

FOR IMMEDIATE RELEASE

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## **Advertising Expenditures in Japan Totalled 6,390.7 Billion Yen in 2017, Up 1.6% Compared with 2016**

*— Total Expenditures Posted Year-on-Year Growth for the Sixth Consecutive Year;  
Expenditures on Internet Advertising Recorded Double-Digit Growth for the Fourth  
Consecutive Year—*

Dentsu Inc. (Tokyo: 4324; ISIN: JP3551520004; President & CEO: Toshihiro Yamamoto; Head Office: Tokyo; Capital: 74,609.81 million yen) today released its calendar year 2017 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 2017 totalled 6,390.7 billion yen, an increase of 1.6% compared with the previous year's figure. Accompanying Japan's continuing economic growth in calendar 2017, overall spending on advertising posted year-on-year gains for a sixth consecutive year.

### **Overview of Advertising Expenditures during 2017**

1. The 1.6% full-year growth rate for overall advertising expenditures in 2017 was underpinned by sustained, gradual expansion in the Japanese economy, which benefitted from the convergence of an array of positive factors. These include recovery in the global economy, rising corporate earnings, an improvement in the employment environment, weakening of the yen exchange rate, and a vigorous stock market. In particular, robust spending in Internet advertising drove overall expenditure growth. Across the advertising market as a whole, the transformation to digital advertising media advanced on a range of fronts, as integrated communication platforms that leveraged the particular characteristics of each medium became more conspicuous.
2. Broken down by medium, advertising expenditures fell in Newspapers (down 5.2%), Magazines (down 9.0%), and Television (down 0.9%; including both Terrestrial Television and Satellite Media-related spending), and rose in Radio (up 0.4%). As a result, overall spending in the traditional media posted a decline of

2.3%. In Internet advertising expenditures (up 15.2% including medium expenditures and production costs), growth of performance-based ads and video ads directed at users of mobile devices was particularly strong. Hence, growth in the Internet medium remained the key driver for advertising expenditures overall. Although spending on Promotional Media decreased (down 1.5%), growth was recorded for Outdoor, POP, and Exhibitions/Screen Displays and other sub-categories.

3. By industry category (for the traditional media, but excluding Satellite Media-Related spending), year-on-year spending rose in 6 of the 21 industry categories.

Major categories posting gains were Real Estate/Housing Facilities (up 8.9% on increased placements for general housing); Energy/Materials/Machinery (up 8.0% on placements for ads related to gas market liberalization); Information/Communications (up 1.7% on increased placements for web content and smartphones); and Automobiles/Related Products (up 1.5% on stronger advertising for station wagons/hatchbacks, K-cars (engine displacement up to 660 cc) and SUVs).

Major categories posting declines included Home Electric Appliances/AV Equipment (down 11.4% on decreased advertising for vacuum cleaners, and hair styling and beauty appliances); Precision Instruments/Office Supplies (down 11.2% on decreased placements for wristwatches and digital cameras); Distribution/Retailing (down 9.7%) on decreased placements for general merchandise stores and convenience stores; Government/Organizations (down 8.1% on fewer placements for advertising industry organizations and foreign governmental and public agencies); Apparel/Fashion, and Accessories/Personal Items (down 8.0% on decreased advertising for casual wear).

#### ● Outline of Advertising Expenditures by Medium

Spending on Internet advertising (medium expenditures and production costs) reached 1,509.4 billion yen (up 15.2%), posting double-digit growth for the fourth consecutive year. In particular, there was a further acceleration in growth for performance-based ads and video ads aimed at users of mobile devices. Internet advertising expenditures accounted for 23.6% of spending in all media, a rise of 2.8 percentage points compared with 2016. Internet advertising medium costs amounted to 1,220.6 billion yen (up 182.8 billion yen, or 17.6%).

Advertising expenditures in the traditional media (including Satellite Media-Related spending) during the 2017 calendar year totaled 2,793.8 billion yen, down 2.3% compared with the previous year, showing a third consecutive year of decline. Spending in Radio increased 0.4%, to 129.0 billion yen, the second straight year of growth.

Although Promotional Media spending decreased 1.5% compared with the previous year's amount, to 2,087.5 billion yen, recording a decline for the third consecutive year, the two sub-categories of Outdoor, and Exhibitions/Screen Displays, posted their sixth straight year of growth.

• **Quarterly Breakdown of Growth in Advertising Expenditures in the Traditional Media in 2017**

A quarterly breakdown of advertising expenditures in the traditional media (including Satellite Media-Related spending) shows a decline of seven consecutive quarters compared with the corresponding period of the previous year. However, the percentage recorded for the 2017 Oct. - Dec. quarter (down 0.9%) was close to the previous year's level.

(Year-on-year, %)

Advertising Expenditures in the Traditional Media (including Satellite Media-Related Spending)	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
2017 (Full Year)	Jan.–Jun.	Jul.–Dec.	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.	
	97.7	97.6	97.8	98.2	96.9	96.5	99.1

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

Advertising expenditures increased in 6 of the 21 industry categories surveyed during 2017, and declined in 15 categories. (The 2016 survey shows that expenditures were higher in 9 of the 21 industry categories, but lower in 12 categories.)

Expenditures posted increases in the following six categories: Real Estate/Housing Facilities (up 8.9%) on increased placements for general housing; Energy/Materials/Machinery (up 8.0%) on demand for campaigns related to gas market liberalization; Information/Communications (up 1.7%), driven by ad placements for web content and smartphones; Household Products (up 1.6%) on increased advertising for insecticide and functional mattresses; Automobiles/Related Products (up 1.5%) on stronger advertising for station wagons/hatchbacks, K-cars (engine displacement up to 660 cc) and SUVs; and Beverages/Cigarettes (up 0.8%) on higher placements for lactobacillus beverage products, functional mineral water, and diet/nutritional drinks.

Expenditures declined in the following 15 industry categories: Home Electric Appliances/AV Equipment (down 11.4%) on decreased advertising for vacuum cleaners, and hair styling and beauty appliances; Precision Instruments/Office Supplies (down 11.2%) on decreased placements for wristwatches and digital cameras; Distribution/Retailing (down 9.7%) on decreased placements for general merchandise stores and convenience stores; Government/Organizations (down 8.1%) on fewer placements for advertising industry organizations and foreign governmental and public agencies; Apparel/Fashion, Accessories/Personal Items (down 8.0%) on decreased advertising for casual wear; Food Services/Other Services (down 6.3%) on fewer placements for restaurants and law firms); Cosmetics/Toiletries (down 5.4%) on reduced ads for shampoos and conditioners,

direct-marketed cosmetic lines for women, and fabric softeners; Finance/Insurance (down 4.5%) on lower placements related to credit cards, cash advances, and direct-marketed insurance products (cancer insurance, auto insurance); Publications (down 3.5%) on fewer placements related to publication releases and specialist hobby magazines; Pharmaceuticals/Medical Supplies (down 3.5%) on decreased placements for analgesics and antipyretics; Classified Ads/Others (down 3.4%) on decreased demand for classified ads; Transportation/Leisure (down 3.2%) on decreased advertising for travel agencies, domestic airlines, and movies; Education/Medical Services/Religion (down 1.7%) on fewer placements for correspondence education programs and schools); Hobbies/Sporting Goods (down 1.1%) on fewer placements for game software and audio recordings; and Foodstuffs (down 1.0%) on decreased placements for direct-marketed products (dietary supplements and health foods).

### **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 117 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 X, iProspect, Isobar, mcgarrybowen, Merkle, MKTG, Posterscope and Vizeum—as well as through its specialist/multi-market brands. The Dentsu Group has a strong presence in over 140 countries and regions across five continents, and employs more than 60,000 dedicated professionals. Dentsu Aegis Network Ltd., its international 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.

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The full text of *2017 Advertising Expenditures in Japan* is currently being compiled and will be available on Dentsu's website at the end of April 2018. For reference, please refer to the tables on the following pages.

TABLE 1

## Japan's GDP and Advertising Expenditures (2013–2017)

Year	Gross Domestic Product (B)		Advertising Expenditures (A)		A / B (%)
	GDP (¥ billion)	Compared to Previous Year (%)	Advertising Expenditures (¥ billion)	Compared to Previous Year (%)	
2013	503,175.6	101.7	5,976.2	101.4	1.19
2014	513,876.0	102.1	6,152.2	102.9	1.20
2015	531,985.8	103.5	6,171.0	100.3	1.16
2016	538,445.7	101.2	6,288.0	101.9	1.17
<b>2017</b>	<b>545,792.5</b>	<b>101.4</b>	<b>6,390.7</b>	<b>101.6</b>	<b>1.17</b>

## 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 (2015–2017)

Media	Advertising Expenditures (¥ billion)			YoY Comparison Ratio (%)		Component Ratio (%)		
	2015	2016	2017	2016	2017	2015	2016	2017
<b>Traditional Media</b>								
Newspapers	567.9	543.1	<b>514.7</b>	95.6	<b>94.8</b>	9.2	8.6	<b>8.1</b>
Magazines	244.3	222.3	<b>202.3</b>	91.0	<b>91.0</b>	4.0	3.5	<b>3.2</b>
Radio	125.4	128.5	<b>129.0</b>	102.5	<b>100.4</b>	2.0	2.1	<b>2.0</b>
Television	1,932.3	1,965.7	<b>1,947.8</b>	101.7	<b>99.1</b>	31.3	31.3	<b>30.4</b>
(Terrestrial Television)	1,808.8	1,837.4	<b>1,817.8</b>	101.6	98.9	29.3	29.2	<b>28.4</b>
(Satellite Media-related)	123.5	128.3	<b>130.0</b>	103.9	101.3	2.0	2.1	<b>2.0</b>
Subtotal	2,869.9	2,859.6	<b>2,793.8</b>	99.6	<b>97.7</b>	46.5	45.5	<b>43.7</b>
<b>Internet</b>								
(Advertising placement)	919.4	1,037.8	<b>1,220.6</b>	112.9	<b>117.6</b>	14.9	16.5	<b>19.1</b>
(Advertising production)	240.0	272.2	<b>288.8</b>	113.4	<b>106.1</b>	3.9	4.3	<b>4.5</b>
Subtotal	1,159.4	1,310.0	<b>1,509.4</b>	113.0	<b>115.2</b>	18.8	20.8	<b>23.6</b>
<b>Promotional Media</b>								
Outdoor	318.8	319.4	<b>320.8</b>	100.2	<b>100.4</b>	5.2	5.1	<b>5.0</b>
Transit	204.4	200.3	<b>200.2</b>	98.0	<b>100.0</b>	3.3	3.2	<b>3.1</b>
Flyers	468.7	445.0	<b>417.0</b>	94.9	<b>93.7</b>	7.6	7.1	<b>6.5</b>
Direct Mail	382.9	380.4	<b>370.1</b>	99.3	<b>97.3</b>	6.2	6.0	<b>5.8</b>
Free Newspapers / Free Magazines	230.3	226.7	<b>213.6</b>	98.4	<b>94.2</b>	3.7	3.6	<b>3.4</b>
POP	197.0	195.1	<b>197.5</b>	99.0	<b>101.2</b>	3.2	3.1	<b>3.1</b>
Telephone Directories	33.4	32.0	<b>29.4</b>	95.8	<b>91.9</b>	0.5	0.5	<b>0.5</b>
Exhibitions / Screen Displays	306.2	319.5	<b>338.9</b>	104.3	<b>106.1</b>	5.0	5.1	<b>5.3</b>
Subtotal	2,141.7	2,118.4	<b>2,087.5</b>	98.9	<b>98.5</b>	34.7	33.7	<b>32.7</b>
<b>Total</b>	<b>6,171.0</b>	<b>6,288.0</b>	<b>6,390.7</b>	<b>101.9</b>	<b>101.6</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

## 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**  
**(2016–2017)**

(Unit: ¥10 million)

Media	Newspapers			Magazines			Radio			Terrestrial Television			Total		
	2016	2017	Comparison Ratio (%)	2016	2017	Comparison Ratio (%)	2016	2017	Comparison Ratio (%)	2016	2017	Comparison Ratio (%)	2016	2017	Comparison Ratio (%)
Energy / Materials / Machinery	556	567	102.0	129	107	82.9	269	298	110.8	2,801	3,082	110.0	3,755	4,054	108.0
Foodstuffs	6,355	5,987	94.2	1,260	1,164	92.4	987	1,109	112.4	19,410	19,484	100.4	28,012	27,744	99.0
Beverages / Cigarettes	1,784	1,769	99.2	1,001	933	93.2	629	632	100.5	14,940	15,163	101.5	18,354	18,497	100.8
Pharmaceuticals / Medical Supplies	1,650	1,698	102.9	522	474	90.8	1,044	1,021	97.8	12,049	11,545	95.8	15,265	14,738	96.5
Cosmetics / Toiletries	2,969	2,942	99.1	2,914	2,652	91.0	336	340	101.2	22,626	21,357	94.4	28,845	27,291	94.6
Apparel / Fashion, Accessories / Personal Items	1,210	1,157	95.6	5,648	5,056	89.5	74	55	74.3	3,029	2,895	95.6	9,961	9,163	92.0
Precision Instruments / Office Supplies	498	427	85.7	1,010	887	87.8	67	74	110.4	1,309	1,173	89.6	2,884	2,561	88.8
Home Electric Appliances / AV Equipment	389	288	74.0	638	570	89.3	137	132	96.4	4,806	4,298	89.4	5,970	5,288	88.6
Automobiles / Related Products	1,109	937	84.5	805	674	83.7	1,128	1,137	100.8	11,417	11,935	104.5	14,459	14,683	101.5
Household Products	960	938	97.7	462	448	97.0	215	213	99.1	4,819	4,961	102.9	6,456	6,560	101.6
Hobbies / Sporting Goods	899	845	94.0	1,225	1,174	95.8	241	258	107.1	5,601	5,598	99.9	7,966	7,875	98.9
Real Estate / Housing Facilities	2,491	2,429	97.5	766	712	93.0	664	661	99.5	8,043	9,230	114.8	11,964	13,032	108.9
Publications	5,019	4,724	94.1	216	196	90.7	814	879	108.0	2,031	1,999	98.4	8,080	7,798	96.5
Information / Communications	2,870	2,815	98.1	853	741	86.9	670	924	137.9	24,008	24,411	101.7	28,401	28,891	101.7
Distribution / Retailing	6,894	6,668	96.7	1,018	872	85.7	831	739	88.9	9,378	8,082	86.2	18,121	16,361	90.3
Finance / Insurance	1,968	1,714	87.1	478	391	81.8	844	713	84.5	12,469	12,232	98.1	15,759	15,050	95.5
Transportation / Leisure	8,678	8,115	93.5	1,832	1,716	93.7	912	922	101.1	9,362	9,363	100.0	20,784	20,116	96.8
Food Services / Other Services	1,892	1,697	89.7	482	463	96.1	1,886	1,704	90.3	10,135	9,618	94.9	14,395	13,482	93.7
Government / Organizations	1,310	1,314	100.3	267	305	114.2	683	650	95.2	1,066	788	73.9	3,326	3,057	91.9
Education / Medical Services / Religion	2,151	1,997	92.8	642	641	99.8	395	411	104.1	3,753	3,773	100.5	6,941	6,822	98.3
Classified Ads / Others	2,658	2,442	91.9	62	54	87.1	24	28	116.7	688	793	115.3	3,432	3,317	96.6
<b>Total</b>	<b>54,310</b>	<b>51,470</b>	<b>94.8</b>	<b>22,230</b>	<b>20,230</b>	<b>91.0</b>	<b>12,850</b>	<b>12,900</b>	<b>100.4</b>	<b>183,740</b>	<b>181,780</b>	<b>98.9</b>	<b>273,130</b>	<b>266,380</b>	<b>97.5</b>

TABLE 4

**Sources of Media Expenditures**

<b>Traditional Media</b>	Advertising spending in the traditional media: newspapers, magazines, radio, and television.
<b>Newspapers</b>	Advertising rates of national daily and trade newspapers, and advertising production costs.
<b>Magazines</b>	Advertising rates of national monthly, weekly, and specialized magazines, and advertising production costs.
<b>Radio</b>	Time rates and production costs of private broadcasting stations nationwide and commercial production costs (but not including event-related costs).
<b>Television</b>	
<b>Terrestrial Television</b>	Time rates and production costs of private terrestrial broadcasting stations nationwide and commercial production costs (but not including event-related costs).
<b>Satellite Media-related</b>	Advertising expenditures for satellite broadcasts, CATV, and teletext (placement and production costs).
<b>Internet</b>	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.
<b>Promotional Media</b>	Advertising expenditures for sales promotion-related media.
<b>Outdoor</b>	Production and placement costs for short- and long-term billboards, neon signs, LED signs, outdoor video screens, etc.
<b>Transit</b>	Placement costs for transit advertisements.
<b>Flyers</b>	Insertion costs for flyers in newspapers nationwide.
<b>Direct Mail</b>	Postage and private delivery costs spent on direct mail.
<b>Free Newspapers / Free Magazines</b>	Advertising costs in free newspapers and magazines.
<b>POP</b>	Production costs for point-of-purchase (POP) displays.
<b>Telephone Directories</b>	Placement costs for advertisements in telephone directories.
<b>Exhibitions / Screen Displays</b>	Production costs for exhibitions, expositions, and PR centers; production and screening costs for promotional films and videos, etc.