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NEWS RELEASE

DENTSU INC.
1-8-1, Higashi-shimbashi, Minato-ku,
Tokyo 105-7001, Japan
http://www.dentsu.com

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Advertising Expenditures in Japan Totaled 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 Totaled 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,

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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.
www.dentsu.com

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Contact:
Shusaku Kannan
Managing Director
Corporate Communications Division
Telephone: +81 (3) 6216-8042
E-mail: s.kannan@dentsu.co.jp

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.