

NEWS RELEASE**FOR IMMEDIATE RELEASE****February 23, 2009****Advertising Expenditures in Japan
Total 6,692.6 Billion Yen in 2008,
Down 4.7% from 2007***— Expenditures Fall for the First Time in Five Years;**Declines in All Media Types Except for Internet and Satellite Media-Related Advertising —*

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 2008 calendar year, including an estimated breakdown by medium and industry.

According to this report, the nation's advertising expenditures in 2008 totaled 6,692.6 billion yen, a decrease of 4.7% compared with the previous year. In 2004, total advertising expenditures rose for the first time in four years due to the upswing in the Japanese economy, the proliferation of digital home electric appliances, and spread of broadband Internet services. Spending continued to increase by 2.9% year on year in 2005, 1.7% in 2006, and 1.1% in 2007. In 2008, however, expenditures were down despite the boost provided by the Beijing 2008 Olympic Games, mainly as a result of the economic slowdown from the end of 2007, the global recession precipitated by the financial crisis in the United States from the latter half of 2008, and a slowing in the economy from the rapid appreciation in the value of the yen.

Overview of Advertising Expenditures during 2008

1. Total advertising expenditures in 2008 were down year on year as a result of the slowdown in the Japanese economy. Spending was relatively strong during the first half of 2008, but despite the Beijing 2008 Olympic Games the second half of the year was significantly impacted by the economic slowdown resulting from the global financial crisis and appreciation of the yen. As a result, total advertising expenditures declined for the first time in five years, down 4.7% from 2007 for a total of 6,692.6 billion yen.
2. Broken down by medium, expenditures in the traditional media declined year on year for the fourth consecutive year (down 7.6%), with a significant falloff in Newspapers (down 12.5%)

and a decline in Television (down 4.4%). In other media, Promotional Media (down 5.8%) declined for the first time in five years, with spending down in Outdoor, Flyers and all constituent components. Satellite Media-Related advertising expenditures rose 12.1% on growth from BS digital broadcasting, while Internet advertising continued to rise (up 16.3%), centered on search-related and mobile advertisements.

3. By industry category (for traditional media), expenditures declined in 18 of 21 industry categories, including Finance/Insurance on declines for investment trusts, mail-order medical insurance, and consumer finance; Real Estate/Housing Facilities on declines for condominium and general housing advertisements; Information/Communications on declines for Internet-related services and personal computers; and Automobiles/Related Products on declines for domestic and imported passenger cars. The three industry categories posting gains were Hobbies/Sporting Goods, Foodstuffs, and Pharmaceuticals/Medical Supplies.

● **Total Advertising Expenditures**

Total advertising expenditures in 2008 decreased for the first time in five years, to 6,692.6 billion yen, a decline of 4.7% over 2007.

● **Outline of Advertising Expenditures by Medium**

Advertising expenditures in the traditional media declined 7.6% from 2007, with spending on Newspapers and Television down for the fourth consecutive year. Among other media, Promotional Media fell 5.8% year on year for the first decline in five years, with spending down in all constituent components (including Telephone Directories, Exhibitions/Screen Displays, Outdoor, Flyers, Free Newspapers/Free Magazines, and Transit). Satellite Media-Related expenditures rose 12.1% on strong growth from BS digital broadcasting. Internet advertising was up 16.3% from 2007.

A quarterly breakdown of advertising expenditures for the traditional media shows spending down in each quarter, with the rate of decline increasing for each successive period.

Quarterly Breakdown of Growth in Advertising Expenditures in the Traditional Media in 2008

(Year-on-year basis in %)

	2008 (Full Year)	Jan.– June	July– Dec.	Jan.– Mar.	Apr.– June	July– Sep.	Oct.– Dec.
Advertising Expenditures in the Traditional Media	92.4	94.3	90.5	96.6	92.0	91.8	89.3

● **Outline of Advertising Expenditures by Industry (21 Categories, Traditional Media Only)**

Advertising expenditures declined in 18 of the 21 industry categories surveyed during 2008, of which eight recorded double-digit drops. In contrast, year-on-year spending decreased in only 10 of the 21 categories in 2007.

Industry categories posting double-digit declines were: Energy/Materials/Machinery (down 24.0%) on declines for corporate advertising, gas and electric power; Publications (down 16.8%) on declines for corporate advertising, women's magazines and job-placement magazines; Education/Medical Services/Religion (down 16.0%) on declines for correspondence education, vocational schools and other educational institutions, hospital and nursing services, and English conversation companies/language schools; Government/Organizations (down 15.8%) in response to spending for the Upper House election in the previous year; Classified Ads/Others (down 15.1%) on declines for job ads; Real Estate/Housing Facilities (down 14.7%) on declines for corporate advertising by housing and condominium companies; Finance/Insurance (down 13.5%) on declines for investment trusts, mail-order medical insurance, and consumer finance firms; and Automobiles/Related Products (down 11.4%) on declines for domestic and imported passenger cars. Declines were also recorded in Information/Communications (down 9.5%); Apparel/Fashion Accessories/Personal Items (down 9.4%); Precision Instruments/Office Supplies (down 8.6%); and Transportation/Leisure (down 7.0%).

The three industry categories posting gains were: Hobbies/Sporting Goods (up 7.8%) on increases for pachinko machines, *pachisuro* slot machines, game software and video software; Foodstuffs (up 0.7%) on increases for health foods, curries, and seasonings; and Pharmaceuticals/Medical Supplies (up 0.4%) on increases for corporate advertising.

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The full text of *2008 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 (2004–2008)

	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	2005	501,734.4	100.7	5,962.5	101.8	1.19
	2006	507,364.8	101.1	5,995.4	100.6	1.18
Revised	2005	501,734.4	100.7	6,823.5	102.9	1.36
	2006	507,364.8	101.1	6,939.9	101.7	1.37
	2007	515,804.8	101.7	7,019.1	101.1	1.36
	2008	511,700.9	99.2	6,692.6	95.3	1.31

- 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 6 for details regarding the above revision.

TABLE 2

Advertising Expenditures by Medium (2006–2008)

Media	Advertising Expenditures (¥ billion)			Comparison Ratio (%)		Component Ratio (%)		
	2006	2007	2008	2007	2008	2006	2007	2008
Traditional Media								
Newspapers	998.6	946.2	827.6	94.8	87.5	14.4	13.5	12.4
Magazines ⁽¹⁾	477.7	458.5	407.8	96.0	88.9	6.9	6.5	6.1
Radio	174.4	167.1	154.9	95.8	92.7	2.6	2.4	2.3
Television	2,016.1	1,998.1	1,909.2	99.1	95.6	29.0	28.5	28.5
Subtotal	3,666.8	3,569.9	3,299.5	97.4	92.4	52.9	50.9	49.3
Satellite Media-Related	54.4	60.3	67.6	110.8	112.1	0.8	0.8	1.0
Internet⁽²⁾								
(Advertising placement)	363.0	459.1	537.3	126.5	117.0	5.2	6.5	8.0
(Advertising production)	119.6	141.2	161.0	118.1	114.0	1.7	2.0	2.4
Subtotal	482.6	600.3	698.3	124.4	116.3	6.9	8.6	10.4
Promotional Media⁽³⁾								
Outdoor ⁽⁴⁾	394.6	404.1	370.9	102.4	91.8	5.7	5.8	5.5
Transit ⁽⁵⁾	253.9	259.1	249.5	102.0	96.3	3.7	3.7	3.7
Flyers ⁽⁶⁾	666.2	654.9	615.6	98.3	94.0	9.6	9.3	9.2
Direct Mail ⁽⁷⁾	440.2	453.7	442.7	103.1	97.6	6.3	6.5	6.6
Free Newspapers/Free Magazines ⁽⁸⁾	335.7	368.4	354.5	109.7	96.2	4.8	5.2	5.3
POP	184.5	188.6	185.2	102.2	98.2	2.6	2.7	2.8
Telephone Directories	115.4	101.4	89.2	87.9	88.0	1.7	1.4	1.3
Exhibitions/Screen Displays	345.6	358.4	319.6	103.7	89.2	5.0	5.1	4.8
Subtotal	2,736.1	2,788.6	2,627.2	101.9	94.2	39.4	39.7	39.3
Total	6,939.9	7,019.1	6,692.6	101.1	95.3	100.0	100.0	100.0

- 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 6 for details regarding the revision of these items.

TABLE 3

Advertising Expenditures by Industry in the Traditional Media (2007–2008)

(Unit: ¥10 million)

Industry	Newspapers			Magazines			Radio			Television			Total		
	2007	2008	Compsion	2007	2008	Compsion	2007	2008	Compsion	2007	2008	Compsion	2007	2008	Compsion
			Ratio			Ratio			Ratio			Ratio			
Energy / Materials / Machinery	1,042	958	91.9	355	343	96.6	509	507	99.6	4,503	3,066	68.1	6,409	4,874	76.0
Foodstuffs	5,792	5,859	101.2	2,342	2,057	87.8	1,361	1,345	98.8	20,438	20,884	102.2	29,933	30,145	100.7
Beverages / Cigarettes	2,776	2,404	86.6	2,241	2,046	91.3	919	761	82.8	20,438	19,474	95.3	26,374	24,685	93.6
Pharmaceuticals / Medical Supplies	2,588	2,306	89.1	1,204	1,151	95.6	1,110	1,116	100.5	13,386	13,794	103.0	18,288	18,367	100.4
Cosmetics / Toiletries	2,213	2,378	107.5	6,032	5,565	92.3	382	421	110.2	22,518	21,016	93.3	31,145	29,380	94.3
Apparel / Fashion Accessories / Personal Items	1,280	1,132	88.4	8,819	8,024	91.0	96	105	109.4	2,592	2,321	89.5	12,787	11,582	90.6
Precision Instruments / Office Supplies	843	803	95.3	1,257	1,193	94.9	84	92	109.5	2,281	1,992	87.3	4,465	4,080	91.4
Home Electric Appliances / AV Equipment	1,150	1,159	100.8	1,131	1,104	97.6	134	159	118.7	6,088	5,766	94.7	8,503	8,188	96.3
Automobiles / Related Products	3,883	2,921	75.2	2,461	2,037	82.8	1,750	1,534	87.7	13,597	12,736	93.7	21,691	19,228	88.6
Household Products	864	857	99.2	608	558	91.8	237	189	79.7	4,675	4,501	96.3	6,384	6,105	95.6
Hobbies / Sporting Goods	1,522	1,498	98.4	2,801	2,835	101.2	548	544	99.3	10,824	12,048	111.3	15,695	16,925	107.8
Real Estate / Housing Facilities	5,308	4,451	83.9	1,237	1,065	86.1	1,020	837	82.1	9,739	8,400	86.3	17,304	14,753	85.3
Publications	9,307	7,990	85.8	491	474	96.5	873	733	84.0	3,041	2,217	72.9	13,712	11,414	83.2
Information / Communications	6,847	5,455	79.7	3,227	2,595	80.4	863	895	103.7	15,738	15,200	96.6	26,675	24,145	90.5
Distribution / Retailing	9,045	8,598	95.1	2,217	1,901	85.7	1,030	970	94.2	10,056	9,595	95.4	22,348	21,064	94.3
Finance / Insurance	6,490	4,810	74.1	1,693	1,458	86.1	2,035	1,514	74.4	14,402	13,514	93.8	24,620	21,296	86.5
Transportation / Leisure	15,435	13,683	88.6	2,858	2,528	88.5	1,506	1,429	94.9	9,177	9,304	101.4	28,976	26,944	93.0
Food Services / Other Services	3,182	2,886	90.7	1,745	1,341	76.8	845	895	105.9	9,416	9,303	98.8	15,188	14,425	95.0
Government / Organizations	2,211	1,971	89.1	523	507	96.9	868	860	99.1	1,811	1,220	67.4	5,413	4,558	84.2
Education / Medical Services / Religion	5,172	4,224	81.7	2,444	1,885	77.1	469	505	107.7	3,841	3,402	88.6	11,926	10,016	84.0
Classified Ads / Others	7,670	6,417	83.7	164	113	68.9	71	79	111.3	1,249	1,167	93.4	9,154	7,776	84.9
Total	94,620	82,760	87.5	45,850	40,780	88.9	16,710	15,490	92.7	199,810	190,920	95.6	356,990	329,950	92.4

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

Traditional Media: Advertising expenditures spent in the traditional 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.

Contents of the revision:

- (1) The range of “Magazines” included in the traditional media was expanded to include a wider variety of specialty magazines, local magazines, etc.
 - (2) “Internet” advertising expenditures include estimated production costs.
 - (3) The “Sales Promotion” medium was renamed “Promotional Media,” and the breakdown within it was revised.
 - (4) “Outdoor” includes outdoor video screens and poster boards along with billboards and neon signs.
 - (5) “Transit” was revised to include airports and taxis along with trains and buses.
 - (6) In “Flyers,” 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) Estimated advertising expenditures for “Free Newspapers/Free Magazines” are included in the figures.
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