

FOR IMMEDIATE RELEASE

March 28, 2018

2017 Advertising Expenditures in Japan: Detailed Analysis of Expenditures on Internet Advertising Media

— Detailed analysis of spending on Internet advertising media jointly carried out by D2C Inc., Cyber Communications Inc. and Dentsu Inc. —

- **Display advertising and paid search advertising accounted for approximately 80% of all Internet advertising media expenditures in 2017.**
- **Video advertising expenditures totaled ¥115.5 billion in 2017, and are forecast to rise to approximately ¥160.0 billion in 2018.**
- **In 2018, Internet advertising media expenditures overall are forecast to exceed ¥1,400.0 billion, with mobile advertising estimated to account for ¥1,000.0 billion of that total.**

Three companies in the Dentsu Group have released a survey titled “2017 Advertising Expenditures in Japan: Detailed Analysis of Expenditures on Internet Advertising Media.” This survey analyzes the results of “2017 Advertising Expenditures in Japan”—published by Dentsu in February 2018—and further breaks down data on Internet advertising media spending. The analysis presents data according to such variables as ad category, method of transaction, and type of device on which ads were viewed. Furthermore, it also includes forecasts for 2018.

Advertising expenditures in Japan totaled ¥6,390.7 billion in 2017. Within that total, spending on Internet advertising media continued to grow at a robust pace, amounting to ¥1,220.6 billion (a 17.6% increase compared with the previous year). The shape of Internet advertising is continuously changing, driven by such factors as evolution of the communication environment and devices, changes in platforms, and advances in ad technology. In this survey, Dentsu Inc., together with D2C Inc. and Cyber Communications Inc.—two companies in the Dentsu Group specializing in the Internet advertising sphere—analyzed Internet advertising expenditures by ad category, transaction method and type of device. This type of analysis has not previously been included in the “Advertising Expenditures in Japan” report.

Since 2015, D2C Inc. and Cyber Communications Inc. have published their own original research report, titled “Estimation of the Size of the Internet Advertising Market.” However, from this year the two companies have teamed up with Dentsu Inc. to conduct detailed analysis of spending on Internet advertising media reported in “Advertising Expenditures in Japan.” This new research was carried out using revised research content and methodology.

Key Points of “2017 Advertising Expenditures in Japan: Detailed Analysis of Expenditures on Internet Advertising Media”

- 1. Within Internet advertising media expenditures, display advertising (40.9%) and paid search advertising (39.6%) accounted for approximately 80% of the total. Video advertising amounted to ¥115.5 billion, accounting for 9.5% of the total.**
- 2. When analyzed by transaction method, performance-based advertising accounted for 77.0%, reserved advertising accounted for 14.4%, and affiliate advertising accounted for 8.6%.**
- 3. When analyzed by device, mobile advertising accounted for 68.1%, and desktop advertising accounted for 31.9%.**
- 4. In 2018, Internet advertising media expenditures in Japan are forecast to exceed ¥1,400.0 billion. Within that total, mobile advertising is forecast to surpass ¥1,000.0 billion.**
- 5. Video advertising in 2018 is forecast to grow to approximately ¥160.0 billion.**

Point 1

Expenditures on Internet Advertising Media: Breakdown by Advertising Category

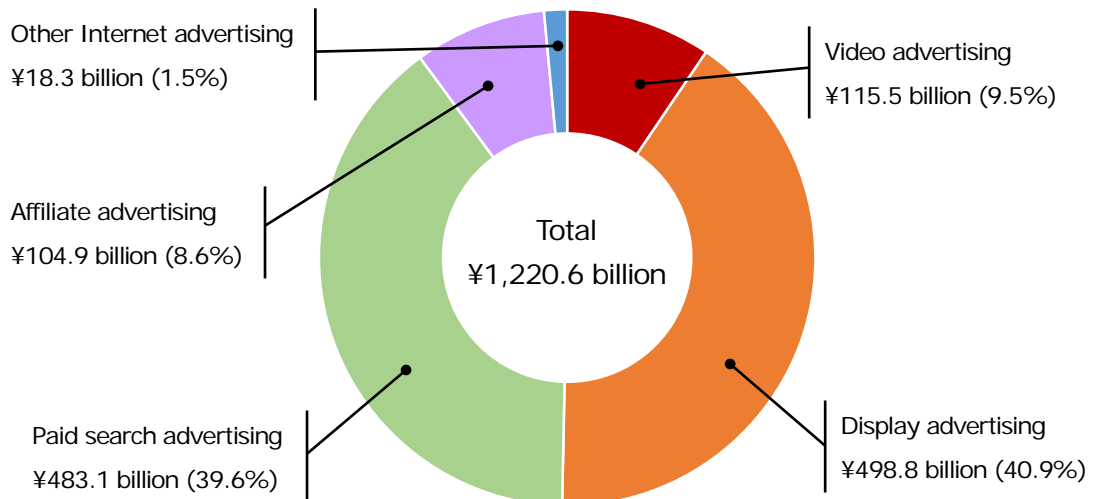
—Within Internet advertising media expenditures, display advertising (40.9%) and paid search advertising (39.6%) accounted for approximately 80% of the total. Video advertising amounted to ¥115.5 billion, accounting for 9.5% of the total—

In 2017, Internet advertising media expenditures in Japan amounted to ¥1,220.6 billion (according to “2017 Advertising Expenditures in Japan” published by Dentsu). Within this total, a large proportion comprised display advertising (40.9%) and paid search advertising (39.6%), which had a combined share of approximately 80%. The research estimated that video advertising amounted to ¥115.5 billion, accounting for 9.5% of the total. Affiliate advertising took the next highest share, accounting for 8.6%, while other categories of Internet advertising comprised 1.5%.

Definitions of advertising categories

Display advertising	Advertisements and tie-up ads in such formats as images and text, which are displayed in the advertising space of a site or app.
Paid search advertising	Advertisements in such formats as images, text and video, which are displayed based on their relevance to search keywords or page content.
Video advertising	Advertisements in video file format (video images/audio).
Affiliate advertising	Advertisements whereby if a user views an internet advertisement and then performs some predetermined action, the media or user is paid some remuneration.
Other Internet advertising	Advertisements in formats other than those mentioned above. For example, email advertising and audio advertising.

Graph 1: 2017 Internet Advertising Media Expenditures by Ad Category



Point 2

Expenditures on Internet Advertising Media: Breakdown by Transaction Method

—By transaction method, performance-based advertising accounted for 77.0%, reserved advertising accounted for 14.4%, and affiliate advertising accounted for 8.6%—

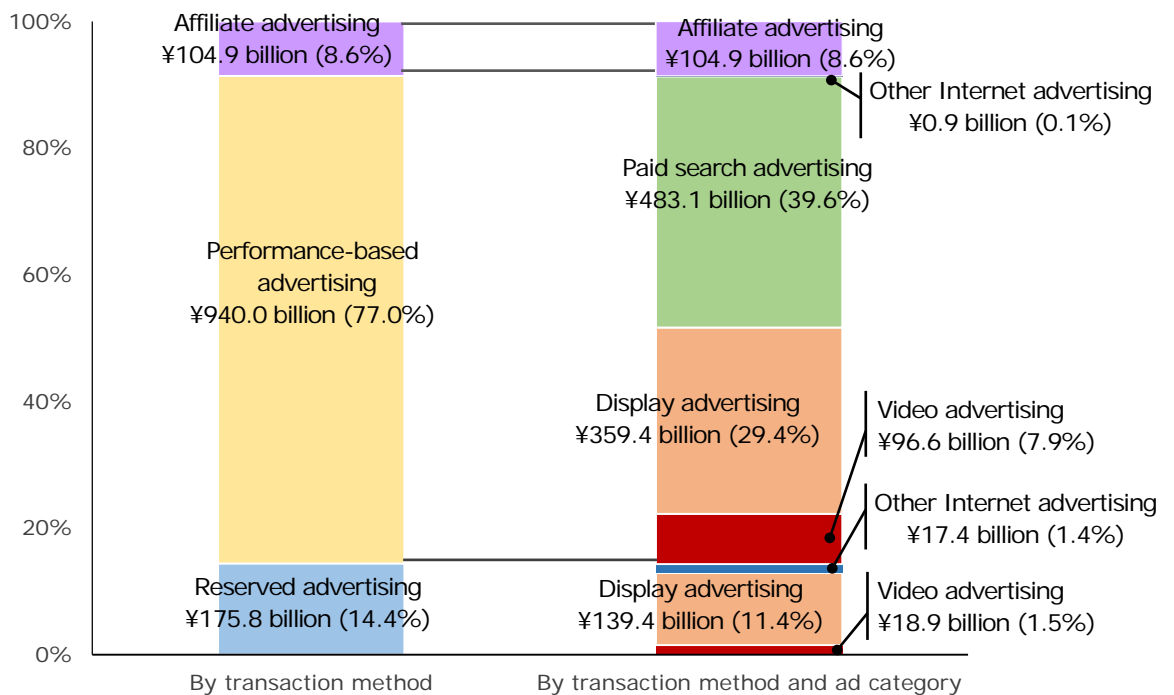
By transaction method used for Internet advertising media expenditures, performance-based advertising amounted to ¥940.0 billion (77.0% of total Internet advertising media expenditures; based on “2017 Advertising Expenditures in Japan” published by Dentsu), reserved advertising accounted for 14.4%, and affiliate advertising accounted for 8.6%. When transaction method is cross-tabulated against advertising category, performance-based paid search advertising accounted for 39.6%, making it the largest sub-category, and this was followed by performance-based display advertising, which accounted for 29.4%. (Graph 2)

It is estimated that approximately ¥10–12 billion in Internet media expenditures are transacted in private marketplaces (PMP) and private exchanges. In such closed advertising markets, trading is limited to media and advertisers that are market members.

Definitions of transaction methods

- Performance-based advertising** Paid search advertising and advertising that is transacted via an auction system through digital platforms or ad networks.
- Reserved advertising** Conventional and tie-up advertising that is sold via advertising agencies or media representatives, or sold directly to the advertiser, and advertising that is transacted through a digital platform or ad network based using a non-auction method (fixed price)
- Affiliate advertising** Advertisements whereby if a user views an internet advertisement and then performs some predetermined action, the media or user is paid some remuneration.

Graph 2: 2017 Internet Advertising Media Expenditures (¥1,220.6 billion) by Transaction Method



Point 3

Internet Advertising Media Expenditures: Breakdown by Device

—By device, mobile advertising accounted for 68.1%, and desktop advertising accounted for 31.9%—

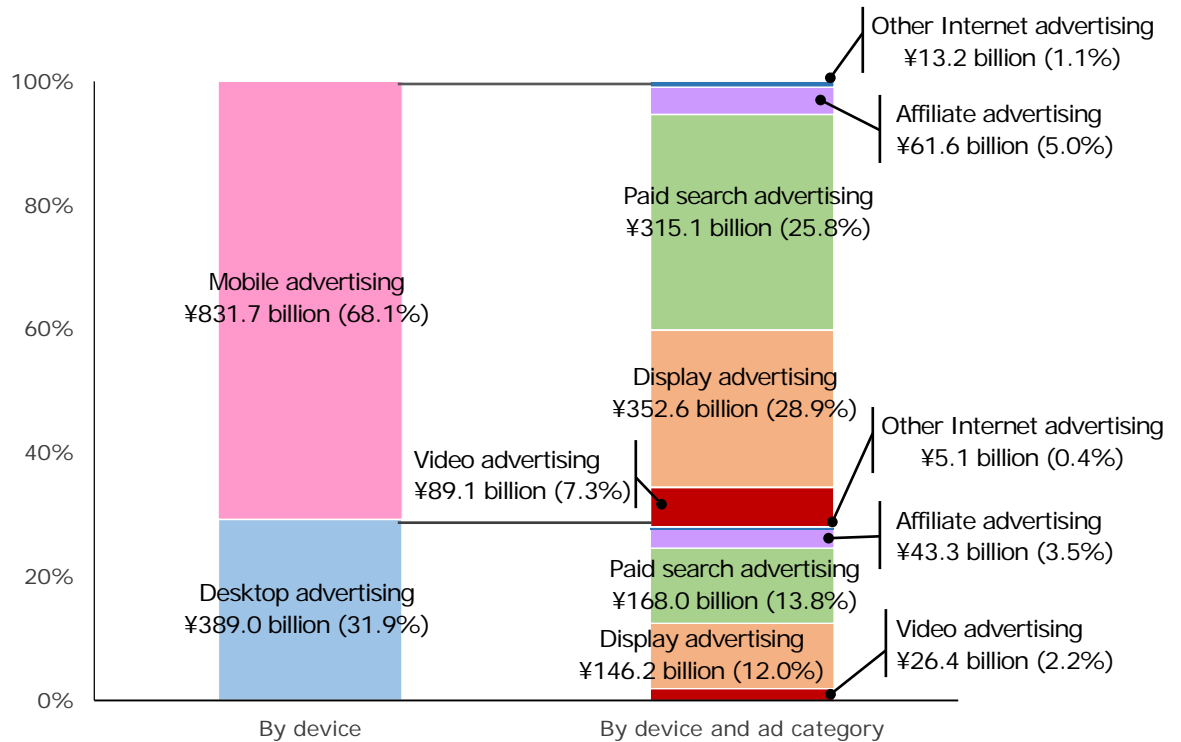
When Internet advertising media expenditures are analyzed by device, mobile advertising

amounted to ¥831.7 billion (68.1%) and desktop advertising amounted to ¥389.0 billion (31.9%). When device is cross-tabulated against advertising category, mobile display advertising accounted for the largest share, at 28.9%, followed by mobile paid search advertising, which accounted for 25.8%. Within desktop advertising, paid search advertising accounted for 13.8%, slightly edging out display advertising, which accounted for 12.0%. (Graph 3)

Definitions of devices

- Mobile advertising** Advertising aimed at smartphones, tablets and feature phones.
- Reserved advertising** Advertising aimed at personal computers

Graph 3: 2017 Internet Advertising Media Expenditures (¥1,220.6 billion) by Device and Ad Category



Point 4

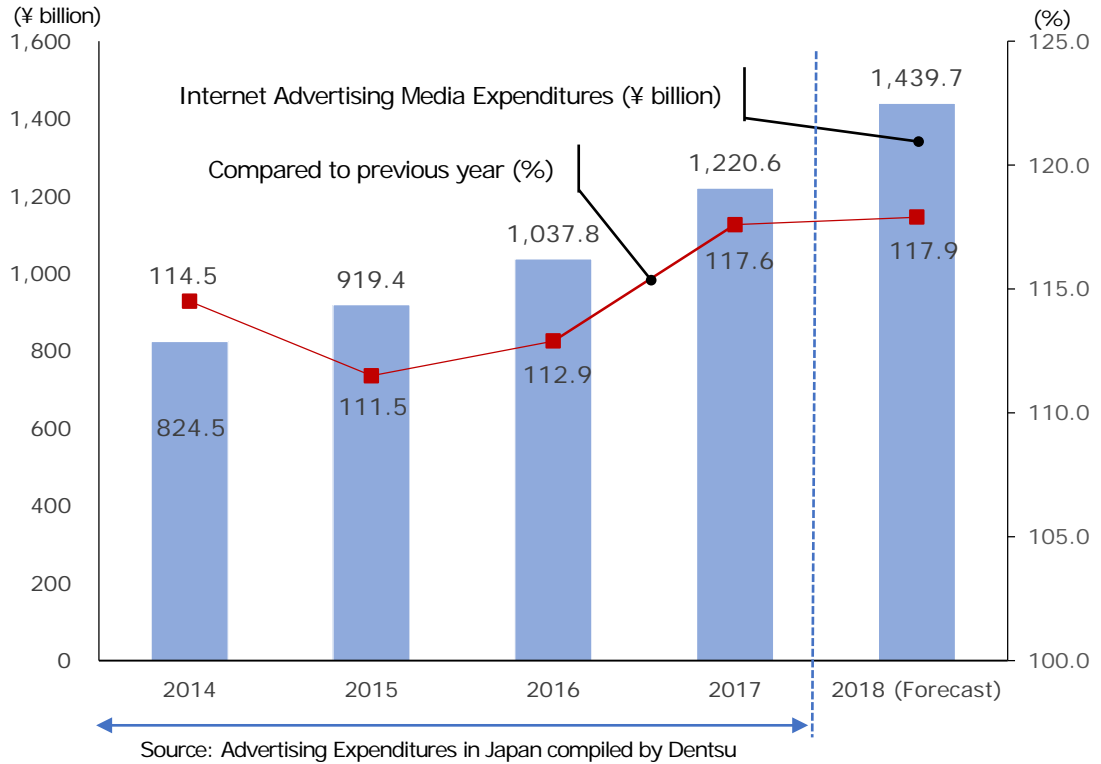
Total Internet Advertising Media Expenditures (Forecast)

—In 2018, total Internet advertising media expenditures in Japan are forecast to exceed ¥1,400.0 billion. Within this total, mobile advertising is expected to surpass ¥1,000.0 billion—

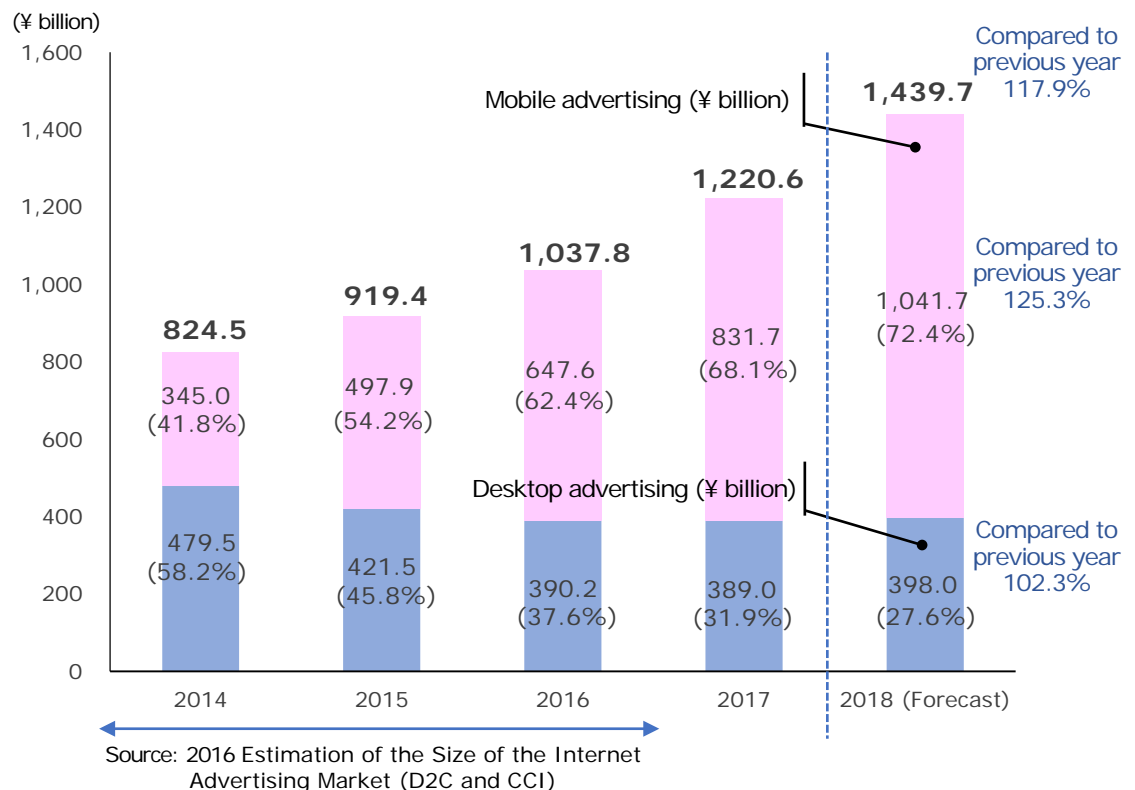
Internet advertising media expenditures in 2018 are forecast to total ¥1,439.7 billion, a 17.9% increase compared with the previous year. (Graph 4-1)

By device, mobile advertising is forecast to increase 25.3% in 2018, surpassing ¥1,000.0 billion, and desktop advertising is forecast to increase 2.3%. (Graph 4-2)

Graph 4-1: Total Internet Advertising Media Expenditures Overall (Forecast)



Graph 4-2: Internet Advertising Media Expenditures by Device (Forecast)



* Figures in parentheses are the percentage of overall Internet advertising media expenditures.

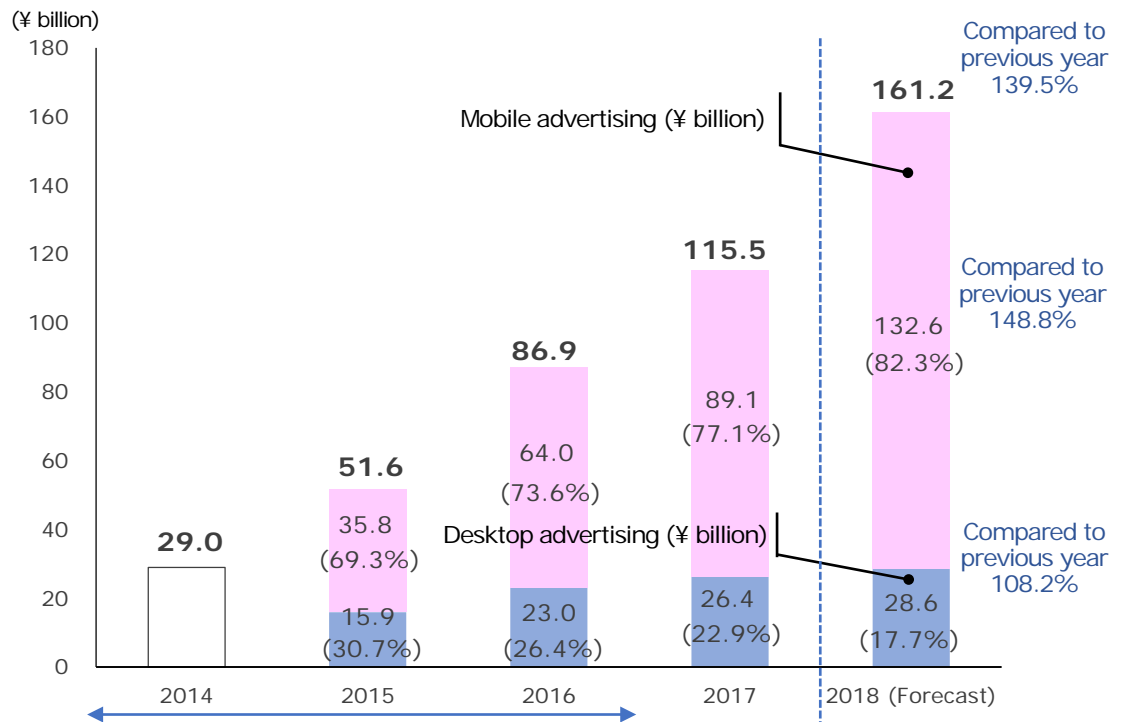
Point 5

Video Advertising Market (Forecast)

—Video advertising in 2018 is forecast to grow to approximately ¥160.0 billion —

In 2017, video advertising expenditures amounted to ¥115.5 billion. Within this total, mobile advertising accounted for 77.1%. In 2018, mobile video advertising is forecast to grow at a robust pace (48.8% YoY). In addition, desktop video advertising is also expected to record steady growth (8.2% YoY). Consequently, video advertising media expenditures are forecast to grow to ¥161.2 billion, an increase of 39.5% compared with the previous year.

Graph 5: Video Advertising Market (Forecast)



* Figures in parentheses are the percentage of overall Video advertising expenditures.

Research Overview

Research organizations Dentsu Inc. / Cyber Communications Inc. / D2C Inc.

Research period December 2017–February 2018

Carried out estimates based on the following research

- Research methodology**
1. Research based on questionnaire surveys covering Internet advertising media companies, etc. (postal research/web research)
The research was conducted by explaining to respondents that the survey would be asking about “2017 Advertising Expenditures in Japan” Internet media expenditures
 2. Same as above, but with additional interview research
 3. Various types of data collection and analysis

* The figures shown in graphs contained in this release are rounded to the nearest unit. Consequently, some totals differ from the sum of the components shown.

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