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NEWS RELEASE

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Advertising Expenditures in Japan Totaled 6,152.2 Billion Yen in 2014, Up 2.9% from 2013

—Total Expenditures Surpassed 6,000 Billion Yen for the First Time in Seven Years, Internet Advertising Topped 1,000 Billion Yen for the First Time Ever, Spending Rose in 14 of 21 Industry Categories—

Dentsu Inc. (Tokyo: 4324; ISIN: JP3551520004; President & CEO: Tadashi Ishii; Head Office: Tokyo; Capital: 74,609.81 million yen) released today its annual report of advertising expenditures in Japan for the 2014 calendar year, including an estimated breakdown by medium and industry.

According to this report, Japan's advertising expenditures in 2014 totaled 6,152.2 billion yen, an increase of 2.9% over the previous year. Despite the effects of an increase in the consumption tax, overall spending on advertising posted year-on-year gains for a third straight year.

Overview of Advertising Expenditures during 2014

1. Advertising expenditures in 2014 were boosted by last-minute demand before the consumption tax increase in April and by spending related to the Sochi 2014 Olympic Games. Expenditures fell in response to the tax increase, but still maintained modest growth, thanks in part to the 2014 FIFA World Cup Brazil™. Expenditures for the year totaled 6,152.2 billion yen, marking the first time in seven years that Japan's advertising market had surpassed the 6,000 billion yen level.

2. Broken down by medium, expenditures fell slightly in Newspapers (down 1.8%) and were unchanged in Magazines, but rose in Radio (up 2.3%) and Television* (up 2.8%; including both Terrestrial Television and Satellite Media-Related spending). As a result, overall spending in the traditional media posted a gain of 1.6%. The Internet advertising market (up 12.1%) reached the 1,000 billion yen level for the first time ever, driven by growth in smartphone and video ads, and ads using new advertising technologies. Moreover,

Promotional Media (up 0.8%) also contributed to overall growth, expanding for the third year in a row.

* Starting in 2014, the Television category has been revised to include spending on both Terrestrial Television and Satellite Media-Related advertising.

3. By industry category (for the traditional media, but excluding Satellite Media-Related spending), year-on-year spending rose in 14 of the 21 industry categories, and fell in 7 categories.

Major categories posting gains included Information/Communications (up 7.2% on increased placements related to satellite broadcasts, mobile phone rates and services, and smartphone-related services); Home Electric Appliances/AV Equipment (up 7.1% on growth in ads for electric vacuum cleaners, refrigerators and LCD televisions); Cosmetics/Toiletries (up 5.6% on placements related to shampoos and conditioners, and direct-marketed cosmetic lines for women); Automobiles/Related Products (up 3.4% on a rise in ads for wagons and imported SUVs); and Beverages/Cigarettes (up 2.0% on growth in advertising for domestic beer and *happo-shu* (low-malt beers)).

Expenditures fell in 7 of the 21 industry categories, including Hobbies/Sporting Goods (down 7.9% on weak demand for game and audio software ads); Education/Medical Services/Religion (down 4.4% on cutbacks in ads for vocational and other educational institutions, and correspondence education); Foodstuffs (down 3.2% on lowered spending in the areas of health foods, instant noodles and snack foods); Apparel/Fashion, Accessories/Personal Items (down 3.0% on reduced placements for women's clothing, and men's and women's shoes).

• Outline of Advertising Expenditures by Medium

Advertising expenditures in the traditional media (including Satellite Media-Related spending) in the 2014 calendar year totaled 2,939.3 billion yen, up 1.6% from the previous year. Spending in Television (including both Terrestrial Television and Satellite Media-Related advertising) grew 2.8%.

Spending on Internet advertising reached 1,051.9 billion yen (up 12.1%) and held firm throughout the year. Promotional Media also posted gains for a third straight year, up 0.8% to 2,161 billion yen.

• Quarterly Breakdown of Growth in Advertising Expenditures in the Traditional Media in 2014

A quarterly breakdown of advertising expenditures in the traditional media (including Satellite Media-Related spending) showed that growth rates were rather weak from April

onward, but spending nevertheless remained positive throughout the year.

(Year-on-year, %)

	2013 (Full Year)	Jan.–Jun.	Jul.–Dec.	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.
Advertising Expenditures in the Traditional Media (including Satellite Media-Related Spending)	100.4	99.2	101.7	98.7	99.6	102.2	101.3
	2014 (Full Year)	Jan.–Jun.	Jul.–Dec.	Jan.–Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec.
	101.6	102.3	100.8	104.0	100.6	100.6	101.1

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

Advertising expenditures increased in 14 of the 21 industry categories surveyed during 2014, and declined in 7 categories. (Expenditures were higher in 8 of the 21 industry categories, but lower in 13 categories in 2013.)

Categories posting gains were Precision Instruments/Office Supplies (up 7.6%) on increased placements for wristwatches; Government/Organizations (up 7.3%) which saw higher spending by advertising-related organizations; Information/Communications (up 7.2%), helped by strong demand related to satellite broadcasts, mobile phone rates and services, and smartphone services; Home Electric Appliances/AV Equipment (up 7.1%) due to an increase in ads for electric vacuum cleaners, refrigerators and LCD televisions; Cosmetics/Toiletries (up 5.6%) on growth in ads for shampoos and conditioners, and direct-marketed cosmetic lines for women); Household Products (up 5.6%) on a rise in placements for measuring instruments for home use and specialized mattresses; Automobiles/Related Products (up 3.4%) on campaigns related to wagons and imported SUVs; Energy/Materials/Machinery (up 2.8%) on stronger demand for petroleum product and electricity ads; Real Estate/Housing Facilities (up 2.6%) on higher spending on ads for rental housing and home renovation; Beverages/Cigarettes (up 2.0%) helped by a rise in ads for domestic beer and *happo-shu* (low-malt beers); Food Services/Other Services (up 1.9%) on higher spending by law firms, and door-to-door delivery and moving services; Pharmaceuticals/Medical Supplies (up 1.7%) on ads for general health supplements and health drinks; Transportation/Leisure (up 0.9%) on spending related to theme parks and various events; and Distribution/Retailing (up 0.5%) on spending by direct marketing businesses.

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Expenditures fell in the following 7 industry categories: Hobbies/Sporting Goods (down 7.9%) on weak demand for game and audio software ads; Classified Ads/Others (down 7.3%) on decreased demand for classified and ad-hoc ads; Education/Medical Services/Religion (down 4.4%) on cutbacks related to vocational and other educational institutions, and correspondence education); Foodstuffs (down 3.2%) on lowered spending in the areas of health foods, instant noodles and snack foods); Apparel/Fashion, Accessories/Personal Items (down 3.0%) on reduced placements for women's clothing, and men's and women's shoes; Publications (down 2.4%) which saw fewer placements related to women's and home magazines, and language study materials; and Finance/Insurance (down 1.9%) which slipped due to reduced placements related to direct-marketed insurance products and housing loans.

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 113 years of innovation, the Dentsu Group provides a comprehensive range of client-centric brand, integrated communications, media and digital services through its eight global network brands—Carat, Dentsu, Dentsu media, iProspect, Isobar, mcgarrybowen, Posterscope and Vizeum—as well as through its specialist/multi-market brands including Amnet, Amplifi, Data2Decisions, Mitchell Communications (PR), psLIVE and 360i.

The Dentsu Group has a strong presence in 124 countries across five continents, and employs around 40,000 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.
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The full text of *2014 Advertising Expenditures in Japan* is currently being compiled and will be available on Dentsu's website at the end of March 2015. For reference, please refer to the tables on the following pages.

TABLE 1

Japan's GDP and Advertising Expenditures (2010−2014)

Year	Gross Domestic Product (B)		Advertising Expenditures (A)		A / B (%)
	GDP (¥ billion)	Compared to Previous Year (%)	Advertising Expenditures (¥ billion)	Compared to Previous Year (%)	
2010	482,384.4	102.4	5,842.7	98.7	1.21
2011	471,310.8	97.7	5,709.6	97.7	1.21
2012	475,110.4	100.8	5,891.3	103.2	1.24
2013	480,128.0	101.1	5,976.2	101.4	1.24
2014	**488,215.5**	**101.7**	**6,152.2**	**102.9**	**1.26**

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 (2012−2014)

Media	Advertising Expenditures (¥ billion)			YoY Comparison Ratio (%)		Component Ratio (%)		
	2012	2013	**2014**	2013	**2014**	2012	2013	**2014**
Traditional Media								
Newspapers	624.2	617.0	**605.7**	98.8	**98.2**	10.6	10.3	**9.8**
Magazines	255.1	249.9	**250.0**	98.0	**100.0**	4.3	4.2	**4.1**
Radio	124.6	124.3	**127.2**	99.8	**102.3**	2.1	2.1	**2.1**
Television	1,877.0	1,902.3	**1,956.4**	101.3	**102.8**	31.9	31.8	**31.8**
(Terrestrial Television)	1,775.7	1,791.3	**1,834.7**	100.9	102.4	30.2	30.0	**29.8**
(Satellite Media-Related)	101.3	111.0	**121.7**	109.6	109.6	1.7	1.8	**2.0**
Subtotal	2,880.9	2,893.5	**2,939.3**	100.4	**101.6**	48.9	48.4	**47.8**
Internet								
(Advertising placement)	662.9	720.3	**824.5**	108.7	**114.5**	11.2	12.1	**13.4**
(Advertising production)	205.1	217.8	**227.4**	106.2	**104.4**	3.5	3.6	**3.7**
Subtotal	868.0	938.1	**1,051.9**	108.1	**112.1**	14.7	15.7	**17.1**
Promotional Media								
Outdoor	299.5	307.1	**317.1**	102.5	**103.3**	5.1	5.1	**5.1**
Transit	197.5	200.4	**205.4**	101.5	**102.5**	3.4	3.4	**3.3**
Flyers	516.5	510.3	**492.0**	98.8	**96.4**	8.8	8.5	**8.0**
Direct Mail	396.0	389.3	**392.3**	98.3	**100.8**	6.7	6.5	**6.4**
Free Newspapers / Free Magazines	236.7	228.9	**231.6**	96.7	**101.2**	4.0	3.8	**3.8**
POP	184.2	195.3	**196.5**	106.0	**100.6**	3.1	3.3	**3.2**
Telephone Directories	51.4	45.3	**41.7**	88.1	**92.1**	0.9	0.8	**0.7**
Exhibitions / Screen Displays	260.6	268.0	**284.4**	102.8	**106.1**	4.4	4.5	**4.6**
Subtotal	2,142.4	2,144.6	**2,161.0**	100.1	**100.8**	36.4	35.9	**35.1**
Total	5,891.3	5,976.2	**6,152.2**	101.4	**102.9**	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 (2013–2014)

(Unit: ¥10 million)

Media / Industry	Newspapers			Magazines			Radio			Terrestrial Television			**Total**		
	2013	**2014**	Comparison Ratio (%)	2013	**2014**	Comparison Ratio (%)	2013	**2014**	Comparison Ratio (%)	2013	**2014**	Comparison Ratio (%)	2013	**2014**	Comparison Ratio (%)
Energy / Materials / Machinery	628	**701**	**111.6**	126	**148**	**117.5**	274	**265**	**96.7**	1,462	**1,446**	**98.9**	2,490	**2,560**	**102.8**
Foodstuffs	5,528	**5,865**	**106.1**	1,410	**1,354**	**96.0**	999	**1,008**	**100.9**	19,272	**18,123**	**94.0**	27,209	**26,350**	**96.8**
Beverages / Cigarettes	2,099	**2,167**	**103.2**	1,380	**1,321**	**95.7**	514	**565**	**109.9**	16,695	**17,043**	**102.1**	20,688	**21,096**	**102.0**
Pharmaceuticals / Medical Supplies	1,694	**1,816**	**107.2**	743	**769**	**103.5**	1,078	**1,011**	**93.8**	11,230	**11,396**	**101.5**	14,745	**14,992**	**101.7**
Cosmetics / Toiletries	3,450	**3,405**	**98.7**	3,071	**3,077**	**100.2**	452	**418**	**92.5**	21,012	**22,651**	**107.8**	27,985	**29,551**	**105.6**
Apparel / Fashion, Accessories / Personal Items	1,627	**1,379**	**84.8**	6,568	**6,602**	**100.5**	65	**75**	**115.4**	3,472	**3,326**	**95.8**	11,732	**11,382**	**97.0**
Precision Instruments / Office Supplies	600	**718**	**119.7**	915	**999**	**109.2**	55	**65**	**118.2**	1,264	**1,268**	**100.3**	2,834	**3,050**	**107.6**
Home Electric Appliances / AV Equipment	608	**568**	**93.4**	685	**662**	**96.6**	152	**148**	**97.4**	4,088	**4,548**	**111.3**	5,533	**5,926**	**107.1**
Automobiles / Related Products	1,662	**1,552**	**93.4**	849	**916**	**107.9**	933	**1,050**	**112.5**	13,266	**13,759**	**103.7**	16,710	**17,277**	**103.4**
Household Products	1,163	**1,225**	**105.3**	555	**537**	**96.8**	202	**218**	**107.9**	4,936	**5,262**	**106.6**	6,856	**7,242**	**105.6**
Hobbies / Sporting Goods	1,174	**1,080**	**92.0**	1,420	**1,377**	**97.0**	274	**241**	**88.0**	7,359	**6,716**	**91.3**	10,227	**9,414**	**92.1**
Real Estate / Housing Facilities	2,846	**2,803**	**98.5**	802	**760**	**94.8**	587	**661**	**112.6**	7,268	**7,580**	**104.3**	11,503	**11,804**	**102.6**
Publications	5,647	**5,469**	**96.8**	300	**255**	**85.0**	664	**660**	**99.4**	2,377	**2,385**	**100.3**	8,988	**8,769**	**97.6**
Information / Communications	3,570	**3,415**	**95.7**	1,096	**1,054**	**96.2**	725	**758**	**104.6**	18,941	**20,864**	**110.2**	24,332	**26,091**	**107.2**
Distribution / Retailing	7,439	**7,392**	**99.4**	946	**1,027**	**108.6**	877	**777**	**88.6**	10,011	**10,178**	**101.7**	19,273	**19,374**	**100.5**
Finance / Insurance	2,304	**2,121**	**92.1**	630	**584**	**92.7**	934	**898**	**96.1**	12,894	**12,834**	**99.5**	16,762	**16,437**	**98.1**
Transportation / Leisure	9,991	**9,733**	**97.4**	1,647	**1,785**	**108.4**	980	**973**	**99.3**	8,358	**8,681**	**103.9**	20,976	**21,172**	**100.9**
Food Services / Other Services	2,125	**2,081**	**97.9**	599	**538**	**89.8**	1,335	**1,675**	**125.5**	10,170	**10,210**	**100.4**	14,229	**14,504**	**101.9**
Government / Organizations	1,327	**1,385**	**104.4**	229	**292**	**127.5**	849	**822**	**96.8**	744	**881**	**118.4**	3,149	**3,380**	**107.3**
Education / Medical Services / Religion	2,820	**2,527**	**89.6**	965	**885**	**91.7**	439	**400**	**91.1**	3,845	**3,905**	**101.6**	8,069	**7,717**	**95.6**
Classified Ads / Others	3,398	**3,168**	**93.2**	54	**58**	**107.4**	42	**32**	**76.2**	466	**414**	**88.8**	3,960	**3,672**	**92.7**
Total	61,700	**60,570**	**98.2**	24,990	**25,000**	**100.0**	12,430	**12,720**	**102.3**	179,130	**183,470**	**102.4**	278,250	**281,760**	**101.3**

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	
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, 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.