

NEWS RELEASE**FOR IMMEDIATE RELEASE****February 20, 2007**

Advertising Expenditures in Japan Totalled 5,995.4 Billion Yen in 2006, Up by 0.6% Over 2005

— *Expenditures Rise for a Third Straight Year; Internet Advertising Continues to Climb* —

Dentsu Inc. (President & CEO: Tateo Mataka; Head Office: Tokyo; Capital: 58,967.1 million yen) announced today advertising expenditures in Japan for the 2006 calendar year, including an estimated breakdown by medium and industry.

According to this report, the nation's advertising expenditures in 2006 totalled 5,995.4 billion yen, an increase of 0.6% compared with the previous year. In terms of spending trends, total expenditures recovered in 2000 after a two-year decline as business boomed in the IT sector, but then shrank again from 2001 through 2003. However, spending recovered in 2004 thanks to an upswing in the Japanese economy and the proliferation of broadband Internet services and digital home electric appliances. Total advertising expenditures increased again in 2005 (up 1.8%), and today's announcement revealed that year-on-year expenditures grew for a third straight year in 2006.

Advertising expenditures in 2007 are forecast to rise by 1.1% compared to 2006 due to increased demand from companies in the information and communications sectors, as well as other sectors.

Following is a brief analysis of advertising expenditures in 2006:

1. Continued expansion of the Japanese economy helped to push up total advertising expenditures again in 2006. In the first half of the year, spending remained steady thanks to the positive impact of the TORINO 2006 Olympic Winter Games and the 2006 FIFA World Cup™ in Germany, although they did not generate the unusually high outlays of The 2005 World Exposition, Aichi, Japan during the same period the year before. The second half of 2006 saw increased spending on mobile phone-related advertising with the start of "1-SEG broadcasting" and the introduction of the mobile phone number portability system, but at the

same time, saw decreased spending by a growing number of other industries as they began to cut their advertising budgets. Furthermore, the lack of a Lower House election and Tokyo Motor Show in 2006 also contributed to the slowdown. As a result, total advertising expenditures for 2006 amounted to 5,995.4 billion yen, a year-on-year increase of 0.6%. This marked a third consecutive year of growth, but the rate of increase declined slightly compared with 2005.

2. Broken down by medium, Television, the largest component of total expenditures, was slightly weaker (down 1.2%), as was Newspaper advertising (down 3.8%). As a result, total advertising expenditures for the four major media fell by 2.0%, marking a second straight year of decline. In other media, Sales Promotion increased for the third year in a row (up 0.9%) helped particularly by spending on POP, Exhibitions/Screen Displays, and Transit. Satellite Media-Related expenditures remained strong (up 11.7%) owing to firm demand associated with BS (broadcast satellite) digital broadcasting. Spending on Internet advertising continued to climb rapidly (up 29.3%), primarily due to higher spending on search engine advertising.
3. By industry category (four major media), expenditures were up in Apparel/Fashion Accessories/Personal Items thanks to increased advertising for foreign brand-name goods. Energy/Materials/Machinery was higher, as electric power companies and gas companies increased their advertising budgets, along with Home Electric Appliances/AV Equipment, which was boosted in the first half of the year by aggressive advertising for thin-screen televisions. Overall, year-on-year spending was up in 8 of 21 categories. Meanwhile, Finance/Insurance declined on reduced demand from consumer finance firms, as did Automobiles/Related Products, and Distribution/Retailing.

● Total Advertising Expenditures

Total advertising expenditures in 2006 rose for the third consecutive year, to 5,995.4 billion yen, an increase of 0.6% over 2005. This ranks as the fourth-highest level ever recorded, just below the mark set in 1997. The all-time high of 6,110.2 billion yen was set in 2000.

● Outline of Advertising Expenditures by Medium

Spending in the four major media fell by 2.0% year on year, with Television showing a decline for the second straight year. In categories outside the four major media, Sales Promotion grew

by 0.9%, supported by continued growth in spending on Direct Mail, Flyers, Transit, and POP. Satellite Media-Related expenditures rose by 11.7% due to strong growth in demand associated with BS broadcasting, and Internet advertising continued to climb, increasing by 29.3% in 2006.

A quarterly breakdown of advertising spending in the four major media revealed that spending grew by 0.2% year on year during the January–March quarter, but retreated to minus territory for the remainder of the year.

Quarterly Breakdown of Growth in Advertising Expenditures in the Four Major Media in 2006

(Year-on-year basis in %)

	2006 (Full Year)	Jan.– June	July– Dec.	Jan.– Mar.	Apr.– June	July– Sep.	Oct.– Dec.
Advertising Expenditures in the Four Major Media	98.0	99.3	96.6	100.2	98.5	95.7	97.5

● Outline of Advertising Expenditures by Industry (21 Categories, Four Major Media Only)

Spending increased in 8 of the 21 industry categories surveyed in 2006, and two categories achieved double-digit growth. By comparison, in 2005, year-on-year spending increased in 10 of the 21 categories, with no categories showing a double-digit increase.

Among the industry categories where spending increased, double-digit gains were seen in Energy/Materials/Machinery (up 12.8%), as electric power companies and gas companies conducted aggressive ad campaigns aimed at increasing household demand, and Apparel/Fashion Accessories/Personal Items (up 10.4%) where foreign brand-name goods were very active. Also boosted were Classified Ads/Others (up 4.5%) on increases in joint advertising, job placement and corporate group advertising, and Precision Instruments/Office Supplies (up 3.0%), which enjoyed strong demand from digital cameras and wristwatches, as well as Home Electric Appliances/AV Equipment (up 1.4%), which went up for a fourth straight year on growth in advertising for such products as LCD and plasma televisions and washing machines. Hobbies/Sporting Goods (up 1.3%) saw increased spending on advertising for video game machines and game software, while Food Services/Other Services (up 1.3%)

was supported by increased advertising by fast-food companies, security services and temporary job placement agencies.

Spending fell in 13 industry categories, including Government/Organizations (down 16.6%), where unusually high spending the previous year related to The 2005 World Exposition, Aichi, Japan, and the Lower House election had depleted advertising budgets. Demand for mail-order advertising declined in Distribution/Retailing (down 7.3%), and Finance/Insurance (down 6.7%) fell for the first time in three years, primarily due to cutbacks in advertising by consumer finance firms and insurance companies. Automobiles/Related Products (down 5.2%), Cosmetics/Toiletries (down 1.9%), and Beverages/Cigarettes (down 1.9%), were also lower.

● Outlook for Advertising Expenditures in 2007: Growth of 1.1% Is Forecast for 2007 on the Strength of Consumer Spending

Total advertising expenditures are forecast to reach 6,061.3 billion yen in the 2007 calendar year, an increase of 1.1% compared with 2006. Japan's economy is expected to continue to expand, and a recovery in consumer spending should boost demand for advertising in a wide range of industries in the coming year.

In 2007 the pace of growth in the Japanese economy, which until now has been driven primarily by exports and corporate capital investment, may slow somewhat as the U.S. economy cools. However, lower unemployment rates are pushing up wages, and higher household incomes are expected to lead to a recovery in consumer spending. Corporate earnings will continue to increase, although at a slower rate than the year before. The corporate business environment is expected to see a number of changes in 2007, including market reorganization in some industries and further expansion of the market for IT- and digital-related goods.

Many factors are expected to positively impact the advertising environment in 2007, including the release of new operating system software for personal computers, unified local elections, the Upper House election, the IAAF World Championships in Athletics Osaka 2007, the Tokyo Motor Show, and the privatization of Japan Post.

Many industry categories are expected to continue advertising aggressively in 2007. Expenditures are forecast to increase in Information/Communications as more new personal computer, mobile phone and broadcast-related products and services enter the market. The same is true in Home Electric Appliances/AV Equipment, with the introduction of new LCD televisions, plasma televisions and other increasingly sophisticated home appliances alongside

the fierce competition for market share. Finance/Insurance will continue to benefit from strong advertising demand from banks, securities companies, and credit card companies. Aggressive marketing of brand-name products will drive up spending in Apparel/Fashion Accessories/Personal Items, and advertising demand will remain strong in Automobiles/Related Products, Transportation/Leisure, Food Services/Other Services, Government/Organizations, and others.

As a result, we estimate that total advertising expenditures in 2007 will rise by 1.1% year on year, that spending in the four major media will fall by 1.0%, and that advertising outlays in media other than the four major media will rise by 4.2%, thanks largely to growth in Sales Promotion and Internet advertising.

2006 (Results)		2007 (Forecast)	
Total Advertising Expenditures (billion yen)	Comparison with Previous Year	Total Advertising Expenditures (billion yen)	Comparison with Previous Year
5,995.4	Up 0.6%	6,061.3	Up 1.1%

Note: The estimates of total advertising expenditures for 2007 are based on forecasts of the performance of the Japanese economy along with analyses of advertising trends in the advertising media and industry categories. Broken down by medium, spending in the four major media is estimated to fall by 1.0%, and expenditures in media other than the four major media are anticipated to rise by 4.2% compared with 2006.

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The full text of *2006 Advertising Expenditures in Japan* is currently being compiled and will be available on Dentsu's website at the end of March. For reference, please refer to the tables on the following pages.

TABLE 1

Japan's GDP and Advertising Expenditures (2002–2006)

Year	Gross Domestic Product (B)			Advertising Expenditures (A)			A/B (%)
	GDP (¥ billion)	Compared to Previous Year (%)	Index (1985 = 100)	Advertising Expenditures (¥ billion)	Compared to Previous Year (%)	Index (1985 = 100)	
2002	491,312.2	98.7	152	5,703.2	94.1	163	1.16
2003	490,294.0	99.8	152	5,684.1	99.7	162	1.16
2004	498,328.4	101.6	154	5,857.1	103.0	167	1.18
2005	501,343.4	100.6	155	5,962.5	101.8	170	1.19
2006	507,559.7	101.2	157	5,995.4	100.6	171	1.18

Note: The above figures for GDP are those released in the Cabinet Office's 'Annual Report on National Accounts' and 'GDP Estimates'. The GDP figure for 2006 is based on the Japan Center for Economic Research's 'Quarterly Forecast of Japanese Economy'.

TABLE 2

Advertising Expenditures by Medium (2004–2006)

Media	Advertising Expenditures (¥ billion)			Comparison Ratio (%)		Component Ratio (%)		
	2004	2005	2006	2005	2006	2004	2005	2006
Major Media								
Newspapers	1,055.9	1,037.7	998.6	98.3	96.2	18.0	17.4	16.7
Magazines	397.0	394.5	388.7	99.4	98.5	6.8	6.6	6.5
Radio	179.5	177.8	174.4	99.1	98.1	3.1	3.0	2.9
Television	2,043.6	2,041.1	2,016.1	99.9	98.8	34.9	34.2	33.6
Subtotal	3,676.0	3,651.1	3,577.8	99.3	98.0	62.8	61.2	59.7
Sales Promotion								
Direct Mail	334.3	344.7	349.5	103.1	101.4	5.7	5.8	5.8
Flyers	476.5	479.8	480.9	100.7	100.2	8.1	8.1	8.0
Outdoor	266.7	264.6	273.8	99.2	103.5	4.5	4.4	4.6
Transit	238.4	243.2	250.5	102.0	103.0	4.1	4.1	4.2
POP	174.5	178.2	184.5	102.1	103.5	3.0	3.0	3.1
Telephone Directories	134.2	119.2	115.4	88.8	96.8	2.3	2.0	1.9
Exhibitions / Screen Displays	331.5	352.2	345.6	106.2	98.1	5.7	5.9	5.8
Subtotal	1,956.1	1,981.9	2,000.2	101.3	100.9	33.4	33.3	33.4
Satellite Media-Related	43.6	48.7	54.4	111.7	111.7	0.7	0.8	0.9
Internet	181.4	280.8	363.0	154.8	129.3	3.1	4.7	6.0
Total	5,857.1	5,962.5	5,995.4	101.8	100.6	100.0	100.0	100.0

TABLE 3

Advertising Expenditures by Industry in the Four Major Media (2005–2006)

(Unit: ¥10 million)

Industry	Newspapers			Magazines			Radio			Television			Total		
	2005	2006	Compsn Ratio (%)	2005	2006	Compsn Ratio (%)	2005	2006	Compsn Ratio (%)	2005	2006	Compsn Ratio (%)	2005	2006	Compsn Ratio (%)
Energy / Materials / Machinery	1,011	1,074	106.2	338	371	109.8	618	528	85.4	2,932	3,555	121.2	4,899	5,528	112.8
Foodstuffs	5,132	5,499	107.2	2,281	2,067	90.6	1,512	1,464	96.8	20,795	20,398	98.1	29,720	29,428	99.0
Beverages / Cigarettes	3,168	3,260	102.9	2,094	1,900	90.7	1,189	1,101	92.6	21,297	20,950	98.4	27,748	27,211	98.1
Pharmaceuticals / Medical Supplies	3,005	2,792	92.9	1,125	991	88.1	1,123	1,100	98.0	12,941	12,705	98.2	18,194	17,588	96.7
Cosmetics / Toiletries	2,332	2,652	113.7	6,235	6,349	101.8	366	370	101.1	27,305	26,175	95.9	36,238	35,546	98.1
Apparel / Fashion Accessories / Personal Items	1,132	1,392	123.0	5,845	6,757	115.6	150	151	100.7	2,619	2,464	94.1	9,746	10,764	110.4
Precision Instruments / Office Supplies	779	891	114.4	937	996	106.3	86	84	97.7	2,070	2,019	97.5	3,872	3,990	103.0
Home Electric Appliances / AV Equipment	1,340	1,341	100.1	1,085	1,004	92.5	242	195	80.6	6,162	6,414	104.1	8,829	8,954	101.4
Automobiles / Related Products	5,081	4,406	86.7	2,504	2,206	88.1	2,031	2,012	99.1	14,634	14,362	98.1	24,250	22,986	94.8
Household Products	836	848	101.4	492	558	113.4	292	266	91.1	5,109	4,461	87.3	6,729	6,133	91.1
Hobbies / Sporting Goods	1,741	1,773	101.8	1,710	1,677	98.1	661	620	93.8	10,115	10,337	102.2	14,227	14,407	101.3
Real Estate / Housing Facilities	6,392	5,686	89.0	482	480	99.6	966	1,035	107.1	8,181	8,921	109.0	16,021	16,122	100.6
Publications	10,209	9,807	96.1	475	420	88.4	840	860	102.4	3,192	3,121	97.8	14,716	14,208	96.5
Information / Communications	7,305	7,316	100.2	2,636	2,493	94.6	1,039	945	91.0	15,453	15,661	101.3	26,433	26,415	99.9
Distribution / Retailing	10,540	9,598	91.1	2,470	1,925	77.9	1,178	1,074	91.2	10,645	10,425	97.9	24,833	23,022	92.7
Finance / Insurance	8,402	7,659	91.2	2,077	2,010	96.8	1,594	1,797	112.7	18,731	17,272	92.2	30,804	28,738	93.3
Transportation / Leisure	16,290	15,405	94.6	2,130	2,297	107.8	1,482	1,562	105.4	8,433	9,017	106.9	28,335	28,281	99.8
Food Services / Other Services	3,109	3,088	99.3	1,613	1,582	98.1	765	835	109.2	7,199	7,345	102.0	12,686	12,850	101.3
Government / Organizations	2,408	2,052	85.2	453	442	97.6	997	871	87.4	1,279	919	71.9	5,137	4,284	83.4
Education / Medical Services / Religion	5,948	5,658	95.1	2,353	2,218	94.3	618	535	86.6	4,128	3,878	93.9	13,047	12,289	94.2
Classified Ads / Others	7,610	7,663	100.7	115	127	110.4	31	35	112.9	890	1,211	136.1	8,646	9,036	104.5
Total	103,770	99,860	96.2	39,450	38,870	98.5	17,780	17,440	98.1	204,110	201,610	98.8	365,110	357,780	98.0

TABLE 4

Sources of Media Expenditures

Major Media: Advertising expenditures spent in the four major media of newspapers, magazines, radio and television.

Newspapers: Advertising rates of national daily and trade newspapers, and advertising production costs.

Magazines: Advertising rates of national monthly, weekly and specialized magazines and advertising production costs.

Radio: Time rates and production costs of private broadcasting stations nationwide and commercial production costs (but not including event-related costs).

Television: Time rates and production costs of private broadcasting stations nationwide and commercial production costs (but not including event-related costs).

Sales Promotion: Advertising expenditures for sales promotion-related media.

Direct Mail: Postage spent on direct mail.

Flyers: Insertion costs for flyers in newspapers nationwide.

Outdoor: Production costs for billboards, neon signs, etc.

Transit: Placement costs for transit advertisements.

POP: Production costs for POP (Point Of Purchase) displays.

Telephone Directories: Placement costs for advertisements in telephone directories.

Exhibitions / Screen Displays: Production costs for exhibitions and PR centers, production and screening costs for promotional films and videos, etc.

Satellite Media-Related: Advertising expenditures for satellite broadcasts, CATV and teletext (placement and production costs).

Internet: Placement costs for advertising on Internet sites.

(Includes mobile advertisings; does not include site set-up costs)

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