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Advertising Expenditures in Japan Totalled 5,842.7 Billion Yen in 2010, Down 1.3% from 2009

— *Television Posts Modest Gain; Internet and Satellite Media-Related Advertising up Sharply* —

Dentsu Inc. (Tokyo: 4324; ISIN: JP3551520004; President & CEO: Tatsuyoshi Takashima; Head Office: Tokyo; Capital: 58,967.1 million yen) released today its annual report of advertising expenditures in Japan for the 2010 calendar year, including an estimated breakdown by medium and industry.

According to this report, the nation's advertising expenditures in 2010 totaled 5,842.7 billion yen, a decrease of 1.3% compared with the previous year. Looking back, total advertising expenditures turned upward in 2004 due to a recovery in the Japanese economy and the proliferation of digital home electric appliances and broadband Internet services. Spending continued to grow in 2005 (up 2.9%), 2006 (up 1.7%) and 2007 (up 1.1%), but fell by 4.7% in 2008 as a result of the financial crisis in the United States and subsequent global recession. Spending shrank further in 2009 (down 11.5%), and again in 2010, but the rate of decline narrowed sharply (down 1.3%).

Overview of Advertising Expenditures during 2010

1. Total advertising expenditures in 2010 were boosted by a number of positive factors, such as a gradually recovering economy and improved corporate earnings, major international events including the Vancouver 2010 Winter Olympic Games, the 2010 FIFA World Cup South Africa™ tournament, and Expo 2010 Shanghai China, as well as economic stimulus measures such as subsidies for eco-friendly cars and the eco-point system. As a result, overall advertising expenditures held steady at 5,842.7 billion yen, a decline of only 1.3% compared with 2009. On the positive side, spending on Television advertising grew during the second half of the year, and the rate of decline in overall spending narrowed sharply compared with the previous year (down 11.5%), indicating that the downturn in advertising spending is bottoming out.

2. Broken down by medium, expenditures in Television rose (up 1.1%), but fell in Newspapers (down 5.1%), Magazines (down 9.9%) and Radio (down 5.2%). Year-on-year spending in the traditional media declined for a sixth consecutive year (down 1.9%).

In other media, Promotional Media dropped for the third year in a row (down 4.4%). Satellite Media-Related advertising posted double-digit growth (up 10.6%) on the strength of BS digital broadcasting. Internet advertising also rose sharply (up 9.6%), due to an increase in marketing campaigns incorporating Internet advertising.

3. By industry category (for traditional media), expenditures grew in 8 of the 21 industry categories, including Information/Communications, due to rapid growth in website-related advertising; Apparel/Fashion, Accessories/Personal Items, on increased placements for women's clothing, jeans and men's clothing; and Cosmetics/Toiletries, as a result of higher spending on hair care and cosmetics advertising. In contrast, spending fell in 13 of the 21 industry categories, including Government/Organizations, where previous-year spending had been boosted by the Lower House election; and Hobbies/Sporting Goods, on cutbacks in advertising for game software and other items.

● Outline of Advertising Expenditures by Medium

Advertising expenditures in the traditional media declined 1.9% compared with 2009. Spending was up in Television for the first time in six years, but continued to fall in all the other traditional media. Among other media, Promotional Media advertising was down 4.4%, marking a third straight year-on-year decline, but the rate of decrease was smaller. Satellite Media-Related advertising expenditures grew 10.6% on the strength of BS digital broadcasting. Internet advertising also posted a sharp gain of 9.6%.

A quarterly breakdown of advertising expenditures for the traditional media in the 2010 calendar year shows that spending strengthened steadily in the second half of the year. Year-on-year spending in the October–December quarter was higher than during the same period in 2009.

Quarterly Breakdown of Growth in Advertising Expenditures in the Traditional Media in 2010

(Year-on-year, %)

	2010 (Full Year)	Jan.– Jun.	Jul.– Dec.	Jan.– Mar.	Apr.– Jun.	Jul.– Sep.	Oct.– Dec.
Advertising Expenditures in the Traditional Media	98.1	96.6	99.7	94.4	98.8	98.9	100.4

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

Advertising expenditures increased in 8 of the 21 industry categories surveyed during 2010 and figures showed an improvement compared with the previous year, but fell in 13 categories. By comparison, in 2009 annual spending decreased in 20 of the 21 categories and increased in only one category.

The eight industry categories posting gains were Household Products (up 10.3%), due to increased placements for furniture, deodorizers and other items; Apparel/Fashion, Accessories/Personal Items (up 8.8%), boosted by growth in the areas of women's clothing, jeans and men's clothing; Information/Communications (up 8.6%), on an upsurge in website-related advertising; Energy/Materials/Machinery (up 4.8%), on increased spending by gas and electric power companies; Cosmetics/Toiletries (up 4.4%), which saw higher spending on hair care products and cosmetics; Home Electric Appliances/AV Equipment (up 4.0%), on growth in ads for televisions and Blu-ray Disc recorders; Food Services/Other Services (up 2.8%), on stronger demand from the restaurant industry and law firms; and Finance/Insurance (up 1.6%), due to growth in placements by consumer finance, securities and insurance companies.

On the other hand, three industry categories posted double-digit declines (compared with 14 double-digit declines in 2009). These were Government/Organizations (down 14.4%), where previous-year spending had been boosted by the Lower House election; Hobbies/Sporting Goods (down 13.3%), on weaker demand for game software, pachinko machines and "pachi-slo" slot machines; and Pharmaceuticals/Medical Supplies (down 10.6%), on cutbacks in ads for cold remedies and digestive aids. Other categories where spending fell were Transportation/Leisure (down 9.6%), due to reduced placements by airlines, leisure facilities and entertainment industries; Real Estate/Housing Facilities (down 8.6%), on

declines in corporate advertising by condominium and construction companies; Classified Ads/Others (down 7.2%), on declines in temporary help-wanted and classified ads; Distribution/Retailing (down 4.8%), on lower placements by department stores, convenience stores and direct marketing companies; Education/Medical Services/Religion (down 4.3%), which saw reductions in educational and religious advertising; Precision Instruments/Office Supplies (down 4.3%), due to cutbacks in ads for office equipment and other items; Beverages/Cigarettes (down 4.0%), due to a fall in spending on Japanese green tea, Japanese *sake* and *shochu* (a distilled liquor), and mineral water ads; Automobiles/Related Products (down 2.2%), on fewer placements for domestic passenger cars and used cars; Publications (down 1.9%), as a result of lower spending on newspaper and book ads; and Foodstuffs (down 0.2%), where fewer ads were placed for meat products and retort pouch foods.

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The full text of *2010 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 (2006–2010)

	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	2006	507,364.8	101.1	5,995.4	100.6	1.18
Revised	2006	507,364.8	101.1	6,939.9	101.7	1.37
	2007	515,520.4	101.6	7,019.1	101.1	1.36
	2008	504,377.6	97.8	6,692.6	95.3	1.33
	2009	470,936.7	93.4	5,922.2	88.5	1.26
	2010	479,223.1	101.8	5,842.7	98.7	1.22

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 have been retroactively revised. Please see page 7 for further details.

TABLE 2

Advertising Expenditures by Medium (2008–2010)

Media	Advertising Expenditures (¥ billion)			YoY Comparison Ratio (%)		Component Ratio (%)		
	2008	2009	2010	2009	2010	2008	2009	2010
Traditional Media								
Newspapers	827.6	673.9	639.6	81.4	94.9	12.4	11.4	11.0
Magazines	407.8	303.4	273.3	74.4	90.1	6.1	5.1	4.7
Radio	154.9	137.0	129.9	88.4	94.8	2.3	2.3	2.2
Television	1,909.2	1,713.9	1,732.1	89.8	101.1	28.5	29.0	29.6
Subtotal	3,299.5	2,828.2	2,774.9	85.7	98.1	49.3	47.8	47.5
Satellite Media-Related	67.6	70.9	78.4	104.9	110.6	1.0	1.2	1.3
Internet								
(Advertising placement)	537.3	544.8	607.7	101.4	111.5	8.0	9.2	10.4
(Advertising production)	161.0	162.1	167.0	100.7	103.0	2.4	2.7	2.9
Subtotal	698.3	706.9	774.7	101.2	109.6	10.4	11.9	13.3
Promotional Media								
Outdoor	370.9	321.8	309.5	86.8	96.2	5.6	5.4	5.3
Transit	249.5	204.5	192.2	82.0	94.0	3.7	3.4	3.3
Flyers	615.6	544.4	527.9	88.4	97.0	9.2	9.2	9.0
Direct Mail	442.7	419.8	407.5	94.8	97.1	6.6	7.1	7.0
Free Newspapers / Free Magazines	354.5	288.1	264.0	81.3	91.6	5.3	4.9	4.5
POP	185.2	183.7	184.0	99.2	100.2	2.8	3.1	3.2
Telephone Directories	89.2	76.4	66.2	85.7	86.6	1.3	1.3	1.1
Exhibitions / Screen Displays	319.6	277.5	263.4	86.8	94.9	4.8	4.7	4.5
Subtotal	2,627.2	2,316.2	2,214.7	88.2	95.6	39.3	39.1	37.9
Total	6,692.6	5,922.2	5,842.7	88.5	98.7	100.0	100.0	100.0

TABLE 3

Advertising Expenditures by Industry in the Traditional Media (2009–2010)

(Unit: ¥10 million)

Industry	Newspapers			Magazines			Radio			Television			Total		
	2009	2010	Comparison Ratio (%)	2009	2010	Comparison Ratio (%)	2009	2010	Comparison Ratio (%)	2009	2010	Comparison Ratio (%)	2009	2010	Comparison Ratio (%)
Energy / Materials / Machinery	632	631	99.8	267	225	84.3	435	372	85.5	1,938	2,201	113.6	3,272	3,429	104.8
Foodstuffs	4,867	5,145	105.7	1,653	1,477	89.4	1,177	1,152	97.9	21,153	21,030	99.4	28,850	28,804	99.8
Beverages / Cigarettes	2,206	2,396	108.6	1,548	1,401	90.5	716	679	94.8	18,231	17,310	94.9	22,701	21,786	96.0
Pharmaceuticals / Medical Supplies	1,982	1,829	92.3	841	703	83.6	1,100	1,090	99.1	12,410	10,975	88.4	16,333	14,597	89.4
Cosmetics / Toiletries	2,751	3,017	109.7	4,220	3,806	90.2	437	458	104.8	20,183	21,511	106.6	27,591	28,792	104.4
Apparel / Fashion, Accessories / Personal Items	1,185	1,440	121.5	5,999	6,184	103.1	72	73	101.4	2,056	2,432	118.3	9,312	10,129	108.8
Precision Instruments / Office Supplies	521	457	87.7	824	777	94.3	81	46	56.8	1,647	1,662	100.9	3,073	2,942	95.7
Home Electric Appliances / AV Equipment	775	827	106.7	871	871	100.0	148	177	119.6	5,262	5,462	103.8	7,056	7,337	104.0
Automobiles / Related Products	1,784	1,547	86.7	1,366	971	71.1	1,038	890	85.7	9,268	9,755	105.3	13,456	13,163	97.8
Household Products	864	986	114.1	443	444	100.2	180	166	92.2	4,412	4,910	111.3	5,899	6,506	110.3
Hobbies / Sporting Goods	1,520	1,458	95.9	2,208	1,675	75.9	452	350	77.4	10,020	8,831	88.1	14,200	12,314	86.7
Real Estate / Housing Facilities	3,210	2,982	92.9	813	819	100.7	597	477	79.9	6,648	6,016	90.5	11,268	10,294	91.4
Publications	6,611	6,123	92.6	360	302	83.9	598	629	105.2	1,882	2,213	117.6	9,451	9,267	98.1
Information / Communications	4,023	3,825	95.1	1,904	1,625	85.3	837	790	94.4	13,574	15,851	116.8	20,338	22,091	108.6
Distribution / Retailing	7,284	6,760	92.8	1,301	1,212	93.2	903	889	98.4	9,651	9,365	97.0	19,139	18,226	95.2
Finance / Insurance	2,889	2,808	97.2	956	825	86.3	1,037	944	91.0	10,262	10,806	105.3	15,144	15,383	101.6
Transportation / Leisure	11,840	10,553	89.1	1,943	1,760	90.6	1,361	1,137	83.5	8,208	7,668	93.4	23,352	21,118	90.4
Food Services / Other Services	2,373	2,330	98.2	981	814	83.0	964	1,131	117.3	9,169	9,592	104.6	13,487	13,867	102.8
Government / Organizations	1,975	1,579	79.9	346	234	67.6	1,017	1,046	102.9	1,428	1,223	85.6	4,766	4,082	85.6
Education / Medical Services / Religion	3,498	3,141	89.8	1,430	1,151	80.5	497	469	94.4	3,121	3,416	109.5	8,546	8,177	95.7
Classified Ads / Others	4,600	4,126	89.7	66	54	81.8	53	25	47.2	867	981	113.1	5,586	5,186	92.8
Total	67,390	63,960	94.9	30,340	27,330	90.1	13,700	12,990	94.8	171,390	173,210	101.1	282,820	277,490	98.1

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 placement costs for billboards, neon signs, outdoor video screens, 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 point-of-purchase (POP) displays.

Telephone Directories: Placement costs for advertisements in telephone directories.

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

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

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" was revised to include 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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