

NEWS RELEASE**FOR IMMEDIATE RELEASE****February 22, 2010**

Advertising Expenditures in Japan Totalled 5,922.2 Billion Yen in 2009, Down 11.5% from 2008

— *Expenditures Fell for the Second Year in a Row;*

Declined in All Media Types Except for Internet and Satellite Media-Related Advertising —

Dentsu Inc. (President & CEO: Tatsuyoshi Takashima; Head Office: Tokyo; Capital: 58,967.1 million yen) released today its annual report of advertising expenditures in Japan for the 2009 calendar year, including an estimated breakdown by medium and industry.

According to this report, the nation's advertising expenditures in 2009 totaled 5,922.2 billion yen, a decrease of 11.5% compared with the previous year. By way of background, total advertising expenditures in Japan rebounded in 2004 after a three-year decline, primarily because of a recovery in the Japanese economy and the proliferation of digital home electric appliances and broadband Internet services. Spending grew steadily in 2005 (up 2.9%), 2006 (up 1.7%), and 2007 (up 1.1%), but declined in 2008 (down 4.7%) after the emergence of the financial crisis in the United States, and fell for a second straight year in 2009 as a result of weakness in the economy due to the prolonged global recession.

Overview of Advertising Expenditures during 2009

1. Total advertising expenditures in 2009 decreased for the second consecutive year against a background of continued sluggishness in the Japanese economy. Positive factors for advertising were the Lower House election, the introduction of tax breaks for eco-friendly cars, and the launch of an eco-point system to promote the sale of eco-friendly goods. These factors, however, were overcome by the impact of the slowdown in the Japanese economy caused by the global recession. As a result, total advertising expenditures fell for the second consecutive year, down 11.5% year on year to 5,922.2 billion yen. Spending fell sharply during the first half of the year, but recovered slightly in the second half.
2. Broken down by medium, expenditures fell sharply in Newspapers (down 18.6%), followed by Television (down 10.2%). Spending in the traditional media declined year on year for the

fifth consecutive year (down 14.3%). In other media, spending in Promotional Media (down 11.8%) weakened for the second year in a row, with placements declining in all components, including Outdoor and Transit. Satellite Media-Related advertising expenditures continued to rise (up 4.9%) on growth in BS digital broadcasting, but the pace of growth fell to single digits. Internet advertising recorded a modest gain (up 1.2%), as advances in search-related and mobile advertising were offset by a decline in display advertising.

3. By industry category (for traditional media), expenditures fell in 20 of the 21 industry categories, including Finance/Insurance due to sharp reductions in advertising for direct-marketed life insurance and consumer finance; Automobiles/Related Products on cutbacks related to domestic passenger cars and K-cars (engine displacement under 660 cc); Information/Communications on reduced placements for mobile phones and personal computers; and Real Estate/Housing Facilities on declines in corporate advertising by housing companies and ads for condominiums. The only industry category to post a gain was Government/Organizations, which was boosted by demand related to the Lower House election.

● Outline of Advertising Expenditures by Medium

Advertising expenditures in the traditional media fell 14.3% compared with the previous year. Spending on Newspapers and Television dropped for the fifth consecutive year. Among other media, spending in Promotional Media fell 11.8%, slipping for the second year in a row. Spending declined in all constituent components, including Free Newspapers/Free Magazines, Transit, Outdoor, Exhibitions/Screen Displays, and Flyers. Satellite Media-Related expenditures rose 4.9% on steady growth in BS digital broadcasting. Internet advertising posted a modest gain of 1.2%.

A quarterly breakdown of advertising expenditures for the traditional media shows spending down in each quarter, with the rate of decline slowing somewhat in the second half of the year.

Quarterly Breakdown of Growth in Advertising Expenditures in the Traditional Media in 2009

(Year-on-year basis in %)

	2009 (Full Year)	Jan.– June	July– Dec.	Jan.– Mar.	Apr.– June	July– Sep.	Oct.– Dec.
Advertising Expenditures in the Traditional Media	85.7	83.6	88.0	83.3	83.9	85.6	90.3

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

Advertising expenditures declined in 20 of the 21 industry categories surveyed during 2009, and 14 of these categories recorded double-digit drops. In contrast, year-on-year spending decreased in 18 of the 21 categories in 2008, with double-digit declines in only eight categories.

The only category posting a gain was Government/Organizations (up 4.6% on increased placements related to the Lower House election). Some of the industry categories posting double-digit declines were: Energy/Materials/Machinery (down 32.9%) on cutbacks in corporate and gasoline advertising; Automobiles/Related Products (down 30.0%) on reductions in advertising related to domestic passenger cars and K-cars; Finance/Insurance (down 28.9%) on declines in advertising for direct-marketed life insurance, consumer finance, and direct-marketed medical insurance; Classified Ads/Others (down 28.2%) on cuts in spending on job ads and classifieds; Precision Instruments/Office Supplies (down 24.7%) on reductions in corporate advertising and placements for wristwatches; Real Estate/Housing Facilities (down 23.6%) on declines in corporate advertising by housing companies and condominium ads; Apparel/Fashion Accessories/Personal Items (down 19.6%), as companies curbed spending related to women's clothing, jewelry products and accessories; Publications (down 17.2%) on declines in corporate advertising and reduced placements in general newspapers, women's and home magazines; Hobbies/Sporting Goods (down 16.1%), as spending fell on ads for game software, pachinko machines and "pachi-slo" slot machines; Information/Communications (down 15.8%) on reductions in corporate advertising in general, and in advertising for mobile phones and personal computers.

Industry categories more closely related to daily living experienced only single-digit declines. These included Foodstuffs (down 4.3%), where increased spending on ads for health foods and instant noodles was offset by declines in corporate advertising and ads for curries and seasonings; Cosmetics/Toiletries (down 6.1%), which saw growth in the area of facial cleansers, but declines in shampoos/conditioners as well as corporate advertising; Food Services/Other Services (down 6.5%), where declines in ads for men's hairpieces and aesthetic salons offset gains in restaurants; and Beverages/Cigarettes (down 8.0%), where spending fell on *happo-shu* (low-malt beer) and Japanese green tea, but grew for no-malt "third-category" beer and carbonated soft drinks.

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The full text of *2009 Advertising Expenditures in Japan* is currently being compiled and will be available on Dentsu's website at the end of March. For reference, please refer to the tables on the following pages.

TABLE 1

Japan's GDP and Advertising Expenditures (2005–2009)

	Year	Gross Domestic Product (B)		Advertising Expenditures (A)		A/B (%)
		GDP (¥ billion)	Compared to Previous Year (%)	Advertising Expenditures (¥ billion)	Compared to Previous Year (%)	
Before revision	2005	501,734.4	100.7	5,962.5	101.8	1.19
	2006	507,364.8	101.1	5,995.4	100.6	1.18
Revised	2005	501,734.4	100.7	6,823.5	102.9	1.36
	2006	507,364.8	101.1	6,939.9	101.7	1.37
	2007	515,520.4	101.6	7,019.1	101.1	1.36
	2008	505,113.9	98.0	6,692.6	95.3	1.32
	2009	474,924.0	94.0	5,922.2	88.5	1.25

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.
- The method for estimating 'Advertising Expenditures in Japan' was modified in 2007, and data from 2005 onward has been retroactively revised.
- Please see page 6 for details regarding the above revision.

TABLE 2

Advertising Expenditures by Medium (2007–2009)

Media	Advertising Expenditures (¥ billion)			Comparison Ratio (%)		Component Ratio (%)		
	2007	2008	2009	2008	2009	2007	2008	2009
Traditional Media								
Newspapers	946.2	827.6	673.9	87.5	81.4	13.5	12.4	11.4
Magazines ⁽¹⁾	458.5	407.8	303.4	88.9	74.4	6.5	6.1	5.1
Radio	167.1	154.9	137.0	92.7	88.4	2.4	2.3	2.3
Television	1,998.1	1,909.2	1,713.9	95.6	89.8	28.5	28.5	29.0
Subtotal	3,569.9	3,299.5	2,828.2	92.4	85.7	50.9	49.3	47.8
Satellite Media-Related	60.3	67.6	70.9	112.1	104.9	0.8	1.0	1.2
Internet⁽²⁾								
(Advertising placement)	459.1	537.3	544.8	117.0	101.4	6.5	8.0	9.2
(Advertising production)	141.2	161.0	162.1	114.0	100.7	2.0	2.4	2.7
Subtotal	600.3	698.3	706.9	116.3	101.2	8.6	10.4	11.9
Promotional Media⁽³⁾								
Outdoor ⁽⁴⁾	404.1	370.9	321.8	91.8	86.8	5.8	5.6	5.4
Transit ⁽⁵⁾	259.1	249.5	204.5	96.3	82.0	3.7	3.7	3.4
Flyers ⁽⁶⁾	654.9	615.6	544.4	94.0	88.4	9.3	9.2	9.2
Direct Mail ⁽⁷⁾	453.7	442.7	419.8	97.6	94.8	6.5	6.6	7.1
Free Newspapers/Free Magazines ⁽⁸⁾	368.4	354.5	288.1	96.2	81.3	5.2	5.3	4.9
POP	188.6	185.2	183.7	98.2	99.2	2.7	2.8	3.1
Telephone Directories	101.4	89.2	76.4	88.0	85.7	1.4	1.3	1.3
Exhibitions/Screen Displays	358.4	319.6	277.5	89.2	86.8	5.1	4.8	4.7
Subtotal	2,788.6	2,627.2	2,316.2	94.2	88.2	39.7	39.3	39.1
Total	7,019.1	6,692.6	5,922.2	95.3	88.5	100.0	100.0	100.0

Notes: • The method for estimating 'Advertising Expenditures in Japan' was modified in 2007, and data from 2005 onward has been retroactively revised.

- (1) through (8) denote modified items. Please see page 6 for details regarding the revision of these items.

TABLE 3

Advertising Expenditures by Industry in the Traditional Media (2008–2009)

(Unit: ¥10 million)

Industry	Newspapers			Magazines			Radio			Television			Total		
	2008	2009	Comparison Ratio (%)	2008	2009	Comparison Ratio (%)	2008	2009	Comparison Ratio (%)	2008	2009	Comparison Ratio (%)	2008	2009	Comparison Ratio (%)
Energy / Materials / Machinery	958	632	66.0	343	267	77.8	507	435	85.8	3,066	1,938	63.2	4,874	3,272	67.1
Foodstuffs	5,859	4,867	83.1	2,057	1,653	80.4	1,345	1,177	87.5	20,884	21,153	101.3	30,145	28,850	95.7
Beverages / Cigarettes	2,404	2,206	91.8	2,046	1,548	75.7	761	716	94.1	19,474	18,231	93.6	24,685	22,701	92.0
Pharmaceuticals / Medical Supplies	2,306	1,982	85.9	1,151	841	73.1	1,116	1,100	98.6	13,794	12,410	90.0	18,367	16,333	88.9
Cosmetics / Toiletries	2,378	2,751	115.7	5,565	4,220	75.8	421	437	103.8	21,016	20,183	96.0	29,380	27,591	93.9
Apparel / Fashion Accessories / Personal Items	1,132	1,185	104.7	8,024	5,999	74.8	105	72	68.6	2,321	2,056	88.6	11,582	9,312	80.4
Precision Instruments / Office Supplies	803	521	64.9	1,193	824	69.1	92	81	88.0	1,992	1,647	82.7	4,080	3,073	75.3
Home Electric Appliances / AV Equipment	1,159	775	66.9	1,104	871	78.9	159	148	93.1	5,766	5,262	91.3	8,188	7,056	86.2
Automobiles / Related Products	2,921	1,784	61.1	2,037	1,366	67.1	1,534	1,038	67.7	12,736	9,268	72.8	19,228	13,456	70.0
Household Products	857	864	100.8	558	443	79.4	189	180	95.2	4,501	4,412	98.0	6,105	5,899	96.6
Hobbies / Sporting Goods	1,498	1,520	101.5	2,835	2,208	77.9	544	452	83.1	12,048	10,020	83.2	16,925	14,200	83.9
Real Estate / Housing Facilities	4,451	3,210	72.1	1,065	813	76.3	837	597	71.3	8,400	6,648	79.1	14,753	11,268	76.4
Publications	7,990	6,611	82.7	474	360	75.9	733	598	81.6	2,217	1,882	84.9	11,414	9,451	82.8
Information / Communications	5,455	4,023	73.7	2,595	1,904	73.4	895	837	93.5	15,200	13,574	89.3	24,145	20,338	84.2
Distribution / Retailing	8,598	7,284	84.7	1,901	1,301	68.4	970	903	93.1	9,595	9,651	100.6	21,064	19,139	90.9
Finance / Insurance	4,810	2,889	60.1	1,458	956	65.6	1,514	1,037	68.5	13,514	10,262	75.9	21,296	15,144	71.1
Transportation / Leisure	13,683	11,840	86.5	2,528	1,943	76.9	1,429	1,361	95.2	9,304	8,208	88.2	26,944	23,352	86.7
Food Services / Other Services	2,886	2,373	82.2	1,341	981	73.2	895	964	107.7	9,303	9,169	98.6	14,425	13,487	93.5
Government / Organizations	1,971	1,975	100.2	507	346	68.2	860	1,017	118.3	1,220	1,428	117.0	4,558	4,766	104.6
Education / Medical Services / Religion	4,224	3,498	82.8	1,885	1,430	75.9	505	497	98.4	3,402	3,121	91.7	10,016	8,546	85.3
Classified Ads / Others	6,417	4,600	71.7	113	66	58.4	79	53	67.1	1,167	867	74.3	7,776	5,586	71.8
Total	82,760	67,390	81.4	40,780	30,340	74.4	15,490	13,700	88.4	190,920	171,390	89.8	329,950	282,820	85.7

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 costs for advertising on Internet sites (including mobile advertising), and advertising production costs (production costs for banner ads as well as website set-up costs related to new product services and campaigns).

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

Outdoor: Production and placements costs for billboards, neon signs, outdoor video screens, and poster boards, 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 POP (Point Of Purchase) 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.

Dentsu has revised and expanded the scope of advertising expenditures included in the present report. In recent years the advertising industry has changed significantly as a result of the rapid expansion in Internet advertising and promotional advertising. For several years Dentsu has been re-examining and reviewing the scope of advertising expenditures to be included and the methods used to estimate those expenditures, and as a result of that research, the above Sources of Media Expenditures has been revised as follows.

Contents of the revision:

- (1) The range of “Magazines” included in the traditional media was expanded to include a wider variety of specialty magazines, local magazines, etc.
 - (2) “Internet” advertising expenditures include estimated production costs.
 - (3) The “Sales Promotion” medium was renamed “Promotional Media,” and the breakdown within it was revised.
 - (4) “Outdoor” was revised to include outdoor video screens and poster boards along with billboards and neon signs.
 - (5) “Transit” was revised to include airports and taxis along with trains and buses.
 - (6) In “Flyers,” the nationwide insertion costs for flyers were revised.
 - (7) In addition to postal fees, “Direct Mail” was revised to include delivery fees charged by private delivery companies.
 - (8) Estimated advertising expenditures for “Free Newspapers/Free Magazines” are included in the figures.
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