

FOR IMMEDIATE RELEASE

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Advertising Expenditures in Japan Totalled 6,530.0 Billion Yen in 2018, Up 2.2% Compared with 2017

—Total Expenditures Posted Year-on-Year Growth for the Seventh Consecutive Year; Expenditures on Internet Advertising Increased 16.5%, to 1,758.9 Billion Yen, Recording Double-Digit Growth for the Fifth Consecutive Year and Drawing Close to Terrestrial Television Advertising Expenditures, which Amounted to 1,784.8 Billion Yen; Digital Advertising Carried by Traditional Media Companies Totalled 58.2 Billion Yen (estimated for the first time in 2018)—*

Dentsu Inc. (Tokyo: 4324; ISIN: JP3551520004; President & CEO: Toshihiro Yamamoto; Head Office: Tokyo; Capital: 74,609.81 million yen) today released its calendar year 2018 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 2018 totaled 6,530.0 billion yen, an increase of 2.2% compared with the previous year's figure. Accompanying what is being hailed as Japan's longest period of continuous economic growth in the post-war era, overall spending on advertising posted year-on-year gains for a seventh consecutive year. Calendar 2018 advertising expenditures amounted to 1.19% of Japan's nominal gross domestic product (GDP).

* "Digital advertising carried by traditional media companies" refers to Internet advertising on media properties operated by companies in the four major traditional media.

1. Overview of Advertising Expenditures during 2018

Sustained, gradual expansion in the Japanese economy underpinned the full-year growth rate of 2.2% for overall advertising expenditures in 2018. Although the Japanese economy faced many challenges, such as uncertainty in the outlook for the global economy, frequent natural disasters, and weakness in personal consumption and income sentiment, economic growth was buttressed by such factors as robustness in corporate earnings and the employment environment. Furthermore, the continued favorable performance by Internet advertising expenditures drove growth in overall advertising expenditures. The market as a whole may be characterized as being in the midst of a structural transformation.

The year saw further advances in the area of integrated solutions, which utilize a mixture of Internet and traditional media to address challenges that cannot be solved by Internet-based advertising alone. Efforts to further bolster the strengths of each medium by leveraging data and technology became more conspicuous.

Media	Advertising Expenditures (¥ billion)	YoY Comparison Ratio (%)	Component Ratio (%)
Traditional Media			
Newspapers	478.4	92.9	7.3
Magazines	184.1	91.0	2.8
Radio	127.8	99.1	2.0
Television	1,912.3	98.2	29.3
Terrestrial Television	1,784.8	98.2	27.3
Satellite Media-related	127.5	98.1	2.0
Subtotal	2,702.6	96.7	41.4
Internet			
Digital advertising carried by traditional media companies	58.2		0.9
Newspapers Digital	13.2		0.2
Magazines Digital	33.7		0.5
Radio Digital	0.8		0.0
Television Media Digital	10.5		0.2
Television media-related video advertising	10.1		0.2
Subtotal	1,758.9	116.5	26.9
Promotional Media			
Outdoor	319.9	99.7	4.9
Transit	202.5	101.1	3.1
Flyers	391.1	93.8	6.0
Direct Mail	367.8	99.4	5.6
Free Newspapers / Free Magazines	202.1	94.6	3.1
POP	200.0	101.3	3.1
Telephone Directories	26.6	90.5	0.4
Exhibitions / Screen Displays	358.5	105.8	5.5
Subtotal	2,068.5	99.1	31.7
Total	6,530.0	102.2	100.0

2. Outline of Advertising Expenditures by Medium

Broken down by medium, advertising expenditures fell in Newspapers (down 7.1%), Magazines (down 9.0%), Radio (down 0.9%), and Television (down 1.8%; including both Terrestrial Television and Satellite Media-related spending). As a result, overall spending in the traditional media posted a decline of 3.3%. Internet advertising expenditures amounted to 1,758.9 billion yen (up 16.5% including media expenditures and production costs), marking the fifth consecutive year of double-digit growth. In Internet advertising expenditures, there was a further acceleration of growth in performance-based ads and video ads, which saw increasing use on social media platforms. This year's survey includes for the first time estimates for digital advertising carried by traditional media companies. This sub-category grew to 58.2 billion yen. Hence, growth in the Internet medium remained the key driver for advertising expenditures overall. Internet advertising expenditures accounted for 26.9% of spending in all media, a rise of 3.3 percentage points compared with 2017.

Internet advertising medium costs amounted to 1,448.0 billion yen (up 227.4 billion yen, or 18.6%).

Promotional Media spending decreased 0.9% compared with the previous year's amount, to 2,068.5 billion yen, recording a decline for the fourth consecutive year. However, the Exhibitions/Screen Displays sub-category posted its seventh straight year of growth, while two other sub-categories, Transit and POP, also recorded increases compared with the previous year.

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

Advertising expenditures increased in 5 of the 21 industry categories surveyed during 2018, and declined in 16 categories. (The 2017 survey shows that expenditures were higher in 6 of the 21 industry categories, but lower in 15 categories.)

Expenditures increased in the following five categories: Precision Instruments/Office Supplies (up 23.2%) on increased placements for telescopes/microscopes (magnifying glass spectacles); Food Services/Other Services (up 4.0%) on increased advertising for restaurants, temporary job placement agencies, and rental businesses; Education/Medical Services/Religion (up 1.6%) on increased placements for medical-service organizations, and schools; Finance/Insurance (up 1.0%) on higher placements for direct-marketed insurance products (cancer and medical insurance), and lotteries; and Pharmaceuticals/Medical Supplies (up 0.6%) on a substantial increase in

advertising for over-the-counter medicines and health drinks, and an increase in placements for supporters and masks.

Expenditures declined in the following 16 industry categories: Publications (down 12.8%) on a large fall in placements related to publication releases, women's and home magazines, and other publications (English-language teaching materials, and textbooks), and fewer advertisements for specialist hobby magazines; Home Electric Appliances/AV Equipment (down 9.6%) on a substantial drop in advertising for 4K televisions, and a decline in placements for hair styling and beauty appliances, and refrigerators; Apparel/Fashion, Accessories/Personal Items (down 8.8%) on decreased advertising for women's clothing, and bags; Foodstuffs (down 8.3%) on decreased placements for direct-marketed products (dietary supplements and beauty-related food products), snack foods, and chocolate; Hobbies/Sporting Goods (down 6.6%) on fewer placements for game software, cat food, and fitness goods; Real Estate/Housing Facilities (down 6.6%) on decreased placements for corporate branding advertisements, and general housing; Beverages/Cigarettes (down 5.6%) on fewer placements for domestic beers, canned coffee, and mineral water; Automobiles/Related Products (down 4.5%) on a substantial decrease in advertising for station wagons/hatchbacks and K-cars (engine displacement up to 660 cc), and fewer placements for sedans, and imported station wagons; Cosmetics/Toiletries (down 3.7%) on a substantial drop in placements for direct-marketed cosmetic lines for women, and reduced ads for hair colors, and adult disposable diapers; Energy/Materials/Machinery (down 3.5%) on a large drop in campaigns related to gas market liberalization; Transportation/Leisure (down 3.2%) on decreased advertising for travel agencies, Japan Railways (JR) Group companies, and movies; Household Products (down 2.5%) on fewer placements for corporate branding advertisements, and furniture; Government/Organizations (down 1.7%) on fewer placements for political parties and organizations, and government and public agencies; Classified Ads/Others (down 1.6%) on decreased demand for classified ads (newspapers); Information/Communications (down 1.4%) on a substantial decrease in placements for mobile communications services, and online games, and fewer placements for satellite broadcasting services; and Distribution/Retailing (down 1.2%) on decreased placements for high-volume specialty retailers, general merchandise stores, and department stores.

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 145 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 *2018 Advertising Expenditures in Japan* is currently being compiled and will be available on Dentsu’s website at the end of April 2019. For reference, please refer to the tables on the following pages.

TABLE 1
Japan's GDP and Advertising Expenditures (2014–2018)

Year	Gross Domestic Product (B)		Advertising Expenditures (A)		A / B (%)
	GDP (¥ billion)	Compared to Previous Year (%)	Advertising Expenditures (¥ billion)	Compared to Previous Year (%)	
2014	513,876.0	102.1	6,152.2	102.9	1.20
2015	531,319.8	103.4	6,171.0	100.3	1.16
2016	535,986.4	100.9	6,288.0	101.9	1.17
2017	545,121.9	101.7	6,390.7	101.6	1.17
2018	548,496.1	100.6	6,530.0	102.2	1.19

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 (2016–2018)

Media	Advertising Expenditures (¥ billion)			YoY Comparison Ratio (%)		Component Ratio (%)		
	2016	2017	2018	2017	2018	2016	2017	2018
Traditional Media								
Newspaper	543.1	514.7	478.4	94.8	92.9	8.6	8.1	7.3
Magazines	222.3	202.3	184.1	91.0	91.0	3.5	3.2	2.8
Radio	128.5	129.0	127.8	100.4	99.1	2.1	2.0	2.0
Television	1,965.7	1,947.8	1,912.3	99.1	98.2	31.3	30.4	29.3
Terrestrial Television	1,837.4	1,817.8	1,784.8	98.9	98.2	29.2	28.4	27.3
Satellite Media-related	128.3	130.0	127.5	101.3	98.1	2.1	2.0	2.0
Subtotal	2,859.6	2,793.8	2,702.6	97.7	96.7	45.5	43.7	41.4
Internet								
Digital advertising carried by traditional media companies			58.2					0.9
Newspapers Digital			13.2					0.2
Magazines Digital			33.7					0.5
Radio Digital			0.8					0.0
Television Media Digital			10.5					0.2
Television media-related video advertising			10.1					0.2
Subtotal	1,310.0	1,509.4	1,758.9	115.2	116.5	20.8	23.6	26.9
Promotional Media								
Outdoor	319.4	320.8	319.9	100.4	99.7	5.1	5.0	4.9
Transit	200.3	200.2	202.5	100.0	101.1	3.2	3.1	3.1
Flyers	445.0	417.0	391.1	93.7	93.8	7.1	6.5	6.0
Direct Mail	380.4	370.1	367.8	97.3	99.4	6.0	5.8	5.6
Free Newspapers / Free Magazines	226.7	213.6	202.1	94.2	94.6	3.6	3.4	3.1
POP	195.1	197.5	200.0	101.2	101.3	3.1	3.1	3.1
Telephone Directories	32.0	29.4	26.6	91.9	90.5	0.5	0.5	0.4
Exhibitions / Screen Displays	319.5	338.9	358.5	106.1	105.8	5.1	5.3	5.5
Subtotal	2,118.4	2,087.5	2,068.5	98.5	99.1	33.7	32.7	31.7
Total	6,288.0	6,390.7	6,530.0	101.6	102.2	100.0	100.0	100.0

Notes:

- Advertising expenditures in Television were redefined in 2014, retroactive to 2012, to include spending on both Terrestrial Television and Satellite Media-related advertising.
- From 2018, this report includes estimates for digital advertising carried by traditional media companies.

TABLE 3
Advertising Expenditures by Industry in the Traditional Media
(2017–2018)

(Unit: ¥10 million)

Media Industry	Newspapers			Magazines			Radio			Terrestrial Television			Total		
	2017	2018	Comparison Ratio (%)	2017	2018	Comparison Ratio (%)	2017	2018	Comparison Ratio (%)	2017	2018	Comparison Ratio (%)	2017	2018	Comparison Ratio (%)
Energy / Materials / Machinery	567	514	90.7	107	120	112.1	298	284	95.3	3,082	2,993	97.1	4,054	3,911	96.5
Foodstuffs	5,987	5,313	88.7	1,164	1,037	89.1	1,109	1,200	108.2	19,484	17,899	91.9	27,744	25,449	91.7
Beverages / Cigarettes	1,769	1,788	101.1	933	641	68.7	632	651	103.0	15,163	14,373	94.8	18,497	17,453	94.4
Pharmaceuticals / Medical Supplies	1,698	1,729	101.8	474	435	91.8	1,021	997	97.6	11,545	11,671	101.1	14,738	14,832	100.6
Cosmetics / Toiletries	2,942	2,653	90.2	2,652	2,507	94.5	340	323	95.0	21,357	20,796	97.4	27,291	26,279	96.3
Apparel / Fashion, Accessories / Personal Items	1,157	1,030	89.0	5,056	4,542	89.8	55	55	100.0	2,895	2,727	94.2	9,163	8,354	91.2
Precision Instruments / Office Supplies	427	383	89.7	887	845	95.3	74	89	120.3	1,173	1,837	156.6	2,561	3,154	123.2
Home Electric Appliances / AV Equipment	288	229	79.5	570	461	80.9	132	112	84.8	4,298	3,980	92.6	5,288	4,782	90.4
Automobiles / Related Products	937	792	84.5	674	579	85.9	1,137	1,182	104.0	11,935	11,472	96.1	14,683	14,025	95.5
Household Products	938	851	90.7	448	487	108.7	213	213	100.0	4,961	4,848	97.7	6,560	6,399	97.5
Hobbies / Sporting Goods	845	829	98.1	1,174	1,049	89.4	258	273	105.8	5,598	5,201	92.9	7,875	7,352	93.4
Real Estate / Housing Facilities	2,429	2,155	88.7	712	648	91.0	661	692	104.7	9,230	8,676	94.0	13,032	12,171	93.4
Publications	4,724	4,348	92.0	196	160	81.6	879	556	63.3	1,999	1,739	87.0	7,798	6,803	87.2
Information / Communications	2,815	2,613	92.8	741	703	94.9	924	921	99.7	24,411	24,254	99.4	28,891	28,491	98.6
Distribution / Retailing	6,668	6,557	98.3	872	823	94.4	739	849	114.9	8,082	7,928	98.1	16,361	16,157	98.8
Finance / Insurance	1,714	1,632	95.2	391	385	98.5	713	659	92.4	12,232	12,531	102.4	15,050	15,207	101.0
Transportation / Leisure	8,115	7,634	94.1	1,716	1,610	93.8	922	957	103.8	9,363	9,268	99.0	20,116	19,469	96.8
Food Services / Other Services	1,697	1,516	89.3	463	419	90.5	1,704	1,654	97.1	9,618	10,434	108.5	13,482	14,023	104.0
Government / Organizations	1,314	1,101	83.8	305	272	89.2	650	658	101.2	788	975	123.7	3,057	3,006	98.3
Education / Medical Services / Religion	1,997	1,908	95.5	641	618	96.4	411	412	100.2	3,773	3,990	105.8	6,822	6,928	101.6
Classified Ads / Others	2,442	2,265	92.8	54	69	127.8	28	43	153.6	793	888	112.0	3,317	3,265	98.4
Total	51,470	47,840	92.9	20,230	18,410	91.0	12,900	12,780	99.1	181,780	178,480	98.2	266,380	257,510	96.7

TABLE 4

Sources of Media Expenditures

Traditional Media	Advertising spending 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	
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.
Digital advertising carried by traditional media companies	Total of newspapers digital, magazine digital, radio digital, and television digital ads.
Newspapers Digital*	Internet advertising expenditures for digital ad space offered by newspaper companies. * Not included in newspaper advertising expenditures.
Magazine Digital**	Internet advertising expenditures for digital ad space offered by magazine companies. ** Not included in magazine advertising expenditures.
Radio Digital†	Internet advertising expenditures for digital ad space offered by radio media companies. † Not included in radio advertising expenditures.
Television Media Digital‡	Internet advertising expenditures for digital ad space offered by television media companies (including satellite media-related expenditures). ‡ Not included in television media advertising expenditures.
Television media-related video advertising	Internet advertising expenditures for video streaming-type media, including catch-up TV services.
Promotional Media	Advertising expenditures for sales promotion-related media.
Outdoor	Production and placement costs for short- and long-term 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 for 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.