

FOR IMMEDIATE RELEASE

March 14, 2019

2018 Advertising Expenditures in Japan: Detailed Analysis of Expenditures on Internet Advertising Media

— Detailed analysis of spending on Internet advertising media jointly carried out by D2C Inc., Cyber Communications Inc. and Dentsu Inc. —

Three companies in the Dentsu Group have released a survey titled “2018 Advertising Expenditures in Japan: Detailed Analysis of Expenditures on Internet Advertising Media.” This survey analyzes the results of “2018 Advertising Expenditures in Japan” published by Dentsu in February 2019—and further breaks down data on Internet advertising media spending. The analysis presents data according to such variables as ad category, method of transaction, and type of device on which ads were viewed. Furthermore, it also includes forecasts for 2019.

In calendar year 2018, advertising expenditures in Japan totaled 6,530.0 billion yen. Internet advertising accounted for 26.9% of advertising expenditures, growing 16.5% compared with the previous year, to 1,758.9 billion yen. After excluding Internet advertising production costs, Internet advertising media expenditures amounted to 1,448.0 billion yen (up 18.6% compared with 2017), exhibiting continued robust growth.

The survey, which has been conducted since 2017, comprises estimates produced jointly by three companies in the Dentsu Group that operate in the Internet advertising sphere.

Key Points of the “2018 Advertising Expenditures in Japan: Detailed Analysis of Expenditures on Internet Advertising Media” follow.

1. In the 2018 ad category breakdown, approximately 80% of the total media spend was for paid search advertising and display advertising.

Two ad categories—paid search advertising (39.4%) and display advertising (38.9%)—accounted for approximately 80% of the total. The next largest category was video advertising (14.0%). By transaction method, performance-based advertising accounted for approximately 80% of the total.

2. Mobile advertising media expenditures exceeded one trillion yen for the first time in 2018.

Within the estimated 1,448.0 billion yen spent on Internet advertising media, mobile media expenditures accounted for 70.3% of the total, amounting to 1,018.1 billion yen.

3. In 2019, Internet advertising media expenditures overall are forecast to grow 15.9%, to 1,678.1 billion yen.

Underpinned by strong growth in mobile advertising, in 2019 Internet advertising media expenditures are forecast to increase 15.9% overall, to 1,678.1 billion yen. This comprises 1,249.3 billion yen in mobile advertising (up 22.7%) and 428.8 billion yen in desktop advertising (down 0.2%).

4. Video advertising media expenditures amounted to 202.7 billion yen, and are forecast to grow to 265.1 billion yen in 2019.

The rapidly expanding category of video advertising recorded media expenditures of 202.7 billion yen in 2018, and are forecast to increase 30.8%, to 265.1 billion yen in 2019. Of this forecast, mobile video ads are expected to grow 39.3%, and become an important growth driver for the entire category.

Expenditures on Internet Advertising Media: Breakdown by Advertising Category

— The two largest categories, paid search advertising (39.4%) and display advertising (38.9%), accounted for approximately 80% of the total. Video advertising accounted for 14.0% of the total. —

In 2018, Internet advertising media expenditures in Japan amounted to 1,448.0 billion yen (according to “2018 Advertising Expenditures in Japan” published by Dentsu). Of the total, the two largest ad categories were paid search advertising (39.4%) and display advertising (38.9%), giving these two categories a combined share of approximately 80%. In recent years, video ads have attracted considerable attention as a new category. In 2018, media spending on video ads amounted to 202.7 billion yen, or 14.0% of the total. This was followed by affiliate advertising, with 6.8%, while other categories of Internet advertising accounted for 0.8%. (Graph 1)

Definitions of advertising categories

Display advertising

Advertisements and tie-up ads in such formats as images and text, which are displayed in the advertising space of a site or app.

Paid search advertising

Advertisements displayed on a search results page based on their relevance to search keywords used in a search site.

Video advertising

Advertisements in video file format (video images/audio).

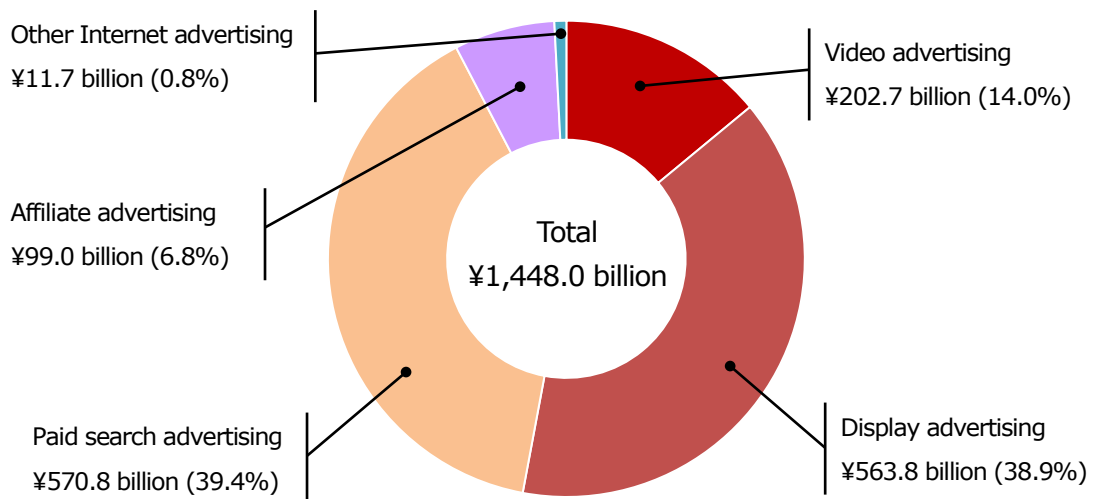
Affiliate advertising

Advertisements whereby if a user views an Internet advertisement and then performs some predetermined action, some remuneration is given to the media or user.

Other Internet advertising

Advertisements in formats other than those mentioned above. For example, email advertising and audio advertising.

Graph 1: 2018 Internet Advertising Media Expenditures by Ad Category



Expenditures on Internet Advertising Media: Breakdown by Transaction Method

— By transaction method, performance-based advertising accounted for 79.5%, reserved advertising accounted for 13.6%, and affiliate advertising accounted for 6.8%. —

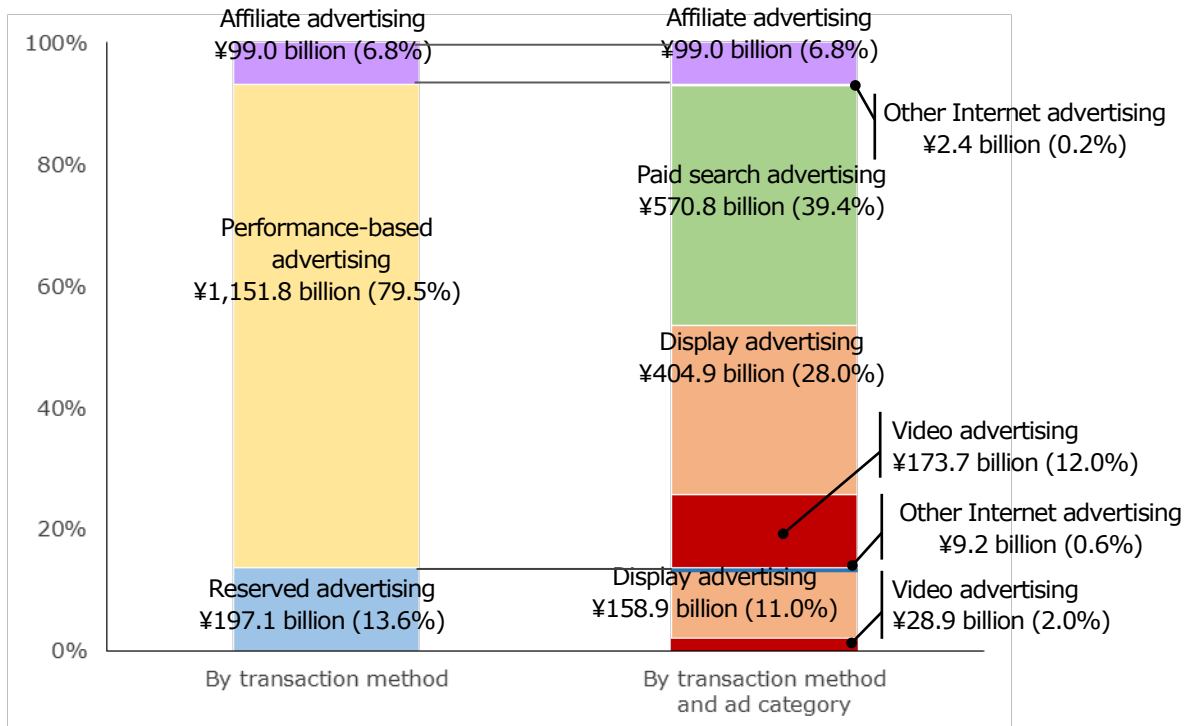
Analyzed by transaction method used for Internet advertising media expenditures, performance-based advertising—the principal transaction method—amounted to 1,151.8 billion yen (79.5% of total Internet advertising media expenditures). This was followed by reserved advertising (13.6%), and affiliate advertising (6.8%). When transaction method is cross-tabulated against advertising category, performance-based paid search advertising accounted for 39.4%, making it the largest sub-category, and this was followed by performance-based display advertising, which accounted for 28.0%. (Graph 2)

The research estimated that approximately 15.0 billion yen in Internet media expenditures are transacted through private marketplaces (PMP). In such closed advertising markets, trading is restricted to media and advertisers that are PMP members.

Definitions of transaction methods

- Performance-based advertising** Paid search advertising and advertising that is transacted via an auction system through digital platforms or ad networks.
- Reserved advertising** Conventional and tie-up advertising that is sold via advertising agencies or media representatives, or sold directly to the advertiser, and advertising that is transacted through a digital platform or ad network based using a non-auction method (fixed price).
- Affiliate advertising** Advertisements whereby if a user views an Internet advertisement and then performs some predetermined action, the media or user is paid some remuneration.

Graph 2: 2018 Internet Advertising Media Expenditures (Total ¥1,448.0 billion) by Transaction Method



Internet Advertising Media Expenditures: Breakdown by Device

— By device, mobile advertising accounted for 70.3%, and desktop advertising accounted for 29.7%. —

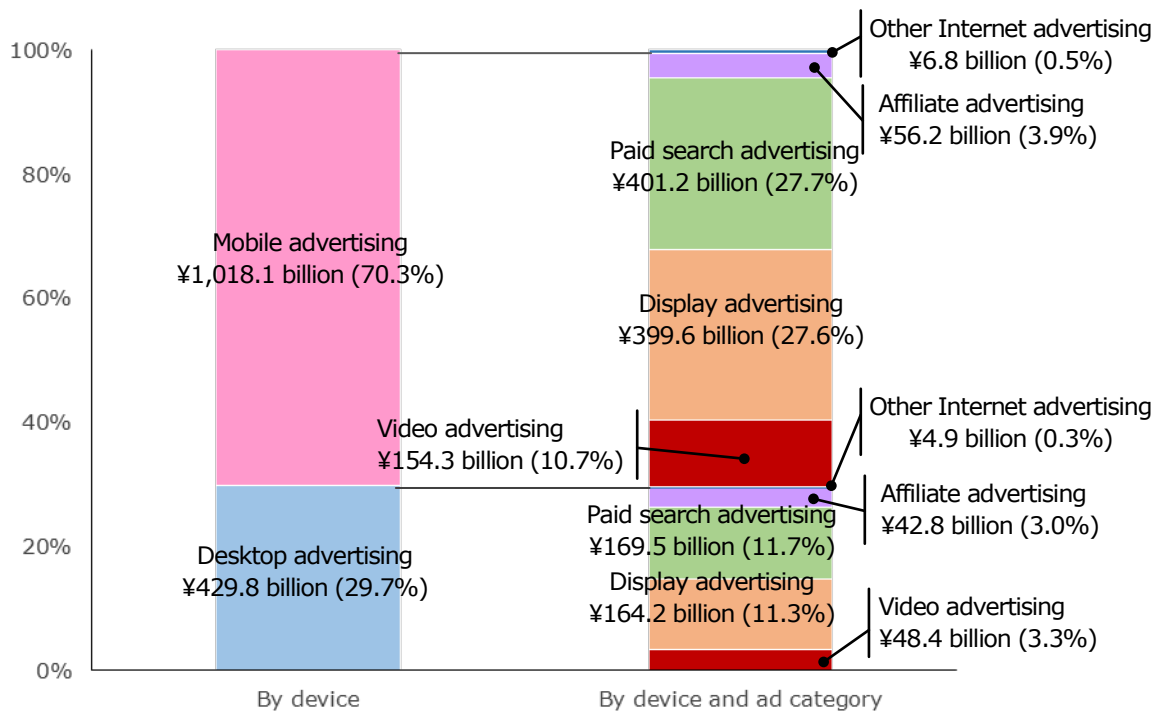
When Internet advertising media expenditures are analyzed by device, mobile advertising

amounted to 1,018.1 billion yen (70.3%) and desktop advertising amounted to 429.8 billion yen (29.7%). When a device is cross-tabulated against an advertising category, mobile paid search advertising accounted for the largest share, at 27.7%, followed by mobile display advertising, which accounted for 27.6%. In desktop advertising, paid search advertising accounted for 11.7%, slightly edging out display advertising, which accounted for 11.3%. (Graph 3)

Definitions of devices

- Mobile advertising** Advertising aimed at smartphones, tablets and feature phones.
- Desktop advertising** Advertising aimed at personal computers.

Graph 3: 2018 Internet Advertising Media Expenditures (Total ¥1,448.0 billion) by Device and Ad Category

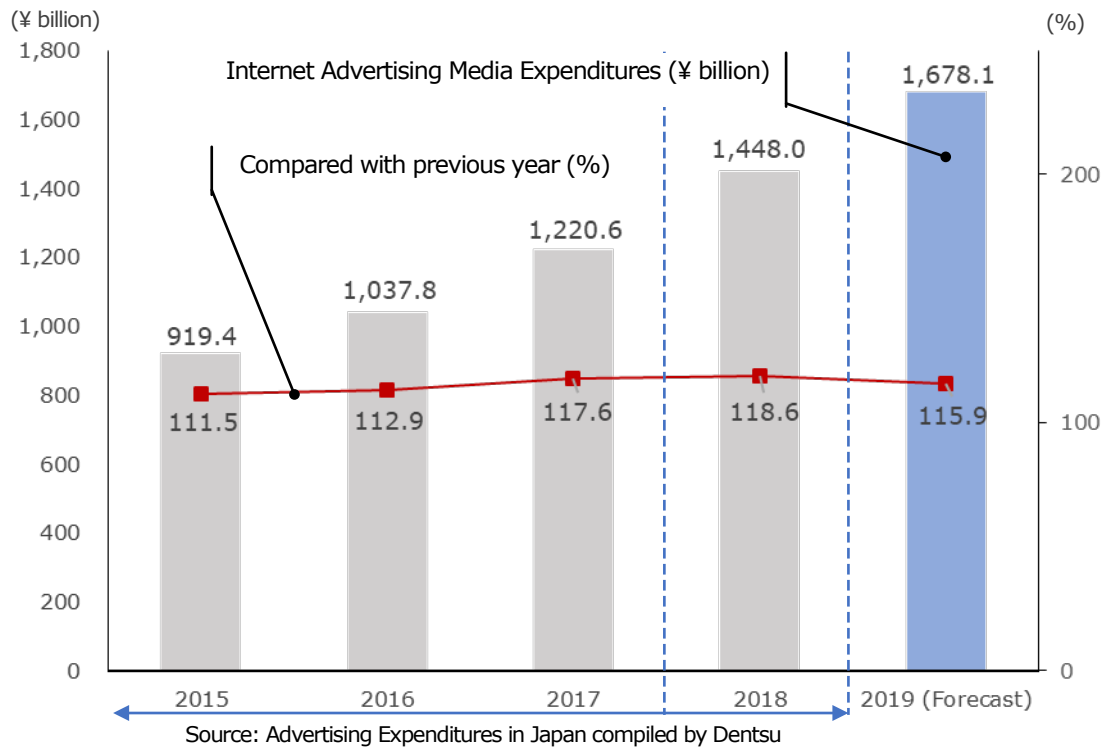


Total Internet Advertising Media Expenditures (Forecast)

— In 2019, total Internet advertising media expenditures in Japan are forecast to increase 15.9% compared with the previous year, to 1,678.1 billion yen. Of the total, mobile advertising is forecast to reach 1,249.3 billion yen, expanding its share to 74.4% of the total.

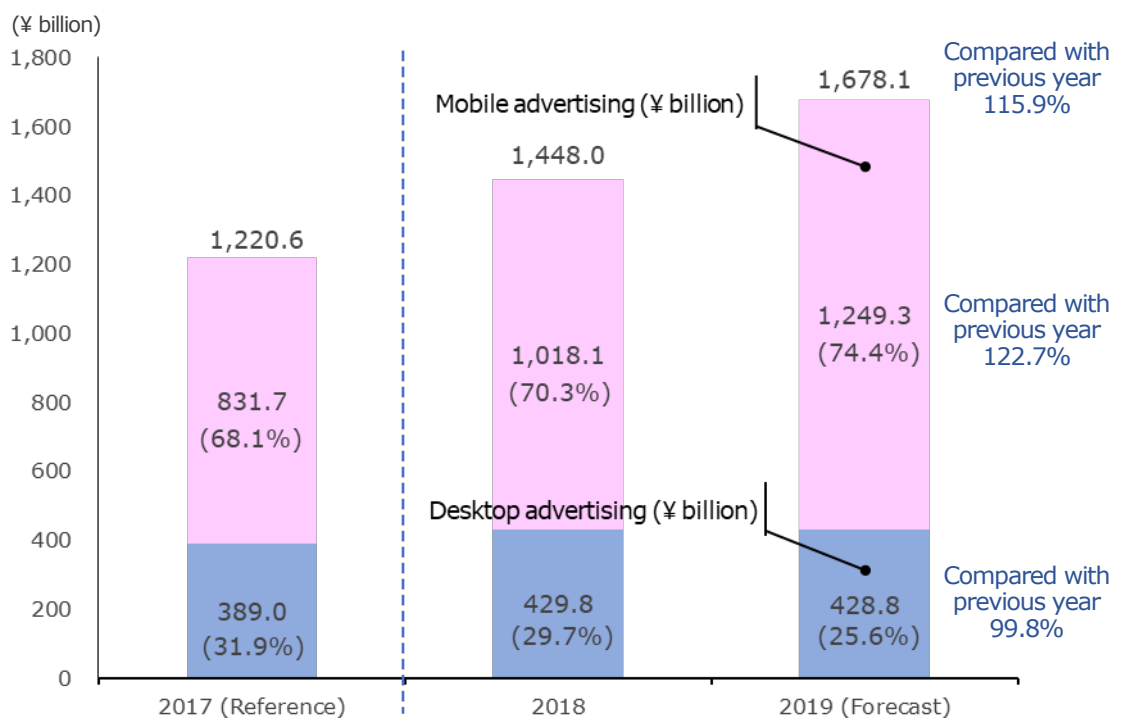
By device, mobile advertising is forecast to grow 22.7%, to 1,249.3 billion yen (74.4% of the total). Desktop advertising is forecast to amount to 428.8 billion yen (25.6%), thereby maintaining constant market size. (Graph 4-1 and Graph 4-2)

Graph 4-1: Total Internet Advertising Media Expenditures Overall (Forecast)



Note: In 2018, the survey of Internet advertising expenditures newly included estimates for digital advertising carried by companies in the four major traditional media.

Graph 4-2: Internet Advertising Media Expenditures by Device (Forecast)



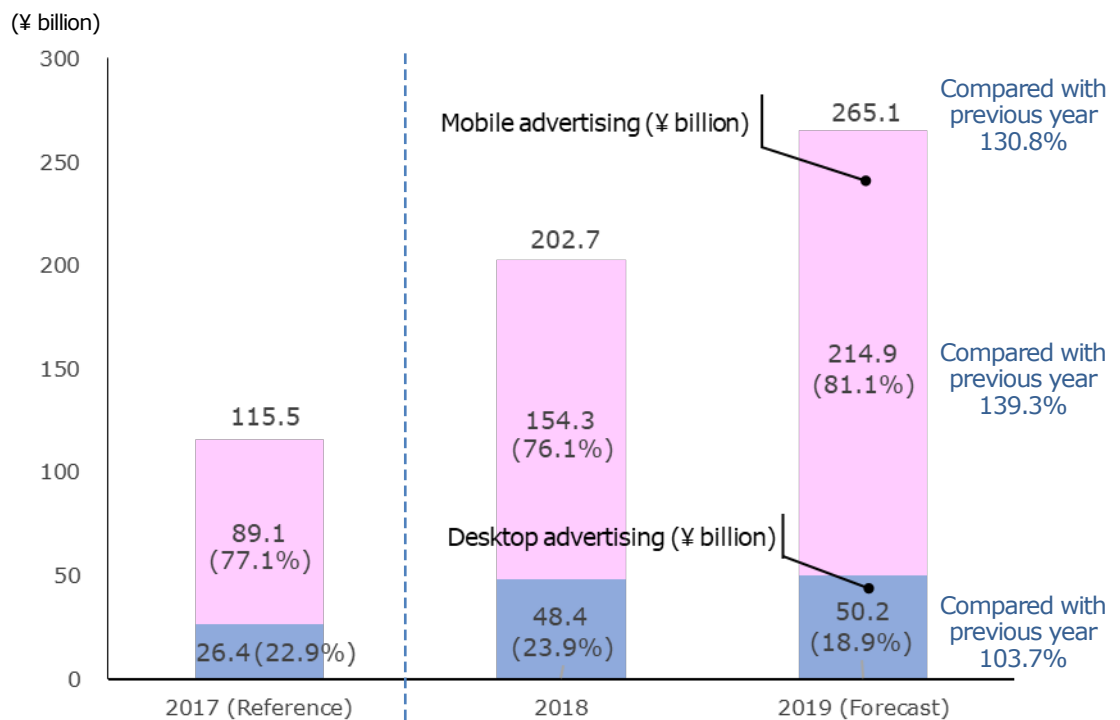
Notes: 1. Figures in parentheses are the percentage of overall Internet advertising media expenditures.
 2. In 2018, the survey of Internet advertising expenditures newly included estimates for digital advertising carried by companies in the four major traditional media.

Video Advertising Market (Forecast)

— Video advertising in 2019 is forecast to grow to approximately ¥265.1 billion. —

In 2018, video advertising expenditures amounted to 202.7 billion yen. Of the total, mobile video advertising accounted for 76.1%. In 2019, in addition to substantial growth by mobile video advertising (up 39.3% compared with the previous year), desktop video advertising is expected to perform soundly (up 3.7%). Consequently, video advertising media expenditures are forecast to grow to 265.1 billion yen (up 30.8%). (Graph 5)

Graph 5: Video Advertising Market (Forecast)



Notes: 1. Figures in parentheses are the percentage of overall Video advertising media expenditures.
2. In 2018, the survey of Internet advertising expenditures newly included estimates for digital advertising carried by companies in the four major traditional media.

Research Overview

Research organizations D2C Inc. / Cyber Communications Inc. / Dentsu Inc.

Research period December 2018–February 2019

Carried out estimates based on the following research

Research methodology

1. Research based on questionnaire surveys covering Internet advertising media companies, etc. (postal research/web research)
The research was conducted by explaining to respondents that the survey would be asking about "2018 Advertising Expenditures in Japan" Internet media expenditures
2. Additional interview research
3. Various types of data collection and analysis

Notes: 1. The figures shown in graphs contained in this release are rounded to the nearest unit. Consequently, some totals differ from the sum of the components shown.

2. Beginning from "2018 Advertising Expenditures in Japan" published by Dentsu, the report includes estimates within Internet advertising expenditures for digital advertising carried by companies in the four major traditional media. Consequently, from 2018 this survey also contains estimates for digital advertising carried by companies in the four major traditional media. Since simple comparisons cannot be made with the previous year's figures, for the 2018 survey, in each of the breakdowns given by ad category, transaction method and device, comparison figures for 2017 are not provided.

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