

**NEWS RELEASE****FOR IMMEDIATE RELEASE****February 20, 2008**

## **Advertising Expenditures in Japan Totalled 7,019.1 Billion Yen in 2007, Up by 1.1% Over 2006**

— *Expenditures Rise for a Fourth Straight Year; Internet Advertising Continues to Climb —  
Dentsu Revises Scope of Advertising Expenditures by Medium*

Dentsu Inc. (President & COO: Tatsuyoshi Takashima; Head Office: Tokyo; Capital: 58,967.1 million yen) released today its annual report of advertising expenditures in Japan for the 2007 calendar year, including an estimated breakdown by medium and industry.

According to this report, the nation's advertising expenditures in 2007 totalled 7,019.1 billion yen, an increase of 1.1% compared with the previous year. Overall advertising expenditures fell in 1998 and 1999, but recovered in 2000 thanks to a boom in the IT sector. Spending fell again from 2001 through 2003, but rebounded in 2004 due to an upswing in the Japanese economy, the proliferation of digital home electric appliances, and the spread of broadband Internet services. Total advertising expenditures expanded further in 2005 and 2006 (up 2.9% and 1.7%, respectively), and today's announcement revealed that year-on-year expenditures rose for a fourth straight year in 2007.

Advertising expenditures in 2008 are forecast to grow by 1.7%, driven by increased demand in Information/Communications, Home Electric Appliances/AV Equipment, Transportation/Leisure, and other industry categories.

Note: The scope of spending included in "Advertising Expenditures by Medium" has been revised in this report, retroactive to 2005. (Details of the revision are given on page 7).

## ● Total Advertising Expenditures

Total advertising expenditures in 2007 rose for the fourth consecutive year, to 7.019.1 billion yen, an increase of 1.1% over 2006.

## ● Outline of Advertising Expenditures by Medium

Spending in the four major media fell by 2.6% as Newspaper and Television posted year-on-year declines for a third straight year. Among non-major media, Promotional Media grew by 1.9%, as spending continued to rise steadily in the Outdoor, Transit, Direct Mail, Free Newspapers/Free Magazines, and POP components. Satellite Media-Related expenditures rose by 10.8% on strong growth in demand associated with BS (broadcast satellite) digital broadcasting. Internet advertising continued to climb, increasing by 24.4% in 2007.

A quarterly breakdown of advertising spending in the four major media revealed that year-on-year spending grew by 0.2% during the July–September quarter, but dropped below previous year levels in the other three quarters.

## Quarterly Breakdown of Growth in Advertising Expenditures in the Four Major Media in 2007

(Year-on-year basis in %)

	2007 (Full Year)	Jan.– June	July– Dec.	Jan.– Mar.	Apr.– June	July– Sep.	Oct.– Dec.
Advertising Expenditures in the Four Major Media	97.4	96.8	97.9	97.9	95.8	100.2	95.8

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

Spending increased in 11 of the 21 industry categories surveyed in 2007, and two categories achieved double-digit growth. By comparison, year-on-year spending increased in only 8 of the 21 categories in 2006.

Among the industry categories where spending increased, double-digit gains were seen in Government/Organizations (up 24.0%), where placements grew as a result of the Upper House election and environmental issues, and Energy/Materials/Machinery (up 15.4%), due to higher expenditures by gas companies and pachinko machine makers. Spending also rose in Precision Instruments/Office Supplies (up 5.4%), on strong demand from digital camera makers,

Apparel/Fashion Accessories/Personal Items (up 3.8%), due to activity in women's clothing, precious metals, accessories, and handbags, and Real Estate/Housing Facilities (up 3.5%), thanks to an increase in corporate advertising by housing and condominium companies. Also higher was Pharmaceuticals/Medical Supplies (up 2.8%), buoyed by placements for health drinks, general health supplements, and cold remedies.

Spending fell in 10 industry categories, including Finance/Insurance (down 19.2%), which declined for a second straight year primarily due to cutbacks in advertising by insurance companies, consumer finance firms, and credit card companies. Expenditures decreased in Automobiles/Related Products (down 7.7%), on weak overall demand for domestic passenger cars, wagons, minivans, SUVs and imports. Also posting year-on-year declines were Home Electric Appliances/AV Equipment (down 7.5%), where placements fell for LCD televisions, plasma televisions, and washing machines, and Education/Medical Services/Religion (down 7.4%), where correspondence education and English conversation companies/language schools reduced their spending. Hobbies/Sporting Goods (down 5.7%) was hurt by sluggish demand from video game machine and game software companies, and Distribution/Retailing (down 4.8%) fell due to weakness in the mail order sector. Expenditures also declined in Beverages/Cigarettes (down 4.6%).

### ● Outlook for Advertising Expenditures in 2008: The Beijing 2008 Olympic Games Expected to Help Boost Growth by 1.7% in 2008

Total advertising expenditures are forecast to reach 7,135.4 billion yen in the 2008 calendar year, an increase of 1.7% compared with 2007. There are concerns that an economic slowdown in the United States may dampen growth in the world economy; however the Beijing 2008 Olympic Games and other positive factors are expected to stimulate active demand for advertising across a wide range of industry categories.

In 2008 the Japanese economy will continue to expand, but the pace of growth, which until now has been driven primarily by exports and corporate capital investment, may slow somewhat as the U.S. economy cools and the world economy decelerates. Growth in corporate earnings is likely to be sluggish due to the effects of the strong yen and rising costs of raw materials. However, the corporate business environment is expected to see a number of changes in 2008, 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 2008, including the Beijing 2008 Olympic Games, the G-8 Hokkaido Toyako Summit, and increased concerns about the environment. Many industry categories are expected to continue advertising aggressively in 2008. Expenditures are forecast to increase in Information/Communications as more new mobile phone products and services enter the market. The same is true in Home Electric Appliances/AV Equipment, where companies will battle for market share as they introduce new flat-panel televisions and other increasingly sophisticated home appliances. Finance/Insurance will see higher placements for financial products targeting so-called baby boomers and senior citizens. Spending will also grow in Transportation/Leisure on strong demand from travel companies and leisure facilities. Apparel/Fashion Accessories/Personal Items will see increased activity by overseas brands, and Food Services/Other Services, Government/Organizations, and others are also expected to post year-on-year gains.

As a result, we forecast that total advertising expenditures in 2008 will rise by 1.7% year on year, that spending in the four major media will fall by 0.8%, and that advertising outlays in media other than the four major media will rise by 4.2%, driven primarily by growth in Promotional Media and Internet advertising.

2007 (Actual)		2008 (Forecast)	
Total Advertising Expenditures (billion yen)	Comparison with Previous Year	Total Advertising Expenditures (billion yen)	Comparison with Previous Year
7,019.1	Up 1.1%	7,135.4	Up 1.7%

Note: The estimates of total advertising expenditures for 2008 are based on forecasts of the performance of the Japanese economy along with analyses of advertising trends in the various advertising media and industry categories. Broken down by medium, spending in the four major media is estimated to fall by 0.8%, and expenditures in the non-major media are anticipated to rise by 4.2% compared with 2007.

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The full text of *2007 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 (2003–2007)**

	Year	Gross Domestic Product (B)		Advertising Expenditures (A)		A/B (%)
		GDP (¥ billion)	Compared to Previous Year (%)	Advertising Expenditures (¥ billion)	Compared to Previous Year (%)	
Before revision	2003	490,294.0	99.8	5,684.1	99.7	1.16
	2004	498,328.4	101.6	5,857.1	103.0	1.18
	2005	501,734.4	100.7	5,962.5	101.8	1.19
	2006	508,925.1	101.4	5,995.4	100.6	1.18
Revised	2005	501,734.4	100.7	6,823.5	102.9	1.36
	2006	508,925.1	101.4	6,939.9	101.7	1.36
	<b>2007</b>	<b>515,716.2</b>	<b>101.3</b>	<b>7,019.1</b>	<b>101.1</b>	<b>1.36</b>

**Notes:** • The above figures for GDP are those released in the Cabinet Office's 'Annual Report on National Accounts' and 'GDP Estimates'.

- All the above figures are for the calendar year.
- The method for estimating 'Advertising Expenditures in Japan' was modified in 2007, and data from 2005 onward has been retroactively revised.
- Please see page 7 for details regarding the above revision.

TABLE 2

**Advertising Expenditures by Medium (2005–2007)**

Media	Advertising Expenditures (¥ billion)			Comparison Ratio (%)		Component Ratio (%)		
	2005	2006	2007	2006	2007	2005	2006	2007
<b>Major Media</b>								
Newspapers <sup>(1)</sup>	1,037.7	998.6	<b>946.2</b>	96.2	<b>94.8</b>	15.2	14.4	<b>13.5</b>
Magazines	484.2	477.7	<b>458.5</b>	98.7	<b>96.0</b>	7.1	6.9	<b>6.5</b>
Radio	177.8	174.4	<b>167.1</b>	98.1	<b>95.8</b>	2.6	2.6	<b>2.4</b>
Television	2,041.1	2,016.1	<b>1,998.1</b>	98.8	<b>99.1</b>	29.9	29.0	<b>28.5</b>
Subtotal	3,740.8	3,666.8	<b>3,569.9</b>	98.0	<b>97.4</b>	54.8	52.9	<b>50.9</b>
<b>Satellite Media-Related</b>	48.7	54.4	<b>60.3</b>	111.7	<b>110.8</b>	0.7	0.8	<b>0.8</b>
<b>Internet<sup>(2)</sup></b>								
Advertising placement	280.8	363.0	<b>459.1</b>	129.3	<b>126.5</b>	4.2	5.2	<b>6.5</b>
Advertising production	96.9	119.6	<b>141.2</b>	123.4	<b>118.1</b>	1.4	1.7	<b>2.0</b>
Subtotal	377.7	482.6	<b>600.3</b>	127.8	<b>124.4</b>	5.6	6.9	<b>8.6</b>
<b>Promotional Media<sup>(3)</sup></b>								
Outdoor <sup>(4)</sup>	380.6	394.6	<b>404.1</b>	103.7	<b>102.4</b>	5.6	5.7	<b>5.8</b>
Transit <sup>(5)</sup>	246.3	253.9	<b>259.1</b>	103.1	<b>102.0</b>	3.7	3.7	<b>3.7</b>
Flyers <sup>(6)</sup>	664.9	666.2	<b>654.9</b>	100.2	<b>98.3</b>	9.7	9.6	<b>9.3</b>
Direct Mail <sup>(7)</sup>	431.4	440.2	<b>453.7</b>	102.0	<b>103.1</b>	6.3	6.3	<b>6.5</b>
Free Newspapers/Free Magazines <sup>(8)</sup>	283.5	335.7	<b>368.4</b>	118.4	<b>109.7</b>	4.1	4.8	<b>5.2</b>
POP	178.2	184.5	<b>188.6</b>	103.5	<b>102.2</b>	2.6	2.6	<b>2.7</b>
Telephone Directories	119.2	115.4	<b>101.4</b>	96.8	<b>87.9</b>	1.7	1.7	<b>1.4</b>
Exhibitions/Screen Displays	352.2	345.6	<b>358.4</b>	98.1	<b>103.7</b>	5.2	5.0	<b>5.1</b>
Subtotal	2,656.3	2,736.1	<b>2,788.6</b>	103.0	<b>101.9</b>	38.9	39.4	<b>39.7</b>
<b>Total</b>	6,823.5	6,939.9	<b>7,019.1</b>	101.7	<b>101.1</b>	100.0	100.0	<b>100.0</b>

**Notes:** • The method for estimating 'Advertising Expenditures in Japan' was modified in 2007, and data from 2005 onward has been retroactively revised.

- (1) through (8) denote modified items. Please see page 7 for details regarding the revision of these items.

**TABLE 3**  
**Advertising Expenditures by Industry in the Four Major Media (2006–2007)**

(Unit: ¥10 million)

Industry	Newspapers			Magazines			Radio			Television			Total		
	2006	2007	Compsn	2006	2007	Compsn	2006	2007	Compsn	2006	2007	Compsn	2006	2007	Compsn
			Ratio			Ratio			Ratio			Ratio			
Energy / Materials / Machinery	1,074	1,102	102.6	478	525	109.8	528	547	103.6	3,555	4,326	121.7	5,635	6,500	115.4
Foodstuffs	5,499	5,792	105.3	2,532	2,342	92.5	1,464	1,361	93.0	20,398	20,438	100.2	29,893	29,933	100.1
Beverages / Cigarettes	3,260	2,776	85.2	2,340	2,241	95.8	1,101	919	83.5	20,950	20,438	97.6	27,651	26,374	95.4
Pharmaceuticals / Medical Supplies	2,792	2,588	92.7	1,194	1,204	100.8	1,100	1,110	100.9	12,705	13,386	105.4	17,791	18,288	102.8
Cosmetics / Toiletries	2,652	2,525	95.2	7,786	7,470	95.9	370	408	110.3	26,175	25,745	98.4	36,983	36,148	97.7
Apparel / Fashion Accessories / Personal Items	1,392	1,280	92.0	8,311	8,819	106.1	151	96	63.6	2,464	2,592	105.2	12,318	12,787	103.8
Precision Instruments / Office Supplies	891	843	94.6	1,242	1,257	101.2	84	84	100.0	2,019	2,281	113.0	4,236	4,465	105.4
Home Electric Appliances / AV Equipment	1,341	1,150	85.8	1,242	1,131	91.1	195	134	68.7	6,414	6,088	94.9	9,192	8,503	92.5
Automobiles / Related Products	4,406	3,883	88.1	2,724	2,461	90.3	2,012	1,750	87.0	14,362	13,597	94.7	23,504	21,691	92.3
Household Products	848	864	101.9	669	593	88.6	266	251	94.4	4,461	4,605	103.2	6,244	6,313	101.1
Hobbies / Sporting Goods	1,773	1,299	73.3	2,054	1,971	96.0	620	548	88.4	10,337	10,130	98.0	14,784	13,948	94.3
Real Estate / Housing Facilities	5,686	5,363	94.3	574	546	95.1	1,035	1,062	102.6	8,921	9,809	110.0	16,216	16,780	103.5
Publications	9,807	9,307	94.9	525	491	93.5	860	873	101.5	3,121	3,041	97.4	14,313	13,712	95.8
Information / Communications	7,316	6,859	93.8	3,057	2,783	91.0	945	852	90.2	15,661	16,206	103.5	26,979	26,700	99.0
Distribution / Retailing	9,598	9,045	94.2	2,389	2,217	92.8	1,074	1,030	95.9	10,425	10,056	96.5	23,486	22,348	95.2
Finance / Insurance	7,659	6,426	83.9	2,484	1,971	79.3	1,797	1,869	104.0	17,272	13,337	77.2	29,212	23,603	80.8
Transportation / Leisure	15,405	15,435	100.2	2,818	2,858	101.4	1,562	1,506	96.4	9,017	9,177	101.8	28,802	28,976	100.6
Food Services / Other Services	3,088	2,981	96.5	1,959	1,892	96.6	835	884	105.9	7,345	7,748	105.5	13,227	13,505	102.1
Government / Organizations	2,052	2,211	107.7	525	523	99.6	871	868	99.7	919	1,811	197.1	4,367	5,413	124.0
Education / Medical Services / Religion	5,658	5,221	92.3	2,723	2,391	87.8	535	487	91.0	3,878	3,750	96.7	12,794	11,849	92.6
Classified Ads / Others	7,663	7,670	100.1	144	164	113.9	35	71	202.9	1,211	1,249	103.1	9,053	9,154	101.1
<b>Total</b>	<b>99,860</b>	<b>94,620</b>	<b>94.8</b>	<b>47,770</b>	<b>45,850</b>	<b>96.0</b>	<b>17,440</b>	<b>16,710</b>	<b>95.8</b>	<b>201,610</b>	<b>199,810</b>	<b>99.1</b>	<b>366,680</b>	<b>356,990</b>	<b>97.4</b>

**Note:** The method for estimating 'Advertising Expenditures in Japan' was modified in 2007, and data from 2005 onward has been retroactively revised.

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).

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

**Internet:** Placement costs for advertising on Internet sites (including mobile advertising), and advertising production costs (production costs for banner ads as well as website set-up costs related to new product services and campaigns).

**Promotional Media:** Advertising expenditures for sales promotion-related media.

**Outdoor:** Production and placements costs for billboards, neon signs, outdoor video screens, and poster boards, etc.

**Transit:** Placement costs for transit advertisements.

**Flyers:** Insertion costs for flyers in newspapers nationwide.

**Direct Mail:** Postage and private delivery costs spent on direct mail.

**Free Newspapers / Free Magazines:** Advertising costs in free newspapers and magazines.

**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.

Dentsu has revised and expanded the scope of advertising expenditures included in the present report. In recent years the advertising industry has changed significantly as a result of the rapid expansion in Internet advertising and promotional advertising. For several years Dentsu has been re-examining and reviewing the scope of advertising expenditures to be included and the methods used to estimate those expenditures, and as a result of that research, the above Sources of Media Expenditures has been revised as follows.

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Contents of the revision:

- (1) The range of "Magazines" included in the four major media was expanded to include a wider variety of specialty magazines, local magazines, etc.
  - (2) "Internet" advertising expenditures now include estimated production costs.
  - (3) The "Sales Promotion" component has been renamed "Promotional Media," and the breakdown of media within the category has been revised.
  - (4) The "Outdoor" component now includes outdoor video screens and poster boards along with billboards and neon signs.
  - (5) The "Transit" component was revised to include airports and taxis along with trains and buses.
  - (6) In the "Flyers" component, the nationwide insertion costs for flyers were revised.
  - (7) In addition to postal fees, "Direct Mail" was revised to include delivery fees charged by private delivery companies.
  - (8) Figures now include estimated advertising expenditures in the component "Free Newspapers/Free Magazines."
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