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**Advertising Expenditures in Japan
Totalled 5,891.3 Billion Yen in 2012,
Up 3.2% from 2011**

*—Expenditures Rose for the First Time in Five Years; Traditional Media Posted Gains;
Satellite Media-Related Advertising Up Sharply; Internet Remained Strong—*

Dentsu Inc. (Tokyo: 4324; ISIN: JP3551520004; President & CEO: Tadashi Ishii; Head Office: Tokyo; Capital: 58,967.1 million yen) released today its annual report of advertising expenditures in Japan for the 2012 calendar year, including an estimated breakdown by medium and industry.

According to this report, Japan's advertising expenditures in 2012 totaled 5,891.3 billion yen, an increase of 3.2% over the previous year. Overall spending on advertising began to fall in 2008 (down 4.7%) as a result of the simultaneous global recession precipitated by the financial crisis in the United States. Yearly spending continued to decline in 2009 (down 11.5%), 2010 (down 1.3%), and 2011 (down 2.3%), but bounced back in 2012 (up 3.2%), benefiting from a resumption in spending that had been delayed or postponed after the Great East Japan Earthquake and Tsunami. Japan's advertising expenditures increased in 2012 for the first time in five years.

Overview of Advertising Expenditures during 2012

1. Ad placements recovered strongly during the second half of 2011 on reconstruction-related demand after the Great East Japan Earthquake and Tsunami, and this trend carried over through the first half of 2012. After the London 2012 Olympic Games, however, a slowdown in the overall economy depressed advertising expenditures. This was caused by a number of factors, including a fall in consumer spending after the discontinuance of the tax reduction and subsidy program for eco-car purchases, the high value of the yen, economic stagnation in Europe, and a decline in exports. Nevertheless, for the year as a whole advertising expenditures totaled 5,891.3 billion yen, a gain of 3.2% from the previous year; this was the first annual increase in five years. A strong recovery in

ad placements pushed spending in the traditional media to 2,779.6 billion yen, exceeding the level achieved in 2010 before the Great East Japan Earthquake and Tsunami.

2. Broken down by medium, expenditures were higher in Television (up 3.0%), Newspapers (up 4.2%), and Magazines (up 0.4%), and held steady in Radio (down 0.1%). Overall spending in the traditional media was up 2.9%. Advertising in Promotional Media also grew (up 1.4%). Satellite Media-Related spending posted double-digit growth (up 13.7%) for a third straight year, boosted by placements related to the London 2012 Olympic Games. Internet advertising again posted solid gains (up 7.7%).
3. By industry category (for the traditional media), expenditures grew in 16 of the 21 industry categories, including Automobiles/Related Products (up 26.9% on increased placements for K-cars [engine displacement up to 660cc] and 2-box vehicles), Information/Communications (up 10.5% on expenditures related to smartphone services, satellite broadcasting, and web content advertising), and Beverages/Cigarettes (up 7.0 % on expenditures related to beauty and energy drinks, lactic acid drinks, and carbonated beverages). In contrast, expenditures fell in 5 of the 21 industry categories, including Government/Organizations, where spending fell dramatically (down 69.4%) compared with 2011, which had seen a massive increase in public service placements by advertising organizations after the Great East Japan Earthquake and Tsunami; and Classified Ads/Others (down 19.8% on declines in placements by corporate groups as well as the movie and theater industry).

● Outline of Advertising Expenditures by Medium

Advertising expenditures in the traditional media grew 2.9% compared with the previous year, reaching a total of 2,779.6 billion yen. Spending rose not only in Television (up 3.0%), but also in Newspapers and Magazines. Promotional Media advertising also posted gains (up 1.4%). Satellite Media-Related advertising expenditures were up 13.7%, boosted by demand related to the London 2012 Olympic Games. Internet advertising showed solid gains, up 7.7% year on year.

● Quarterly Breakdown of Growth in Advertising Expenditures in the Traditional Media in 2012

A quarterly breakdown of advertising expenditures for the traditional media in the 2012 calendar year showed that spending rose steadily during the first half of the year, but fell below previous-year levels during the last six months as the overall economy weakened.

(Year-on-year, %)

	2012 (Full Year)	Jan.– Jun.	Jul.– Dec.	Jan.– Mar.	Apr.– Jun.	Jul.– Sep.	Oct.– Dec.
Advertising Expenditures in the Traditional Media	102.9	107.8	98.3	105.2	110.6	98.8	97.8

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

Advertising expenditures increased in 16 of the 21 industry categories surveyed during 2012, and declined in 5 categories.

Two industry categories posted double-digit gains: Automobiles/Related Products (up 26.9%) on increased placements for K-cars and 2-box vehicles, and Information/Communications (up 10.5%) on expenditures related to smartphone services, satellite broadcasting, and web content advertising. Expenditures also rose in Precision Instruments/Office Supplies (up 9.7%), aided by growth in placements for digital SLR cameras and wristwatches; Distribution/Retailing (up 8.6%), which saw stronger demand for general merchandise store and direct marketing advertising; Transportation/Leisure (up 8.2%) on a recovery in outlays by travel agencies, hotels and inns; Apparel/Fashion, Accessories/Personal Items (up 7.6%), due to increased spending on ads for women's clothing and shoes; Beverages/Cigarettes (up 7.0%) on expenditures related to beauty and energy drinks, lactic acid drinks, and carbonated beverages; Foodstuffs (up 6.4%), led by health foods and beauty-related food products; Food Services/Other Services (up 4.4%), which saw increased placements for ladies' wigs and aesthetic salons; Real Estate/Housing Facilities (up 4.1%) on an upsurge in demand for household fixtures and condominium advertising; Cosmetics/Toiletries (up 4.0%), boosted by growth in ads for skin toners and emulsions; Pharmaceuticals/Medical Supplies (up 3.4%), helped by a rise in corporate advertising by pharmaceutical companies, and in placements related to eyeglasses; Education/Medical Services/Religion (up 3.2%), which recorded increased spending on ads for English conversation and language schools, preparatory and tutoring schools, and correspondence education; Publications (up 3.0%) on higher placements for hardcover books, corporate advertising by publishers, and ads for hobby-related magazines; Finance/Insurance (up 2.7%) on the strength of corporate advertising by insurance companies, and ads for credit card loans; and Household Products (up 1.2%), led by

placements for furniture and kitchen accessories.

Advertising expenditures fell in five industry categories, most notably in Government/Organizations (down 69.4%). This category saw a massive increase in public service ad placements by advertising organizations in 2011 after the Great East Japan Earthquake and Tsunami, but spending dropped back significantly in 2012; Classified Ads/Others (down 19.8%) on declines in placements by corporate groups as well as the movie and theater industry; Energy/Materials/Machinery (down 3.7%) on cutbacks by electric power and gas companies; Hobbies/Sporting Goods (down 1.9%), hurt by weakness in the areas of video software, pachinko machines and "pachi-slo" slot machines, and game software; and Home Electric Appliances/AV Equipment (down 0.7%), which saw a fall in demand for placements related to LCD televisions and Blu-ray disc recorders.

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The full text of *2012 Advertising Expenditures in Japan* is currently being compiled and will be available on Dentsu's website at the end of March 2013. For reference, please refer to the tables on the following pages.

TABLE 1
Japan's GDP and Advertising Expenditures (2008–2012)

Year	Gross Domestic Product (B)		Advertising Expenditures (A)		A / B (%)
	GDP (¥ billion)	Compared to Previous Year (%)	Advertising Expenditures (¥ billion)	Compared to Previous Year (%)	
2008	501,209.3	97.7	6,692.6	95.3	1.34
2009	471,138.7	94.0	5,922.2	88.5	1.26
2010	482,384.4	102.4	5,842.7	98.7	1.21
2011	470,623.2	97.6	5,709.6	97.7	1.21
2012	475,729.0	101.1	5,891.3	103.2	1.24

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.

TABLE 2
Advertising Expenditures by Medium (2010–2012)

Media	Advertising Expenditures (¥ billion)			YoY Comparison Ratio (%)		Component Ratio (%)		
	2010	2011	2012	2011	2012	2010	2011	2012
Traditional Media								
Newspapers	639.6	599.0	624.2	93.7	104.2	11.0	10.5	10.6
Magazines	273.3	254.2	255.1	93.0	100.4	4.7	4.4	4.3
Radio	129.9	124.7	124.6	96.0	99.9	2.2	2.2	2.1
Television	1,732.1	1,723.7	1,775.7	99.5	103.0	29.6	30.2	30.2
Subtotal	2,774.9	2,701.6	2,779.6	97.4	102.9	47.5	47.3	47.2
Satellite Media-Related	78.4	89.1	101.3	113.6	113.7	1.3	1.6	1.7
Internet								
(Advertising placement)	607.7	618.9	662.9	101.8	107.1	10.4	10.8	11.2
(Advertising production)	167.0	187.3	205.1	112.2	109.5	2.9	3.3	3.5
Subtotal	774.7	806.2	868.0	104.1	107.7	13.3	14.1	14.7
Promotional Media								
Outdoor	309.5	288.5	299.5	93.2	103.8	5.3	5.1	5.1
Transit	192.2	190.0	197.5	98.9	103.9	3.3	3.3	3.4
Flyers	527.9	506.1	516.5	95.9	102.1	9.0	8.9	8.8
Direct Mail	407.5	391.0	396.0	96.0	101.3	7.0	6.8	6.7
Free Newspapers / Free Magazines	264.0	255.0	236.7	96.6	92.8	4.5	4.5	4.0
POP	184.0	183.2	184.2	99.6	100.5	3.2	3.2	3.1
Telephone Directories Exhibitions / Screen Displays	66.2	58.3	51.4	88.1	88.2	1.1	1.0	0.9
Subtotal	2,214.7	2,112.7	2,142.4	95.4	101.4	37.9	37.0	36.4
Total	5,842.7	5,709.6	5,891.3	97.7	103.2	100.0	100.0	100.0

TABLE 3
Advertising Expenditures by Industry in the Traditional Media
(2011–2012)

(Unit: ¥10 million)

Industry	Newspapers			Magazines			Radio			Television			Total		
	2011	2012	Comparison Ratio (%)	2011	2012	Comparison Ratio (%)	2011	2012	Comparison Ratio (%)	2011	2012	Comparison Ratio (%)	2011	2012	Comparison Ratio (%)
Energy / Materials / Machinery	551	640	116.2	166	126	75.9	241	283	117.4	1,766	1,575	89.2	2,724	2,624	96.3
Foodstuffs	5,222	5,561	106.5	1,421	1,553	109.3	1,154	1,163	100.8	18,822	20,052	106.5	26,619	28,329	106.4
Beverages / Cigarettes	2,019	2,344	116.1	1,212	1,386	114.4	577	532	92.2	15,813	16,725	105.8	19,621	20,987	107.0
Pharmaceuticals / Medical Supplies	1,762	1,700	96.5	708	836	118.1	993	1,039	104.6	10,891	11,272	103.5	14,354	14,847	103.4
Cosmetics / Toiletries	2,726	3,130	114.8	3,350	3,353	100.1	467	411	88.0	21,144	21,889	103.5	27,687	28,783	104.0
Apparel / Fashion, Accessories / Personal Items	1,641	1,675	102.1	6,200	6,483	104.6	68	66	97.1	2,909	3,421	117.6	10,818	11,645	107.6
Precision Instruments / Office Supplies	479	530	110.6	828	914	110.4	35	52	148.6	1,288	1,390	107.9	2,630	2,886	109.7
Home Electric Appliances / AV Equipment	747	687	92.0	758	646	85.2	176	163	92.6	3,768	3,916	103.9	5,449	5,412	99.3
Automobiles / Related Products	1,403	1,444	102.9	831	866	104.2	777	852	109.7	9,970	13,311	133.5	12,981	16,473	126.9
Household Products	1,017	1,149	113.0	467	471	100.9	174	183	105.2	4,763	4,693	98.5	6,421	6,496	101.2
Hobbies / Sporting Goods	1,295	1,279	98.8	1,455	1,486	102.1	306	314	102.6	8,005	7,774	97.1	11,061	10,853	98.1
Real Estate / Housing Facilities	2,853	2,917	102.2	826	749	90.7	446	502	112.6	6,320	6,701	106.0	10,445	10,869	104.1
Publications	5,696	5,702	100.1	306	297	97.1	670	606	90.4	2,277	2,611	114.7	8,949	9,216	103.0
Information / Communications	3,831	3,903	101.9	1,584	1,346	85.0	782	847	108.3	16,003	18,429	115.2	22,200	24,525	110.5
Distribution / Retailing	6,943	7,563	108.9	1,044	996	95.4	816	876	107.4	9,891	10,862	109.8	18,694	20,297	108.6
Finance / Insurance	2,310	2,105	91.1	754	600	79.6	946	937	99.0	10,111	10,857	107.4	14,121	14,499	102.7
Transportation / Leisure	9,678	10,219	105.6	1,524	1,491	97.8	953	1,023	107.3	7,372	8,390	113.8	19,527	21,123	108.2
Food Services / Other Services	1,988	1,942	97.7	679	625	92.0	1,178	1,261	107.0	8,511	9,068	106.5	12,356	12,896	104.4
Government / Organizations	1,265	1,450	114.6	209	212	101.4	1,204	882	73.3	8,195	783	9.6	10,873	3,327	30.6
Education / Medical Services / Religion	2,785	2,891	103.8	1,048	1,022	97.5	479	445	92.9	3,267	3,465	106.1	7,579	7,823	103.2
Classified Ads / Others	3,689	3,589	97.3	50	52	104.0	28	23	82.1	1,284	386	30.1	5,051	4,050	80.2
Total	59,900	62,420	104.2	25,420	25,510	100.4	12,470	12,460	99.9	172,370	177,570	103.0	270,160	277,960	102.9

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 and production costs for Internet site and mobile in-app advertising (includes production costs for banner ads as well as website set-up costs related to products, services and ad campaigns).

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

Outdoor: Production and placement costs for billboards, neon signs, outdoor video screens, 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.

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