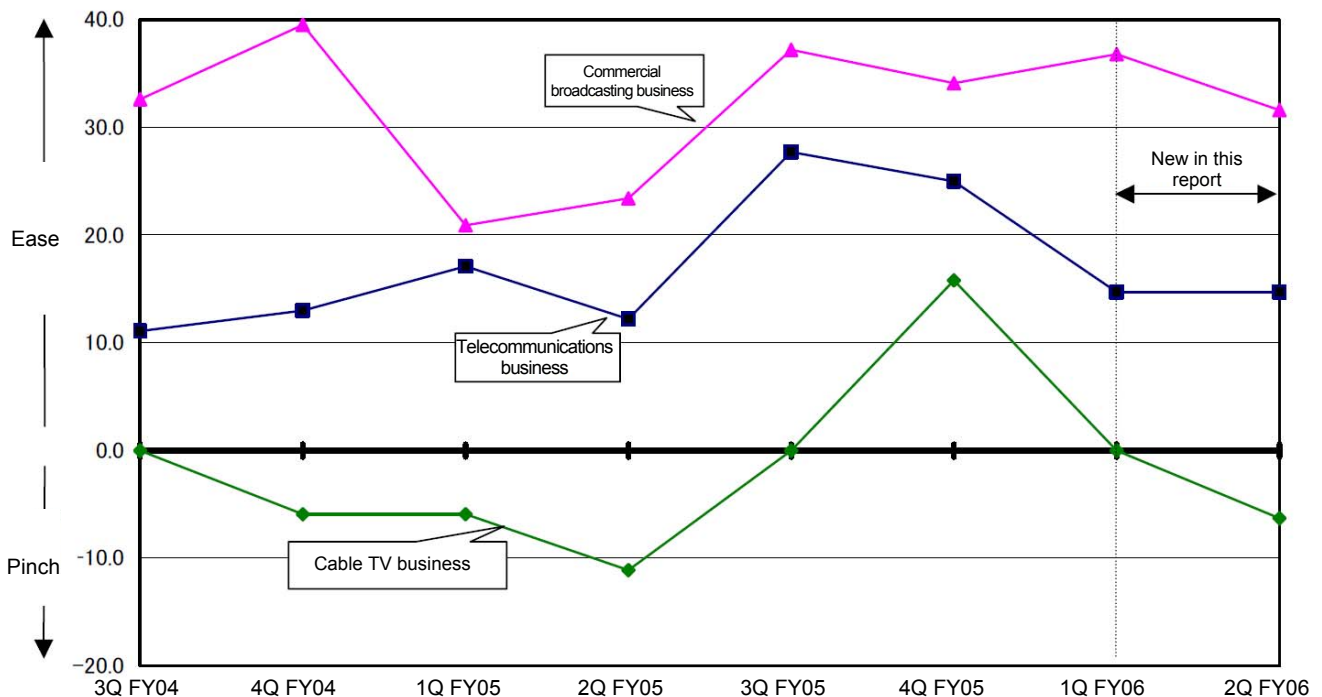
- The cash flow outlook indices for the telecommunications business and commercial broadcasting business sectors continued their “plus” trend (i.e., more businesses expected ease in cash flow).
- The cash flow outlook index for the cable TV business sector worsened from a “plus” for the previous quarter to 0.0 for the first quarter and then to a “minus” ▲6.3 for the second quarter.

Table 2 Cash flow outlook indices

Business sector	FY04		FY05				FY06	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Telecommunications business	11.1	13.0	17.1	12.2	27.7	25.0	14.7	14.7
Broadcasting business	22.6	26.7	13.3	13.8	26.2	28.6	25.9	20.4
Commercial broadcasting business	32.6	39.5	20.9	23.4	37.2	34.1	36.8	31.6
Cable TV business	0.0	(5.9)	(5.9)	(11.1)	0.0	15.8	0.0	(6.3)
All-industry average (for reference)	2.9	3.8	4.5	4.4	3.6	3.3	3.7	3.2

- Notes:
1. Cash flow outlook index (DI) = [percentage of businesses predicting ease (%)] – [percentage of businesses predicting a pinch (%)]
 2. The figures for the first and second quarters of FY2006 were determined at the end of the fourth quarter of FY2005; those for the other quarters were determined at the end of the quarters immediately preceding them.
 3. The reference figures for the “all-industry average” are taken from the section on the cash flow outlook (for large enterprises) in the “Corporation Business Outlook Survey (January–March 2006),” published by the Cabinet Office’s General Research Institute for Economy and Society and the Policy Research Institute, Ministry of Finance.

Fig.2 Trends in cash flow outlook indices



3. Business Condition Outlook

The business condition (business condition of the industry) outlook indices for the first and second quarters of FY2006 were as follows:

- The business condition outlook index for the telecommunications business sector was 11.8 for both quarters, continuing the “plus” trend (i.e., more businesses expected an improvement in business condition).
- The business condition outlook index for the commercial broadcasting business sector slipped to “minus” ▲7.9 for the first quarter of FY2006 but bounced back to a “plus” trend 2.6 for the second quarter.
- The business condition outlook index for the cable TV business sector was 18.8 and 12.5, respectively, continuing its “plus” trend.

Table 3 Business condition outlook indices

Business sector	FY04		FY05				FY06	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Telecommunications business	4.4	4.3	4.9	6.3	13.0	20.5	11.8	11.8
Broadcasting business	21.0	3.3	1.7	(6.2)	(1.6)	6.3	0.0	5.6
Commercial broadcasting business	20.9	0.0	0.0	(10.6)	(7.0)	4.5	(7.9)	2.6
Cable TV business	21.1	11.8	5.9	5.6	11.1	10.5	18.8	12.5
All-industry average (for reference)	2.1	0.6	0.9	9.7	10.5	6.1	8.3	11.3

- Notes:
1. Business condition outlook index (DI) = [percentage of businesses predicting an increase (%)] – [percentage of businesses predicting a decrease (%)]
 2. The figures for the first and second quarters of FY2006 were determined at the end of the fourth quarter of FY2005; those for the other quarters were determined at the end of the quarters immediately preceding them.
 3. The reference figures for the “all-industry average” are taken from the section on the business condition outlook (for large enterprises judging their own business conditions) in the “Corporation Business Outlook Survey (January–March 2006),” published by the Cabinet Office’s General Research Institute for Economy and Society and the Policy Research Institute, Ministry of Finance.

Fig. 3 Trends in business condition outlook indices

