

FOR IMMEDIATE RELEASE

February 23, 2017

Advertising Expenditures in Japan Totalled 6,288.0 Billion Yen in 2016, Up 1.9% Compared with 2015

*— Total Expenditures Posted Year-on-Year Growth for the Fifth Consecutive Year;
Expenditures on Internet Advertising Media (Excluding Production Expenses)
Exceeded One Trillion Yen for the First Time —*

Dentsu Inc. (Tokyo: 4324; ISIN: JP3551520004; President & CEO: Toshihiro Yamamoto; Head Office: Tokyo; Capital: 74,609.81 million yen) today released its calendar year 2016 annual report on advertising expenditures in Japan, including an estimated breakdown by medium and industry.

Based on Dentsu's survey, Japan's advertising expenditures for 2016 totalled 6,288.0 billion yen, an increase of 1.9% compared with the previous year's figure. The gradual expansion of Japan's economy in calendar 2016 saw overall spending on advertising post year-on-year gains for a fifth consecutive year.

Overview of Advertising Expenditures during 2016

1. Factors that had been expected to have a positive impact on advertising expenditures in 2016 include gradual growth in the Japanese economy; the 2016 Summer Olympic and Paralympic Games in Rio de Janeiro; the G7 2016 Ise-Shima Summit; and an upswing in marketing activities, in particular driven by the expansion of Internet advertising. However, expectations were dampened by such factors as weak domestic demand, thought to have been caused by natural disasters, uncertainty concerning the future, and other factors; a slackening in corporate performance accompanying appreciation of the yen and falling stock prices; as well as the emergence of such risk factors as terrorism and a protectionist climate worldwide. Together, these factors contributed to advertising expenditure growth of 1.9% for the full calendar year.
2. Broken down by medium, advertising expenditures fell in Newspapers (down 4.4%), Magazines (down 9.0%), Radio (up 2.5%), and Television (up 1.7%; including both Terrestrial Television and Satellite Media-related spending). As a result, overall spending in

the traditional media posted a slight decline of 0.4%. In the Internet advertising market (up 13.0%), ads directed at smartphones, as well as video ads and ads using new advertising technologies and data applications continued to expand. Thus growth in the Internet medium remained the key driver for advertising expenditures overall. Although spending on Promotional Media decreased (down 1.1%), and so continued the 2015 slide, growth was recorded for Outdoor as well as Exhibitions/Screen Displays and other sub-categories.

3. By industry category (for traditional media, but excluding Satellite Media-Related spending), year-on-year spending rose in 9 of the 21 industry categories.

Major categories posting gains included Energy/Materials/Machinery (up 41.0% on campaigns for electric power companies (new market entrants) and gas companies); Home Electric Appliances/AV Equipment (up 9.7% on increased advertising for hair styling and beauty appliances, refrigerators and 4K televisions); Real Estate/Housing Facilities (up 6.7% on increased placements for general housing and kitchen units); Pharmaceuticals/Medical Supplies (up 4.2% on increased advertising for general health supplements, contact lenses and general gastrointestinal medicines); and Foodstuffs (up 3.5% on increased placements for direct-marketed dietary supplements, health foods and chocolate).

Major categories posting declines included Precision Instruments/Office Supplies (down 13.8% on decreased placements for wristwatches and digital cameras); Apparel/Fashion, Accessories/Personal Items (down 10.0% on decreased advertising for women's clothing and casual wear); Automobiles/Related Products (down 6.0% on weaker advertising for K-cars (engine displacement up to 660 cc), imported station wagons/hatchbacks, and station wagons); Education/Medical Services/Religion (down 5.5% on fewer placements for correspondence education programs and schools); and Beverages/Cigarettes (down 5.3% on lower placements for beer-like alcoholic beverages).

● Outline of Advertising Expenditures by Medium

Advertising expenditures in the traditional media (including Satellite Media-Related spending) during the 2016 calendar year totaled 2,859.6 billion yen, down 0.4% compared with the previous year. Spending in Television (including both Terrestrial Television and Satellite Media-Related advertising) increased 1.7%.

Spending on Internet advertising reached 1,310.0 billion yen (up 13.0%). Internet advertising media spending (excluding production expenses) surpassed one trillion yen for the first time, reaching 1,037.8 billion yen (up 12.9%). Promotional Media recorded a 1.1% spending decrease compared with the previous year's amount, to 2,118.4 billion yen.

• **Quarterly Breakdown of Growth in Advertising Expenditures in the Traditional Media in 2016**

A quarterly breakdown of advertising expenditures in the traditional media (including Satellite Media-Related spending) shows that the January–March quarter recorded an 0.9% increase in expenditure, while slight year-on-year declines marked each of the year's remaining quarters.

(Year-on-year, %)

Advertising Expenditures in the Traditional Media (including Satellite Media-Related Spending)	2015 (Full Year)	Jan.–Jun.	Jul.–Dec.	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.
		97.6	96.7	98.6	96.4	97.0	98.7
	2016 (Full Year)	Jan.–Jun.	Jul.–Dec.	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.
		99.6	100.2	99.1	100.9	99.4	98.9

• **Outline of Advertising Expenditures by Industry (21 Categories, Traditional Media Only, Excluding Satellite Media-Related Spending)**

Advertising expenditures increased in 9 of the 21 industry categories surveyed during 2016, and declined in 12 categories. (The 2015 survey shows that expenditures were higher in 6 of the 21 industry categories, but lower in 15 categories.)

Categories posting gains were Energy/Materials/Machinery (up 41.0%) on strong demand for campaigns related to liberalization of the electricity market; Home Electric Appliances/AV Equipment (up 9.7%) on increases in ads for hair styling and beauty appliances, refrigerators and 4K televisions; Real Estate/Housing Facilities (up 6.7%) on increased placements for general housing and kitchen units; Pharmaceuticals/Medical Supplies (up 4.2%) on increased advertising for general health supplements, contact lenses and general gastrointestinal medicines; Foodstuffs (up 3.5%) on increased placements for direct-marketed products (dietary supplements and health foods), and chocolate; Information/Communications (up 3.5%), driven by ad placements for web content and mobile communication services; Cosmetics/Toiletries (up 1.5%) on increased ads for fabric softeners, skin lotions and laundry detergents; Government/Organizations (up 0.9%) on increased ad placements by local governments, political parties and political organizations; and Hobbies/Sporting Goods (up 0.2%) on a rise in placements for cat food and fitness goods.

Expenditures declined in the following 15 industry categories: Precision Instruments/Office Supplies (down 13.8%) on a fall in placements for wristwatches and digital cameras; Apparel/Fashion, Accessories/Personal Items (down 10.0% on decreased

advertising for women's clothing and casual wear; Automobiles/Related Products (down 6.0% on weaker advertising for K-cars (engine displacement up to 660 cc), imported station wagons/hatchbacks, and station wagons); Education/Medical Services/Religion (down 5.5% on fewer placements for correspondence education programs and schools); Beverages/Cigarettes (down 5.3%) on lower placements for beer-like alcoholic beverages; Publications (down 4.8%) on fewer placements related to general newspapers and specialist hobby magazines; Distribution/Retailing (down 4.5%) on decreased placements for general supermarkets and large mass retailers; Transportation/Leisure (down 3.9%) on decreased advertising for membership sports clubs, and placements for railways and overseas airlines; Household Products (down 3.8%) on decreased placements for household scales and room deodorizers; Classified Ads/Others (down 3.6%) on decreased demand for classified ads; Food Services/Other Services (down 1.7%) on lower placements for aesthetic salons, male hair pieces and other services; and Finance/Insurance (down 1.3%) on lower placements related to direct-marketed health insurance products (medical/cancer insurance), and lotteries.

About the Dentsu Group

Dentsu is the world's largest advertising agency brand. Led by Dentsu Inc. (Tokyo: 4324; ISIN: JP3551520004), a company with a history of 116 years of innovation, the Dentsu Group provides a comprehensive range of client-centric brand, integrated communications, media and digital services through its ten global network brands—Carat, Dentsu, Dentsu media, iProspect, Isobar, mcgarrybowen, Merkle, MKTG, Posterscope and Vizeum—as well as through its specialist/multi-market brands including Amnet, Amplifi, Data2Decisions, Mitchell (PR) and 360i.

The Dentsu Group has a strong presence in over 140 countries across five continents, and employs more than 50,000 dedicated professionals. Dentsu Aegis Network Ltd., its global business headquarters in London, oversees Dentsu's agency operations outside of Japan. The Group is also active in the production and marketing of sports and entertainment content on a global scale. www.dentsu.com

#

Contact: Shusaku Kannan
Corporate Communications Director
Telephone: (813) 6216-8042
E-mail: s.kannan@dentsu.co.jp

The full text of *2016 Advertising Expenditures in Japan* is currently being compiled and will be available on Dentsu's website at the end of April 2017. For reference, please refer to the tables on the following pages.

TABLE 1

Japan's GDP and Advertising Expenditures (2012–2016)

Year	Gross Domestic Product (B)		Advertising Expenditures (A)		A / B (%)
	GDP (¥ billion)	Compared to Previous Year (%)	Advertising Expenditures (¥ billion)	Compared to Previous Year (%)	
2012	494,957.2	100.7	5,891.3	103.2	1.19
2013	503,175.6	101.7	5,976.2	101.4	1.19
2014	513,698.0	102.1	6,152.2	102.9	1.20
2015	530,545.2	103.3	6,171.0	100.3	1.16
2016	537,311.2	101.3	6,288.0	101.9	1.17

Notes:

- The above figures for GDP are taken from the Cabinet Office's "Annual Report on National Accounts" and "Quarterly Estimates of GDP."
- All the above figures are for the calendar year.

TABLE 2

Advertising Expenditures by Medium (2014–2016)

Media	Advertising Expenditures (¥ billion)			YoY Comparison Ratio (%)		Component Ratio (%)		
	2014	2015	2016	2015	2016	2014	2015	2016
Traditional Media								
Newspapers	605.7	567.9	543.1	93.8	95.6	9.8	9.2	8.6
Magazines	250.0	244.3	222.3	97.7	91.0	4.1	4.0	3.5
Radio	127.2	125.4	128.5	98.6	102.5	2.1	2.0	2.1
Television	1,956.4	1,932.3	1,965.7	98.8	101.7	31.8	31.3	31.3
(Terrestrial Television)	1,834.7	1,808.8	1,837.4	98.6	101.6	29.8	29.3	29.2
(Satellite Media-related)	121.7	123.5	128.3	101.5	103.9	2.0	2.0	2.1
Subtotal	2,939.3	2,869.9	2,859.6	97.6	99.6	47.8	46.5	45.5
Internet								
(Advertising placement)	824.5	919.4	1,037.8	111.5	112.9	13.4	14.9	16.5
(Advertising production)	227.4	240.0	272.2	105.5	113.4	3.7	3.9	4.3
Subtotal	1,051.9	1,159.4	1,310.0	110.2	113.0	17.1	18.8	20.8
Promotional Media								
Outdoor	317.1	318.8	319.4	100.5	100.2	5.1	5.2	5.1
Transit	205.4	204.4	200.3	99.5	98.0	3.3	3.3	3.2
Flyers	492.0	468.7	445.0	95.3	94.9	8.0	7.6	7.1
Direct Mail	392.3	382.9	380.4	97.6	99.3	6.4	6.2	6.0
Free Newspapers / Free Magazines	231.6	230.3	226.7	99.4	98.4	3.8	3.7	3.6
POP	196.5	197.0	195.1	100.3	99.0	3.2	3.2	3.1
Telephone Directories	41.7	33.4	32.0	80.1	95.8	0.7	0.5	0.5
Exhibitions / Screen Displays	284.4	306.2	319.5	107.7	104.3	4.6	5.0	5.1
Subtotal	2,161.0	2,141.7	2,118.4	99.1	98.9	35.1	34.7	33.7
Total	6,152.2	6,171.0	6,288.0	100.3	101.9	100.0	100.0	100.0

Note:

- Advertising expenditures in Television were redefined in 2014, retroactive to 2012, to include spending on both Terrestrial Television and Satellite Media-related advertising.

TABLE 3
Advertising Expenditures by Industry in the Traditional Media
(2015–2016)

(Unit: ¥10 million)

Media	Newspapers			Magazines			Radio			Terrestrial Television			Total		
	Industry	2015	2016	Comparison Ratio (%)	2015	2016	Comparison Ratio (%)	2015	2016	Comparison Ratio (%)	2015	2016	Comparison Ratio (%)	2015	2016
Energy / Materials / Machinery	565	556	98.4	127	129	101.6	257	269	104.7	1,715	2,801	163.3	2,664	3,755	141.0
Foodstuffs	6,307	6,355	100.8	1,334	1,260	94.5	944	987	104.6	18,484	19,410	105.0	27,069	28,012	103.5
Beverages / Cigarettes	1,864	1,784	95.7	1,259	1,001	79.5	585	629	107.5	15,665	14,940	95.4	19,373	18,354	94.7
Pharmaceuticals / Medical Supplies	1,745	1,650	94.6	663	522	78.7	1,024	1,044	102.0	11,215	12,049	107.4	14,647	15,265	104.2
Cosmetics / Toiletries	2,981	2,969	99.6	3,025	2,914	96.3	377	336	89.1	22,043	22,626	102.6	28,426	28,845	101.5
Apparel / Fashion, Accessories / Personal Items	1,254	1,210	96.5	6,517	5,648	86.7	86	74	86.0	3,210	3,029	94.4	11,067	9,961	90.0
Precision Instruments / Office Supplies	644	498	77.3	1,096	1,010	92.2	66	67	101.5	1,541	1,309	84.9	3,347	2,884	86.2
Home Electric Appliances / AV Equipment	452	389	86.1	636	638	100.3	130	137	105.4	4,226	4,806	113.7	5,444	5,970	109.7
Automobiles / Related Products	1,345	1,109	82.5	872	805	92.3	1,072	1,128	105.2	12,091	11,417	94.4	15,380	14,459	94.0
Household Products	1,083	960	88.6	535	462	86.4	210	215	102.4	4,886	4,819	98.6	6,714	6,456	96.2
Hobbies / Sporting Goods	937	899	95.9	1,338	1,225	91.6	226	241	106.6	5,450	5,601	102.8	7,951	7,966	100.2
Real Estate / Housing Facilities	2,590	2,491	96.2	744	766	103.0	622	664	106.8	7,253	8,043	110.9	11,209	11,964	106.7
Publications	5,202	5,019	96.5	255	216	84.7	721	814	112.9	2,308	2,031	88.0	8,486	8,080	95.2
Information / Communications	3,382	2,870	84.9	970	853	87.9	641	670	104.5	22,440	24,008	107.0	27,433	28,401	103.5
Distribution / Retailing	6,738	6,894	102.3	1,004	1,018	101.4	830	831	100.1	10,412	9,378	90.1	18,984	18,121	95.5
Finance / Insurance	2,150	1,968	91.5	573	478	83.4	870	844	97.0	12,380	12,469	100.7	15,973	15,759	98.7
Transportation / Leisure	9,122	8,678	95.1	1,870	1,832	98.0	955	912	95.5	9,688	9,362	96.6	21,635	20,784	96.1
Food Services / Other Services	1,984	1,892	95.4	542	482	88.9	1,707	1,886	110.5	10,405	10,135	97.4	14,638	14,395	98.3
Government / Organizations	1,278	1,310	102.5	260	267	102.7	766	683	89.2	992	1,066	107.5	3,296	3,326	100.9
Education / Medical Services / Religion	2,273	2,151	94.6	764	642	84.0	426	395	92.7	3,879	3,753	96.8	7,342	6,941	94.5
Classified Ads / Others	2,894	2,658	91.8	46	62	134.8	25	24	96.0	597	688	115.2	3,562	3,432	96.4
Total	56,790	54,310	95.6	24,430	22,230	91.0	12,540	12,850	102.5	180,880	183,740	101.6	274,640	273,130	99.5

TABLE 4

Sources of Media Expenditures

Traditional Media	Advertising spending in the traditional media: 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	
Terrestrial Television	Time rates and production costs of private terrestrial 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 (includes mobile advertising) and production costs (includes production costs for banner ads, as well as website set-up costs related to products, services, and ad campaigns) for Internet sites.
Promotional Media	Advertising expenditures for sales promotion-related media.
Outdoor	Production and placement costs for billboards, neon signs, LED 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.