

Business Condition Outlook for Telecommunications Industry

—Results of Fact-finding Survey of the Telecommunications Industry as of July 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. Meanwhile, the sales outlook 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 continued its “minus” trend.

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 second and third quarters of FY2006 that was conducted in July 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 September 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 FY2005 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	111	83.5
Telecommunications business	63	49	77.8
Broadcasting business	70	62	88.6
Commercial broadcasting business	50	44	88.0
Cable TV business	20	18	90.0

1. Sales Outlook

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

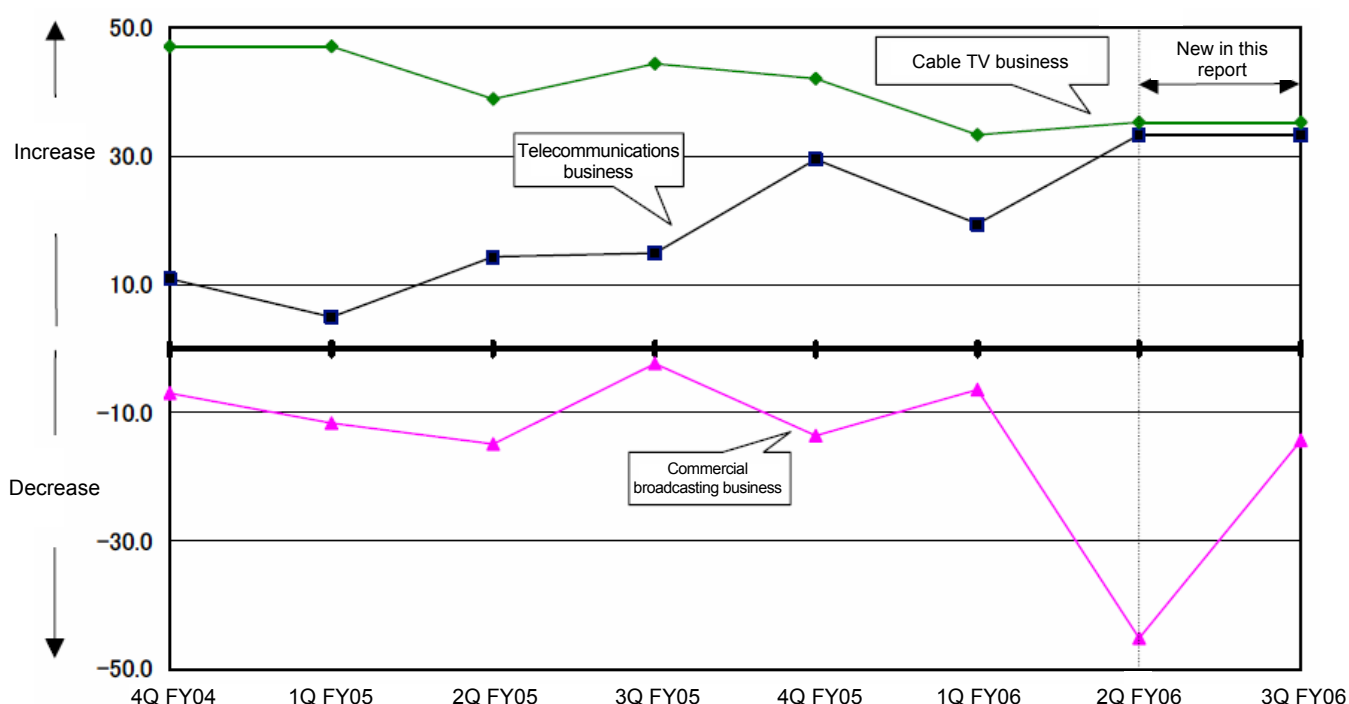
- The sales outlook index for the telecommunications business sector was 33.3 for both quarters, continuing the “plus” trend (i.e., more businesses expected an increase in sales).
- The sales outlook index for the commercial broadcasting business sector was an overwhelming “minus” ▲45.2 for the second quarter and a slightly improved, although still “minus” ▲14.3 for the third quarter.
- The sales outlook index for the cable TV business sector was 35.3 for both quarters, continuing its “plus” trend.

Table 1 Sales outlook indices

Business sector	FY04	FY05				FY06		
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Telecommunications business	10.9	4.9	14.3	14.9	29.5	19.5	33.3	33.3
Broadcasting business	8.3	5.0	0.0	11.5	3.2	4.6	(22.0)	0.0
Commercial broadcasting business	(7.0)	(11.6)	(14.9)	(2.3)	(13.6)	(6.4)	(45.2)	(14.3)
Cable TV business	47.1	47.1	38.9	44.4	42.1	33.3	35.3	35.3
All-industry average (for reference)	6.1	(0.2)	19.5	16.1	13.4	0.1	22.3	15.5

- Notes:
1. Sales outlook index (DI) = [percentage of businesses predicting an increase (%)] – [percentage of businesses predicting a decrease (%)]
 2. The figures for the second and third quarters of FY2006 were determined at the end of the first quarter of FY2006; 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 (April–June 2006),” published by 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 second and third quarters of FY2006 were as follows:

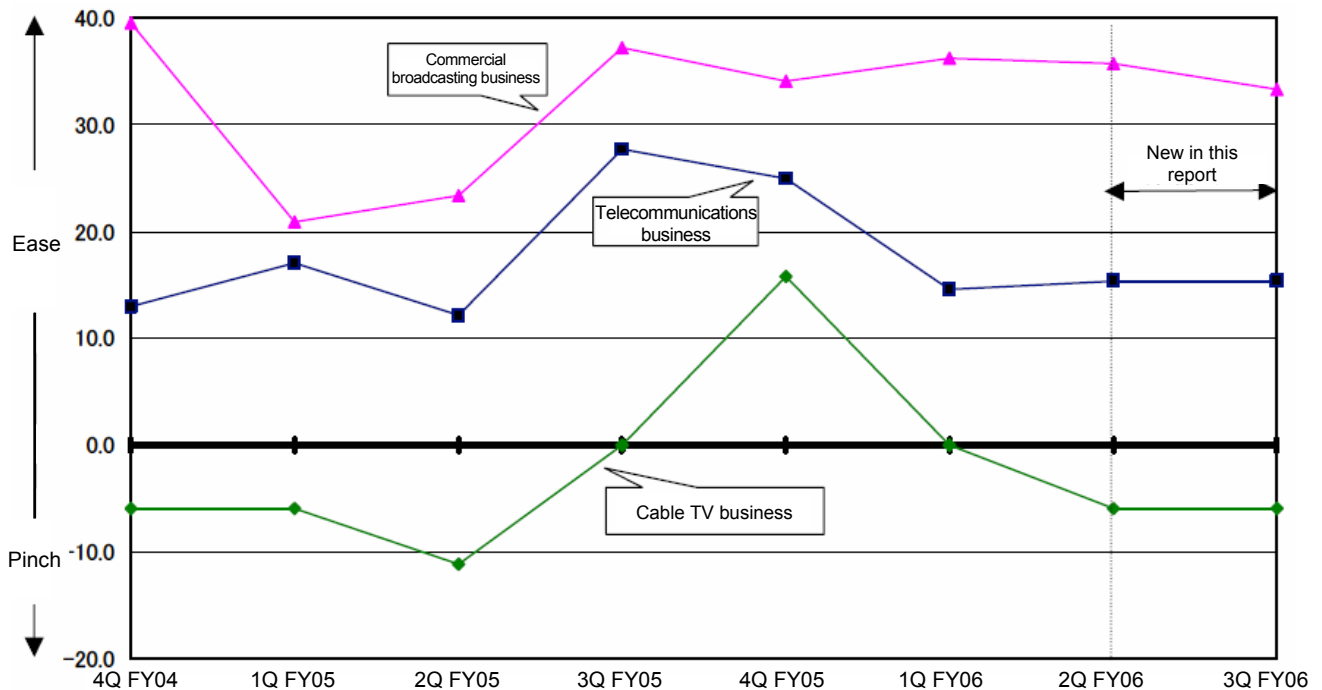
- The cash flow outlook indices for the telecommunications business and commercial broadcasting business sectors continued the “plus” trend (i.e., more businesses expected ease in cash flow).
- The cash flow outlook index for the cable TV business sector worsened to ▲5.9 for both quarters, down from “zero” in the previous quarter (1Q).

Table 2 Cash flow outlook indices

Business sector	FY04	FY05				FY06		
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Telecommunications business	13.0	17.1	12.2	27.7	25.0	14.6	15.4	15.4
Broadcasting business	26.7	13.3	13.8	26.2	28.6	25.8	23.7	22.0
Commercial broadcasting business	39.5	20.9	23.4	37.2	34.1	36.2	35.7	33.3
Cable TV business	(5.9)	(5.9)	(11.1)	0.0	15.8	0.0	(5.9)	(5.9)
All-industry average (for reference)	3.8	4.5	4.4	3.6	3.3	3.5	3.3	3.3

- Notes:
1. Cash flow outlook index (DI) = [percentage of businesses predicting ease (%)] – [percentage of businesses predicting a pinch (%)]
 2. The figures for the second and third quarters of FY2006 were determined at the end of the first quarter of FY2006; 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 (April–June 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 outlook indices for the second and third quarters of FY2006 were as follows:

- The business condition outlook index for the telecommunications business sector was 12.8 and 10.3, respectively, 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 was ▲35.7 and ▲2.4, respectively, continuing the “minus” trend.
- The business condition outlook index for the cable TV business sector was 5.9 for both quarters, continuing its “plus” trend.

Table 3 Business condition outlook indices

Business sector	FY04	FY05				FY06		
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Telecommunications business	4.3	4.9	6.3	13.0	20.5	9.8	12.8	10.3
Broadcasting business	3.3	1.7	(6.2)	(1.6)	6.3	(4.5)	(23.7)	0.0
Commercial broadcasting business	0.0	0.0	(10.6)	(7.0)	4.5	(12.8)	(35.7)	(2.4)
Cable TV business	11.8	5.9	5.6	11.1	10.5	15.8	5.9	5.9
All-industry average (for reference)	0.6	0.9	9.7	10.5	6.1	1.8	13.6	12.0

- Notes:
1. Business condition outlook index (DI) = [percentage of businesses predicting an increase (%)] – [percentage of businesses predicting a decrease (%)]
 2. The figures for the second and third quarters of FY2006 were determined at the end of the first quarter of FY2006; those for the other quarters were determined at the end of the quarters immediately preceding them.
 3. Surveys conducted up to FY2005 examined the “business condition of the industry.”
 4. 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 (April–June 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

