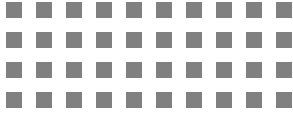


2004
Advertising
Expenditures
in Japan

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I. Overview of Advertising Expenditures in Japan for 2004

1. Total Advertising Expenditures

Up 3.0%, the first increase in four years

1. Total advertising expenditures rose in calendar year 2004 for the first time in four years to reach ¥5,857.1 billion, an increase of 3.0% over the previous year.
2. Advertising expenditures began easing upward due to the digital boom in the latter half of the preceding year and continued to grow through 2004. Spending climbed sharply in the July to September period, boosted by the ATHENS 2004 Olympic Games and other factors.
3. Television advertising expenditures continued along a positive track, and Internet spending grew dramatically.
4. The improvement in advertising expenditures spread across many industry categories, including Finance/Insurance, Beverages/Cigarettes and Home Electric Appliances/AV Equipment.

2. Advertising Expenditures Classified by Medium

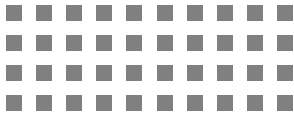
Four major media rose 2.6%; Internet advertising shot up by 53.3%

1. Newspaper Advertising Expenditures (up 0.6%): Newspapers recorded their first increase in spending in four years, reflecting a recovery in Japan's economy, the ATHENS 2004 Olympic Games and an extremely hot summer. The improvement was led by increased ad placements in such industry categories as Transportation/Leisure, Distribution/Retailing and Beverages/Cigarettes.
2. Magazine Advertising Expenditures (down 1.6%): Spending on advertising declined in the major industry category of Cosmetics/Toiletries and increased slightly in Apparel/Fashion Accessories/Personal Items. A lackluster showing was put in by women's magazines and information magazines.
3. Radio Advertising Expenditures (down 0.7%): Automobiles/Related Products and Finance/Insurance, the largest industry category, pulled the first half of the year. Expenditures increased in Beverages/Cigarettes and Home Electric Appliances/AV Equipment in the latter half, however, Information/Communications and Foodstuffs floundered. Both AM and FM experienced downturns.
4. Television Advertising Expenditures (up 4.9%): Spot advertising remained favorable throughout the year. Program sponsorships also increased due to such factors as the ATHENS 2004 Olympic Games. Such major industry categories as Finance/Insurance, Beverages/Cigarettes, Automobiles/Related Products and Cosmetics/Toiletries carried out aggressive spending.
5. Sales Promotion (SP) Advertising Expenditures (up 0.7%): Expenditures increased for the first time in four years. POP, Flyers and Transit held firm, and Outdoor and Exhibitions/Screen Displays increased. The uptrend was attributable to the resurgence of SP advertising, although the situation remained severe due to cost reviews and reductions in production unit prices.
6. Satellite Media-Related Advertising Expenditures (up 4.1%): CATV increased with the growth in subscriber base. CS broadcasting recorded favorable results due to its increased recognition as a target medium. BS broadcasting also improved, supported by an increase in the number of households capable of receiving broadcasts.
7. Internet Advertising Expenditures (up 53.3%): This medium expanded markedly. Tie-up to mass media progressed and search-engine advertising increased as the dissemination of broadband services advanced. Mobile advertising also registered strong growth.

3. Advertising Expenditures Classified by Industry in the Four Major Media

Growth seen in over 75% of industry categories, including Finance/Insurance, Home Electric Appliances/AV Equipment and Beverages/Cigarettes

1. Advertising expenditures increased in 16 of the 21 industry categories (up from 10 industry categories a year earlier).
2. Large increases were observed in such categories as Finance/Insurance (up 13.9% for the second consecutive year of growth, with Insurance particularly robust), Home Electric Appliances/AV Equipment (up 8.6% on the back of increased spending for LCD televisions and DVD recorders) and Beverages/Cigarettes (up 8.3%, the first increase in four years).
3. Foodstuffs suffered a decline, on the other hand (down 5.3%, the third straight annual decrease), as did Information/Communications (down 3.0%, with lower spending by mobile phones).



II. Advertising Expenditures in Japan for 2004

TOTAL ADVERTISING EXPENDITURES FOR 2004 REGISTERED ¥5,857.1 BILLION, A 3.0% YEAR-ON-YEAR INCREASE

Total advertising expenditures rose in calendar year 2004 for the first time in four years, climbing to ¥5,857.1 billion, a year-on-year improvement of 3.0%.

Expenditures had been falling since 2001 after growing in 2000 for the first time in three years due to active advertising activities fueled by a recovery trend in the Japanese economy and the IT boom. Spending staged a recovery in the latter half of 2003, however, stimulated by broadband communications and digital home electric appliances.

General Characteristics of 2004 Advertising Activities

1. Against a backdrop of continued Japanese economic recovery, the upswing in advertising spending that began in the second half of 2003 gained momentum and overall spending posted a year-on-year increase in 2004. The Upper House election, the ATHENS 2004 Olympic Games, and the extremely hot summer weather had a positive effect on expenditures, especially during the July–September quarter. From October, however, the economy began to weaken, and the rate of growth in advertising expenditures declined somewhat as compared with the same period during the previous year, when spending had been boosted by events such as the Tokyo Motor Show, the Lower House general election, and the introduction of terrestrial digital broadcasting, as well as by strong demand for digital home electric appliances. As a result, total advertising expenditures for 2004 amounted to ¥5,857.1 billion, a year-on-year increase of 3.0%. This marked the first increase in four years.
2. Broken down by medium, Television, the largest component of total expenditures, increased for a second consecutive year, posting a year-on-year increase of 4.9%. Newspaper advertising also improved slightly on the previous year's total (up 0.6% compared to 2003), its first increase in four years. As a result, total advertising expenditures for the four major media grew by 2.6%. In other media, spending was up on Flyers and Exhibitions/Screen Displays, and as a result spending on Sales Promotion increased for the first time in four years (up 0.7%). Satellite Media-Related expenditures were also stronger (up 4.1%) thanks to firm demand from BS digital broadcasting. And, showing an even faster rate of growth than in 2003, spending on Internet advertising was up by 53.3% as broadband services continued to expand.
3. By industry category (four major media), aggressive advertising by insurance companies led to double-digit growth in advertising spending in Finance/Insurance. Spending was also higher in Beverages/Cigarettes due to increased advertising for tea-based drinks, health drinks and *happo-shu* (low-malt beer), and in Home Electric Appliances/AV Equipment because of strong advertising demand for LCD televisions, DVD recorders and others. Cosmetics/Toiletries and Transportation/Leisure also posted gains. Overall, 16 of 21 categories exceeded the 2003 levels. Meanwhile, Foodstuffs, Information/Communications and others showed declines.

Background to 2004 Advertising Expenditures

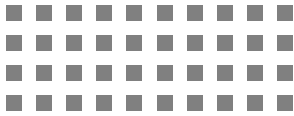
1. The recovery in the Japanese economy that began in 2003 continued throughout 2004, despite slowing down slightly in the latter half. Capital spending by the private sector remained strong, but the previously robust performance by exports centered on the United States and China lost some of its traction. Corporate profits improved in the non-manufacturing sector as well as in manufacturing, where the upturn dated back to the year before, marking a third consecutive year of increases in both sales and profits. The U.S. "twin deficits" became a matter of concern, and the dollar weakened further worldwide as the yen continued strong throughout the year. Stock prices responded to the positive corporate performances by rising until April but showed no major change thereafter. The employment and income environment remained severe due to ongoing restructuring, with resulting fluctuations in consumer spending.

The effects of the extremely hot summer weather were reflected to some extent in department store and supermarket sales, but sales figures nevertheless remained in negative territory, battered by a series of typhoons. New car sales recorded positive results by K-cars (engine displacement under 660 cc), and overall automobile sales expanded for the second consecutive year as sales of standard cars made up for lower sales of compact cars. Housing also increased for a second straight year centered on condominiums. Food services saw revenue slip from the year before due to a decrease in the number of customers, despite a bottoming out of the per-customer unit price. The travel industry witnessed a healthy recovery in overseas travel after suffering the slump of the previous year caused by SARS and the war in Iraq. Home electric appliances, LCD televisions, plasma TVs and DVD recorders extended their upward trend with support from the ATHENS 2004 Olympic Games. Sales of home electric appliances with advanced functions, such as combination clothes washer/dryers and dishwasher/dryers, were brisk. Air conditioners also increased thanks to the extremely hot summer. Among mobile phones, where net increases in the number of new subscribers have fallen off, the shift to broadband models with advanced functions moved forward. Digital cameras saw domestic shipments decrease for the first time in June, suggesting a peaking of this market. Personal computers exhibited positive trends in renewal demand among corporations and demand for new products with AV functions for consumers. The broadband services market continued its expansion from the previous year due to a drastic increase in subscribers to ADSL, CATV Internet and FTTH (fiber-to-the-home) services.

2. Factors influencing the advertising environment during 2004 included the avian flu epidemic in January, the U.S. beef import suspension in February, the initiation of full price indications, including consumption tax, by retailers and an improvement in stock prices (climbing at one point to the ¥12,000 level) in April, the Upper House election in July, the ATHENS 2004 Olympic Games in August, the first professional baseball strike in September, the accelerating ascent of the yen (soaring at one point to the US\$1/¥101 level in December) and the Niigata Prefecture Chuetsu Earthquake in October, the issue of new banknotes in November and the devastating tsunami in the Indian Ocean in December as well as many other natural disasters, including an extremely hot summer and record number of typhoon landfalls.
3. Among new products, hit products and prevalent phenomena in 2004, those closely related to advertising included the health food boom (Japanese green tea products, drinks containing amino acids, black vinegar and others), beverages resembling beer, leg-enhancing suits, digital SLR cameras, IH stove tops, beveled-drum washing machines, thin-screen televisions, DVD recorders, portable digital audio players, K-cars, luxury sedans, broadband, third-generation mobile phones, PCs with an AV function, the *Hanryu* (Korean) boom (the South Korean TV drama *Fuyu no Sonata [Winter Sonata]*, South Korean stars, South Korean tours, etc.), *Sekai no Chushin de, Ai wo Sakebu (Crying Out for Love, from the Center of the World)*, novel, movie, and TV drama boom, the opening of imported luxury brand stores in central Tokyo and urban redevelopment projects (Otemachi, Nihonbashi and Haneda Airport Terminal).

Advertising Expenditures and Japan's GDP

Japan's nominal GDP expanded at a rate of 1.4% in 2004, the first positive growth in four years. Total advertising expenditures as a percentage of GDP rose by 0.02 percentage point to 1.16%.



III. 2004 Advertising Expenditures Classified by Medium

TELEVISION GREW FOR THE SECOND CONSECUTIVE YEAR; INTERNET EXPENDITURES ROSE AN IMPRESSIVE 53.3%

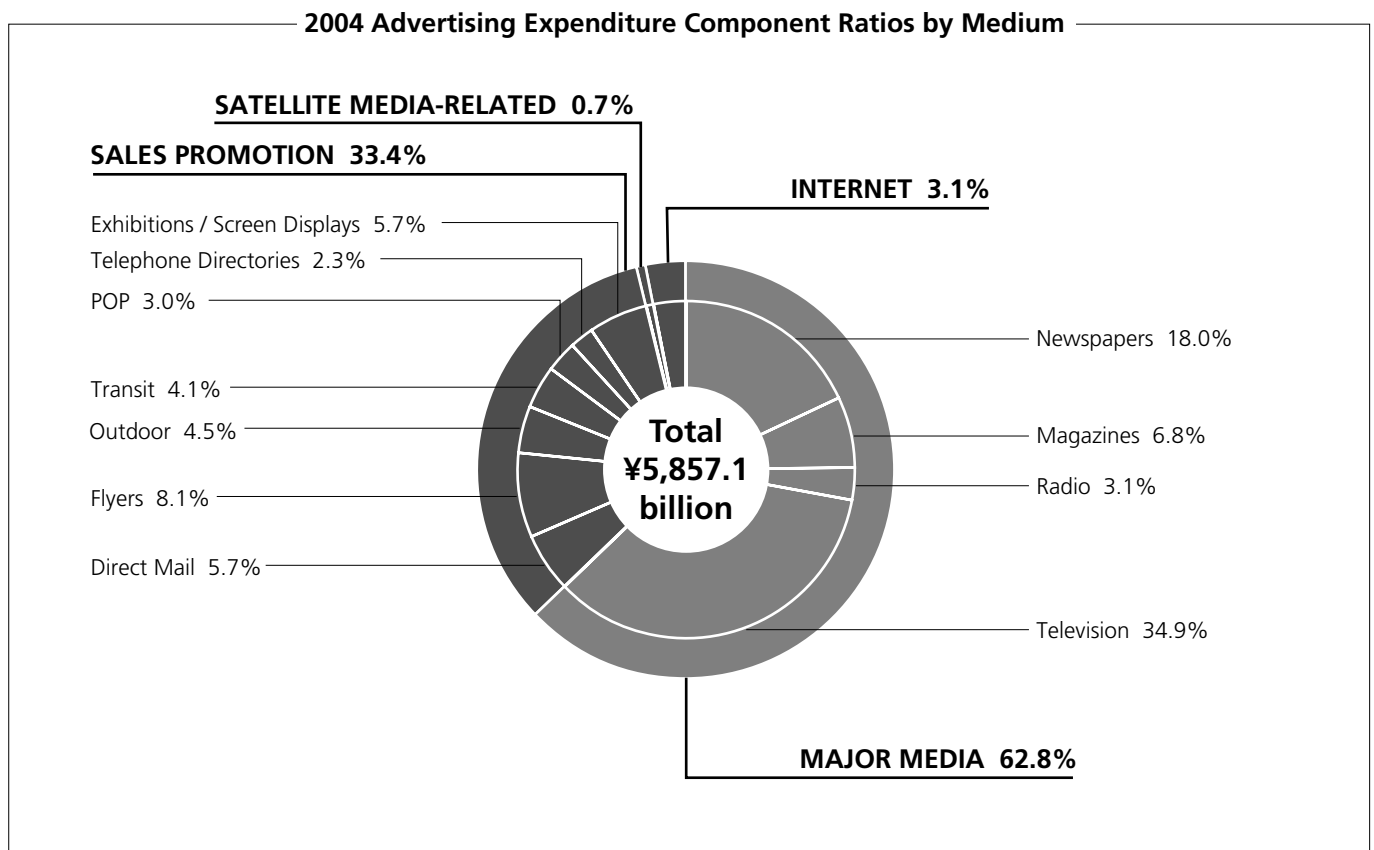
Broken down by medium, Television, the largest component of the total expenditures, increased by 4.9% as compared with the previous year, exceeding year-before results for the second consecutive year. Newspapers (up 0.6%) recorded its first growth in four years. Despite decreases in magazines (down 1.6%) and radio (down 0.7%), advertising expenditures for the four major media registered their first overall increase in four years (¥3,676.0 billion, up 2.6%).

Spending in Sales Promotion (SP) (¥1,956.1 billion, up 0.7%) grew for the first time in four years. A further breakdown into components reveals that POP increased for the fifth consecutive year, Flyers and Transit for the second consecutive year, Exhibitions/Screen Displays for the first time in four years and Outdoor for the first time in eight years.

Satellite Media-Related advertising expenditures (¥43.6 billion, up 4.1%) continued to benefit from CATV as well as from both BS broadcasting and CS broadcasting.

Internet advertising expenditures (¥181.4 billion, up 53.3%) grew at an even faster rate than in 2003, with its percentage of the total rising to 3.1%.

Key trends for each medium are summarized below.



Newspaper Advertising

Spending on Newspapers amounted to ¥1,055.9 billion, up 0.6%.

During the first half of the year, the recovery in Japan's economy that began in the latter half of the previous year, the ATHENS 2004 Olympic Games and the effects of the extremely hot summer all contributed to a boost in spending. From October to December, however, expenditures fell below their previous-year level influenced by a slowing economy and a backlash to spending

for the Lower House general election a year earlier. Positive growth was recorded for the year as a whole for the first time in four years dating back to 2000.

By industry category, the results show the following categories returning to positive territory and contributing to the overall improvement of Newspaper expenditures after posting negative growth for the past two to four years: Transportation/Leisure with support from the recovery in travel demand and a strong movie industry; Distribution/Retailing, where mail order performed well; Beverages/Cigarettes, which saw beer and health drinks expand; Finance/Insurance, where ad placement by insurance companies and securities companies was strong; and Classified Ads/Others, where advertising on an *ad hoc* basis turned upward. The decline slowed in Automobiles/Related Products, meanwhile, which accounts for a relatively large portion of Newspapers.

On the other hand, steep declines were seen in categories such as Government/Organizations, which suffered a backlash decrease with respect to the ad placement accompanying the Lower House general election of the previous year, and Hobbies/Sporting Goods, where spending on advertising for music software and other products declined.

By genre, advertising in sports newspapers was lackluster compared with ordinary newspapers due to a decrease in the number of issues.

Magazine Advertising

Spending on Magazines fell 1.6% year on year, to ¥397.0 billion.

By industry category, among the categories with the largest component ratios, increases were seen in Apparel/Fashion Accessories/Personal Items and Education/Medical Services/Religion, but year-on-year spending was down in Cosmetics/Toiletries, Information/Communications, Automobiles/Related Products and Distribution/Retailing.

By genre, spending increased in magazines for male readers in their late teens and early 20s and business and economic journals. These gains were offset by downturns in such genres as women's magazines and magazines specializing in TV programs and city information.

Major new magazine launches included *precious* (Shogakukan), *DEPARTURES* (Esquire Magazine Japan), *PINKY* (Shueisha), *MAQUIA* (Shueisha), *BOAO* (Magazine House), *COLORFUL* (PIA), *NIKITA* (Shufu-to-Seikatsusha), *Otona no Walker* (Kadokawa Shoten), *Gentry* (Hachette Fujingaho), *VS.* (Kobunsha), *Straight* (Fusosha), and *TV Japan* (Tokyo News Service). Magazine closures, meanwhile, included *VISIO mono* (World Photo Press), *Business Standard* (SOFTBANK Publishing), *obra* (Kodansha), *Hot-Dog Press* (Kodansha), *MINE* (Kodansha), *BOYS RUSH* (Shufunotomo), *TOKYO BROS.* (Tokyo News Service) and *Linux Magazine* (ASCII). The total number of newly published magazines was 216 (9 more than the previous year) and the total number of discontinued magazines was 172 (13 more than in 2003).

Radio Advertising

Expenditures on Radio totaled ¥179.5 billion, down 0.7% year on year.

While initially showing a modest improvement, expenditures were weighed down by high crude oil prices in the latter half of the year and by anticipation of future tax increases engendered by the budget deficit. As a result, spending slipped slightly year on year, falling 0.7%, for the fourth consecutive year of decline. Automobiles/Related Products, Finance/Insurance and Transportation/Leisure served as engines of growth in the first half of the year and Government/Organizations, Beverages/Cigarettes, Home Electric Appliances/AV Equipment were up in the latter half of the year due in part to the Upper House election and the ATHENS 2004 Olympic Games as well as the extremely hot summer. Meanwhile, categories with poor showings included Information/Communications, Foodstuffs and Distribution/Retailing.

By broadcast format, both AM and FM fell below 2003 levels as spot advertising expenditures declined. Community FM stations numbered 177 as of the 2004 year-end (an addition of 10 stations), and these exhibited steady growth in advertising expenditures.

Television Advertising

Spending on Television amounted to ¥2,043.6 billion, up 4.9%.

A breakdown of these results shows that program sponsorships rose 2.3% and spot advertising expanded 6.9% over the previous year. The recovery in spot advertising stood out after the turn of the year, and ad placements spread from core markets to local areas, lifting overall Television advertising expenditures. Spot advertising exhibited a particularly dramatic recovery from March onward, and the environment surrounding spots showed constant activity nationwide. In the area of program sponsorships as well, ad placements exceeded the marks set in the preceding year during every quarter with help from the many major international events organized during the year, including the ATHENS 2004 Olympic Games, and from Olympics-related programs.

Broken down by industry category, 15 of 21 categories improved on their performance of the preceding year, and six of these recorded double-digit increases. Significant increases were seen in Classified Ads/Others, Finance/Insurance, Publications, Real Estate/Housing Facilities, Home Electric Appliances/AV Equipment, Household Products, Beverages/Cigarettes, Automobiles/Related Products, Cosmetics/Toiletries and Energy/Materials/Machinery. On the other hand, Foodstuffs and Pharmaceuticals/Medical Supplies continued to decline, and Information/Communications also decreased.

Advertising Production Costs for the Four Major Media

Advertising production costs for the four major media totaled ¥338.3 billion, a year-on-year increase of 3.0%. Of this amount, production cost for television commercials accounted for ¥200 billion, up 4.9% from the year before. (Please note that advertising expenditures by medium include relevant advertising production costs.)

The ATHENS 2004 Olympic Games and the rapid growth posted by the "new top-three" best-selling digital products (thin-screen TVs, digital cameras, DVD players/recorders) supported advertising production as well, contributing to momentum that exceeded that of the previous year in the first half before slowing in the latter half. Every industry exhibited strength, with real estate, housing, fashion, accessories and publications performing particularly well. Although few commercials inspired widespread phenomena, ad copy consciously targeting consistent brand-building entered the mainstream, and many advertising productions were designed to make steady inroads into consumer consciousness. Placement of direct-to-consumer advertising expanded for insurance, cosmetics and health foods, not only in print media but in Television and Radio as well.

Sales Promotion

SP expenditures amounted to ¥1,956.1 billion, up 0.7% from the previous year. This represented the first growth in SP advertising expenditures in four years.

By component, POP grew for the fifth straight year against the background of positive sales promotion campaign activities in major industries and strong performances were also put in by Flyers and Transit, which registered the second consecutive year of growth. Despite continuing declines in production unit prices and further removals, Outdoor increased for the first time in eight years in response to growth in orders from financial institutions and IT companies. Exhibitions/Screen Displays registered the first advance in four years due to increases in sales promotion activities by advertisers and the organization of exhibitions and expositions. Direct Mail rebounded slightly in the area of postage from the effects of corporate spending cutbacks and of structural change stemming from increased use of e-mail and private delivery services.

Despite the ongoing trends toward cost review by advertisers and polarization of media and production companies based on business scale, the downward trend in overall SP ad expenditures came to a halt due to positive sales promotion activities by advertisers.

By industry, home electric appliances enjoyed a dramatic expansion in sales of digital home electric appliances due primarily to the ATHENS 2004 Olympic Games and the *Hanryu* (Korean) boom, while the beverage industry benefited from growing concern for health and well-being and low-pricing strategies to create hit products. Moreover, the communications industry saw intensifying competition, and the travel industry recovered from its woes due to SARS. No major negative factor was observed in other industries, either, although consumer spending slowed down somewhat. The trend toward cost

review by advertisers remained in place, and the profitability of each project was rigorously tested, but the importance of SP was evident.

DM advertising expenditures fell 0.9% year on year, to ¥334.3 billion. The continuation of negative growth reflected the effects of a transition from conventional mail to e-mail accompanying the progressive dissemination of IT and of further growth in private delivery services. The slide stemmed from a reduction in DM bulk mailings of 6.6% overall (including a considerable 13.5% decline in envelopes and a slight 1.2% increase in DM postcards) and a 5.4% decrease in ordinary mail. Reasons for the decreased use of envelopes include corporate retrenchment with respect to expenditures (mainly in the retail, services and communications industries) and a shift to lower-cost mail items such as postcards and booklet parcels. While the transition from envelopes to postcards has been progressing, the slight 1.2% increase in postcard mailings reflected the inability of some companies to make ends meet merely by switching from envelopes to postcards and a resulting switch by these companies to other media (such as e-mail) in an effort to reduce their mail costs. The transition from (nonstandard-sized) envelopes to booklet parcels was particularly marked. The decrease was mainly notable in urban areas, especially in Tokyo and the Southern Kanto and Kinki regions, although some regional increases were also observed. With no prospects seen for an end to the downturn in monthly mailings, DM declined overall.

Flyer advertising expenditures were up 3.8%, to ¥476.5 billion. Flyers held strong throughout the year, riding a wave of momentum generated by the modest economic recovery. Such businesses as discount stores, department stores, education and entertainment services (food services, aesthetic salons, leisure) exceeded their 2003 performances. In the service industry, entertainment and amusement facilities repeated the high rate of increase seen in the previous year, with pachinko parlors recording particularly remarkable growth. Education businesses achieved steady growth from the previous year. Spending by preparatory schools and language schools, such as English conversation schools, increased. Real estate advertising expanded in the Tokyo metropolitan area in response to a boom in the construction of large-scale condominiums in central Tokyo. Such businesses as mail order and consumer finance, on the other hand, turned downward from the previous year. Reduced spending on flyers by mail-order health food businesses exerted a large impact nationwide due to the increased severity of the mail-order environment, primarily for health foods, which tend to make excessive claims in advertising, following the effect of the Health Promotion Law and the revision of the Law for Preventing Unjustifiable Extra or Unexpected Benefit and Misleading Representation. The tendencies toward smaller paper sizes — from B2 to B3 or from B3 to B4, for example — and lower per-flyer unit prices seen in recent years came to a pause in 2004.

Outdoor advertising expenditures were up 1.9% year on year, to ¥266.7 billion, the first increase in eight years. Factors triggering the growth included the replacement and new construction of billboards and neon signs across a wide range of industries operating against the background of a recovering Japanese economy. The downward trend was halted in 2004 by the replacement of billboards accompanying the mergers of financial institutions and demand for advertising towers by communications-related corporations. Among other developments, new construction and refurbishment by such industries as leisure and distribution increased. Repair of damage wrought by this year's frequently occurring typhoons also made a significant impact. Large businesses generally posted substantial growth in sales. Nevertheless, the removal of outdoor billboard advertising and neon signs continued due to corporate advertisers' reexamination of their advertising configurations. The trend toward removal of neon signs was particularly evident, although some advertisers conducted repairs. Production unit prices also continued to fall, although at a slower pace.

Transit advertising expenditures were up 0.5%, to ¥238.4 billion. Two major events impacting transit advertising were the positive impact of the ATHENS 2004 Olympic Games and the blow inflicted by the "self-restraint" imposed on cigarette advertising, a mainstay for this component, which began in October in response to a Ministry of Finance guideline. Spending by publishers, another major advertiser, was relatively subdued, but active ad placements were carried out by sponsors of the ATHENS 2004 Olympic Games. Advertising for digital home electric appliances such as thin-screen televisions increased as well, as did ad placements for Olympic Games broadcasting. Advertising announcing the opening of topical movies focusing narrowly on young people's favorite hangouts and of DVD versions of topical works, also showed growth. A relaxation of limitations on the "wrapping" of train exteriors with advertising materials by JR East contributed to the overall growth in wrapping, and "station ad buyouts" held steady as well. Transit advertising performed strongly in big cities, registering increases in the Tokyo metropolitan area and other urban areas characterized by high population density and a high frequency of train transportation. However, results varied even within urban areas, rising in areas with a high railroad utilization ratio and falling in those with lower ratios. Expenditures increased in the Tokyo metropolitan area, for example, remained flat in the Kansai region and decreased in the Chubu region. This component of SP is undergoing a contraction in regional areas where people choose different transportation options besides railway, and a polarizing trend can be seen developing.

POP advertising expenditures increased 1.2%, to ¥174.5 billion. POP related to digital products remained active in 2004, as purchasing of these products increased in response to their evolution and enhanced utility. Sales by the home electric appliance industry were also strong, and POP was deployed at many contact points, as exemplified by digital products. New products were also introduced one after another in the beverage and foodstuffs industries, moreover, and budgets were directed to POP. A decrease in POP was seen in retail stores, however, due to the shrinkage of traditional retail store presence in an ongoing reorganization of the retail industry and the strong penetration by convenience stores and large, high-volume retail stores. At the same time, advertising budgets for mobile promotions and Internet advertising led to reduced budgets for POP, resulting in only a slight increase in expenditures for the POP advertising market as a whole.

Telephone Directory advertising expenditures fell 11.9%, to ¥134.2 billion. The tendency toward a decrease was ongoing, but the 11.9% decline was connected to an adjustment occurring over months of issuing telephone directories, and the actual percentage of decline from the year before was 5.7%. However, the growth of the rate of decrease on a sales basis was slower. Other promising signs included the partial emergence of the effects of a new-style telephone directory introduced in urban areas in fiscal 2003, and a trend toward assuring the level of the previous year was observed.

Exhibitions/Screen Display advertising expenditures were up 3.1%, to ¥331.5 billion, recording their first increase in four years. Exhibitions saw an upturn in sales by exhibit construction firms reflecting improved business conditions in the Japanese economy in the first half of the year, and this situation was carried over to the latter half. Despite concerns about the influence of the Tokyo Motor Show, which, as scheduled every two years, did not include a standard vehicle division in 2004, ad expenditures expanded due to sales promotion activities implemented in an atmosphere of improved business performances by major advertisers and work related to the 2005 World Exposition, Aichi, Japan. The firms are operating under conditions of harsh competition, however, making it difficult to ensure profits. Screen Displays also registered improved sales. Although the order volume expanded due to increased demand for digital contents, appropriate to the times, such as Web and DVD contents, ensuring profitability remained difficult due to customer requests for increased quality and speed, despite the overall downsizing of projects and lower prices. The companies can also expect to be pressed to make various responses, including human resources and capital investment, to comply with changes in production procedures accompanying advances in digitalization.

Satellite Media-Related Advertising

Spending on Satellite Media-Related advertising was up 4.1% year on year, to ¥43.6 billion.

CATV climbed 7.6% above its 2003 level, boosted by growth in the number of subscriber households receiving broadband services, the dissemination of IP phones and demand for digital broadcasting reception as well as by increased ad placements by regional advertisers.

CS broadcasting achieved steady growth in advertising sales, which rose by 6.0% year on year due to the enhanced recognition as a target medium accorded it by advertisers since the 2002 FIFA World Cup™. Some channels broadcasting content such as music, sports and animation registered double-digit increases.

BS broadcasting edged upward by 2.0% compared with the previous year as more households acquired the ability to tune in to the broadcasts (7.65 million households as of end December 2004), attracted by the ATHENS 2004 Olympic Games, and as sales of thin-screen televisions advanced strongly, although the severe conditions of the previous year remained largely in force.

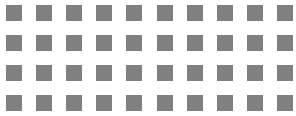
Teletext broadcasting plunged, falling 25.2% year on year as new inquires concerning teletext advertising sales faltered, although some companies succeeded in increasing sales by diversifying into the broadcasting delivery business.

Internet Advertising

Spending on Internet advertising was up 53.3% year on year, to ¥181.4 billion (including ¥18 billion for mobile advertising).

In the "Communications Usage Trend Survey" released in April 2004, the Ministry of Public Management, Home Affairs, Posts and Telecommunications reported that the number of Internet users in Japan had grown by 7.88 million to 77.3 million, that the penetration ratio with respect to population had risen by 6.1 percentage points, to 60.6%, and that 47.8% of households now had broadband Internet connections, an increase of 18.2% from the year before. These figures show that the Internet has made remarkable progress and is now a mainstream medium for consumers, and Internet usage patterns are changing drastically as a result. A survey conducted immediately after the ATHENS 2004 Olympic Games indicated, for example, that people used the Internet to access Olympics-related information more than any other medium except Television. In a reflection of these changes, the trend toward positioning Internet advertising as a key medium in integrated media development linked to conventional media is accelerating among domestic advertisers. Internet advertising is being used increasingly for sales promotion campaigns by manufacturers of general consumer goods, such as foodstuffs and beverages, as well as of consumer durables. At the same time, compatibility with rich-media advertising is advancing in various media-related companies, and development and sales of broadband-compatible large-volume advertising space is pushing up sales by amplifying the expressive power of the advertising and expanding its size. "Internet commercials," streaming of TV commercials and movie advertising on the Internet are also coming into widespread use. Search engine marketing (SEM) linking advertising to search results, launched in December 2002 in Japan, is taking root as a new advertising method and contributing to market growth.

Mobile advertising is gathering momentum as well, and the use by advertisers of mobile advertising for mass media campaigns conducted in industries such as beverages and automobiles is already an established approach. Factors behind this development include the wide dissemination of mobile phones — which has now reached a total of 73.55 million terminals, including approximately 43 million i-mode terminals as well as EZweb and Vodafone Live! phones (according to the Telecommunications Carriers Association as of December 2004) — and ongoing elaboration of the ways in which they are used. This has led to widespread recognition of mobile as a firmly rooted medium and an indispensable communication tool. Advances in terms of faster connection speeds and larger capacities with the introduction of new models by the various carriers have made development of rich advertising, including Flash presentations, movies and *chaku uta* incoming call songs, possible in mobile advertising. The broadband mobile phones provided by *au* are penetrating at an especially rapid pace, and *au* has won acceptance as an attractive service for accelerating the spread of broadband. New models that promise to change the style of future media contacts while enhancing the attractiveness of mobile phones are being introduced one after another by every carrier. These include not only the models with a camera function, which can already be considered a basic function, but also models featuring TV reception, radio reception, a FeliCa function (permitting mobile electronic payments) and a QR code reading capability (permitting easy access to Websites from printed materials). There can be no doubt that this medium will continue to undergo remarkable change in the future.



IV. 2004 Advertising Expenditures Classified by Industry (Four Major Media)

GROWTH OBSERVED IN A LARGE MAJORITY OF CATEGORIES, WITH FINANCE/INSURANCE AND BEVERAGES/CIGARETTES PARTICULARLY STRONG

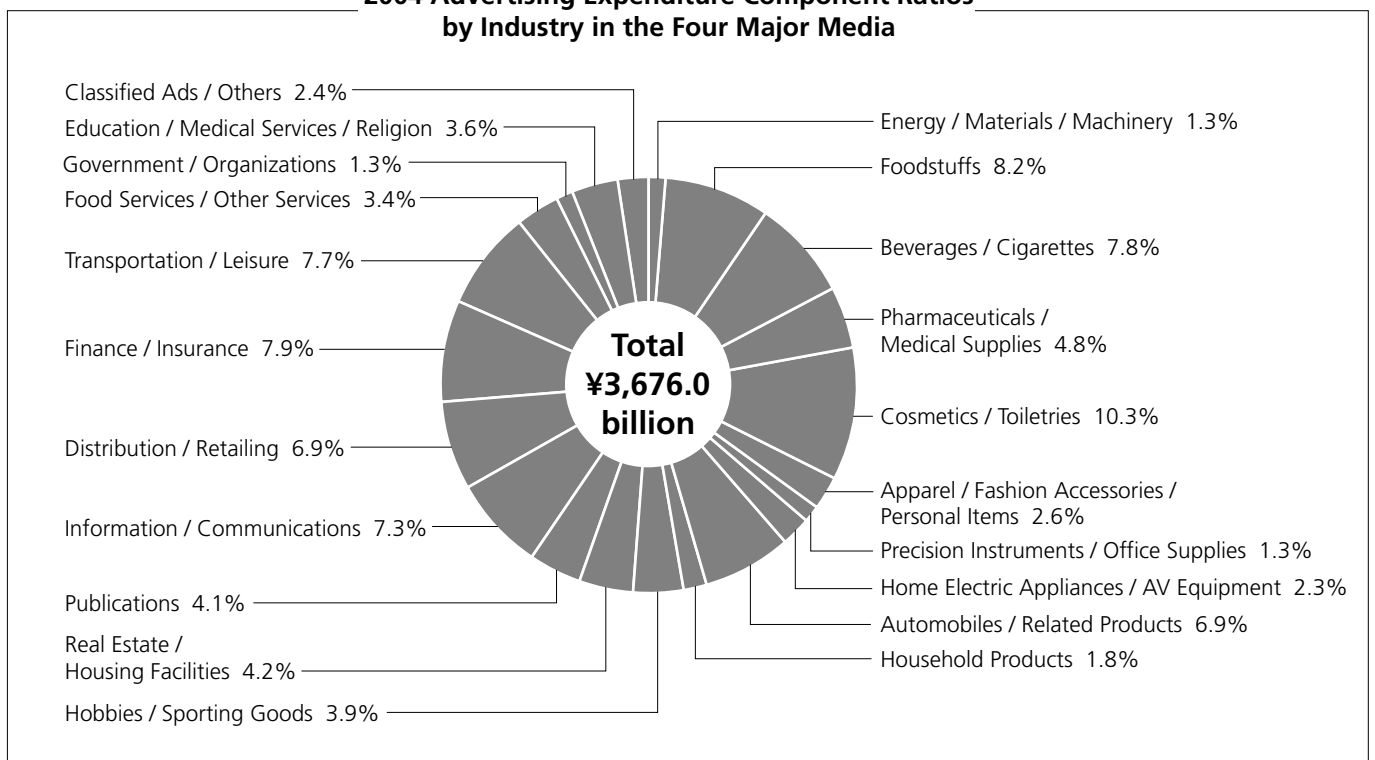
An analysis of advertising expenditures in 2004 for the four major media (¥3,676.0 billion, up 2.6% from the previous year) shows increased spending in 16 of the 21 industry categories surveyed (as compared with 10 categories in the previous year). One industry achieved double-digit growth.

Finance/Insurance attained double-digit growth (up 13.9%), rising for the second consecutive year due to aggressive promotional activities carried out by insurance companies and increased spending by securities firms. Other categories showing high rates of growth were Home Electric Appliances/AV Equipment (up 8.6%), thanks to strong ad placements for LCD televisions, DVD recorders and other products; Beverages/Cigarettes (up 8.3%), for the first rise in four years as companies vigorously marketed canned coffee, Japanese green tea drinks, health drinks and *happo-shu* (low-malt beer); Cosmetics/Toiletries (up 6.0%), for the third straight year of growth, supported by strong overall demand from cosmetics and detergents; Transportation/Leisure (up 6.0%), fueled by increased promotion of tourism and leisure facilities; and Real Estate/Housing Facilities (up 5.2%), boosted by advertising for condominiums and home renovation.

At the same time, however, spending fell in five industry categories, including Government/Organizations (down 10.5%), due to insufficient demand to make up for the high level of spending on the Lower House election in 2003 and for a decrease in outlays for Government-related publicity; Hobbies/Sporting Goods (down 5.6%), due to a sharp drop in audio software, video software and video game machines accompanied by a lackluster performance in pet products and sporting goods; Foodstuffs (down 5.3%), for the third straight annual decline, due to an overall decrease in seasonings, confectionery, pouch-packed foods and other products, and despite active spending on advertising for health foods; and Information/Communications (down 3.0%), as mobile phone promotions were less aggressive than in the previous year, and despite continued solid growth in advertising for the Internet.

Three industry categories — Finance/Insurance, Beverages/Cigarettes and Cosmetics/Toiletries — accounted for nearly 60% (57.6%) of the expansion recorded by the 16 categories posting growth in advertising expenditures in 2004. Among industry categories recording negative growth, on the other hand, Foodstuffs accounted for approximately 40% of the total amount of decline.

2004 Advertising Expenditure Component Ratios by Industry in the Four Major Media



Industries Showing the Largest Increases (Decreases) in Advertising Expenditures (Four Major Media Only) in 2004

Increased Spending				Decreased Spending			
	Comparison Ratio	Component Ratio	Contribution Ratio		Comparison Ratio	Component Ratio	Contribution Ratio
Finance/Insurance	113.9	7.9	25.8	Foodstuffs	94.7	8.2	39.0
Beverages/Cigarettes	108.3	7.8	16.1	Hobbies/Sporting Goods	94.4	3.9	19.4
Cosmetics/Toiletries	106.0	10.3	15.7	Information/Communications	97.0	7.3	18.9
Transportation/Leisure	106.0	7.7	11.7	Government/Organizations	89.5	1.3	12.7
Real Estate/Housing Facilities	105.2	4.2	5.6	Pharmaceuticals/Medical Supplies	97.6	4.8	10.0

Note: The contribution ratio represents the percentage contribution to the total amount of the increase or decrease. The five industry categories recording the largest increase (decrease) in spending are listed.

A Breakdown of Advertising Expenditures by Industry

1. Energy/Materials/Machinery: Up 2.5%, with a 1.3% component ratio.

Advertising expenditures for electricity and gas, a mainstay of this category, achieved substantial growth that began in the second half of the previous year, and overall expenditures in the category as a whole increased. Corporate advertising also grew as play equipment and industrial machinery manufacturers increased their ad placements. Gasoline and agricultural machinery decreased sharply, by contrast, due partly to a backlash to the strong spending in the previous year. By medium, television posted gains thanks to increased expenditures by electricity and gas, while radio suffered a sharp drop, pulled downward by reduced advertising for gasoline.

2. Foodstuffs: Down 5.3%, with an 8.2% component ratio.

Spending fell for the third straight year. Many products, including seasonings (barbeque sauce, stock sauces and salad oil), confectionery (snack foods, candies/caramels), instant noodles, pouch-packed foods, curries, soups and stews, suffered declines. Advertising for health foods, by contrast, rose sharply. Various other products such as yogurt, chewing gum, frozen foods and dried toppings for rice (*furikake* and *ochazuke*) also turned in strong performances. By medium, television and magazines registered sharp declines in response to the substantial falloff in seasonings and confectionary, while newspapers enjoyed solid growth, supported primarily by health foods.

3. Beverages/Cigarettes: Up 8.3%, with a 7.8% component ratio.

Expenditures in this category increased for the first time in four years. The recovery by alcoholic beverages, which had been faring poorly up until the previous year, was particularly noteworthy. Spending on *happo-shu* (low-malt beer) increased sharply, stimulated by the popularity of beer-like beverages, and beer registered an increase as well. Strong ad placements were also seen for *shochu* (a distilled liquor), wine and pre-mixed cocktails. Health drinks, including sports drinks and energy and beauty drinks, recorded substantial increases. Canned coffee, Japanese green tea drinks, juices and mineral water also enjoyed healthy growth. The non-alcoholic beverage segment turned in a strong performance. As a result, the category as a whole experienced substantial growth, with the growth rate rising in the latter half of the year. By medium, television, with vigorous advertising seen across the board, turned up sharply. Newspapers recorded steady growth, boosted by a high volume of advertising for health drinks.

4. Pharmaceuticals/Medical Supplies: Down 2.4%, with a 4.8% component ratio.

Expenditures declined for the third straight year. Although products such as medicines for intestinal disorders, laxatives and dermatological medicines/treatments for scratches as well as recruitment of volunteers for clinical trials saw strong advertising activity, many products suffered declines. These included such key products as energy drinks; vitamins, minerals and extracts for maintaining health; cold remedies; digestive aids; remedies for muscular pain/plasters; and pain relievers/fever reducers.

Spending on medical supplies was down overall, with contact lenses declining sharply. By medium, newspapers and television suffered a downturn, while radio's increase was particularly noticeable.

5. Cosmetics/Toiletries: Up 6.0%, for a 10.3% component ratio.

Spending in this category recorded the third consecutive year of growth. In cosmetics, basic products such as shampoos/conditioners and facial skin-care products such as toners and emulsions all performed strongly. At the same time, however, women's cosmetic product lines, wigs, hair-coloring agents, lipsticks and eye make-up products saw expenditures decline. In toiletries, meanwhile, laundry detergents fell off sharply, but spending for toothpastes, beauty soaps, dishwashing detergents, fabric softeners, feminine hygiene products and babies' disposable diapers experienced strong growth. Corporate advertising grew sharply, as ad placements by wig makers intensified. By medium, newspapers and television gained ground, primarily as a result of brisk activity in cosmetic-related products. Radio and magazines turned downward, by contrast, as expenditures for cosmetic-related products slumped.

6. Apparel/Fashion Accessories/Personal Items: Up 0.6%, with a 2.6% component ratio.

Spending in this category registered year-on-year growth for the second straight year. In apparel, casual wear increased substantially, and women's clothing also recorded solid growth. Advertising activity was sluggish for various other products, however, including men's clothing and jeans. Although expenditures for jewelry and accessories held steady at the previous-year level, bags and shoes turned downward. Corporate advertising grew steadily. Both television and radio improved, boosted by brisk activity in men's apparel and generic clothing.

7. Precision Instruments/Office Supplies: Up 0.1%, with a 1.3% component ratio.

Spending for digital cameras — the mainstay product in the precision instrument segment — held steady, and wristwatches posted healthy gains, but many other products in this segment recorded declines. In office supplies, office furniture suffered a sharp downturn. Decreases were also recorded by a considerable number of stationery items, including ballpoint pens, which had enjoyed growth for the past two years. Despite these trends, a healthy increase in corporate advertising by optical equipment and supplies manufacturers fueled growth for the category as a whole, enabling expenditures to keep pace with the previous year. By medium, television and magazines showed considerable improvement with support from increases in ad placements for digital cameras and corporate advertising, but newspapers fell off due to reduced spending for office supplies and stationery items.

8. Home Electric Appliances/AV Equipment: Up 8.6%, with a 2.3% component ratio.

Expenditures expanded in this category for the second straight year, supported by a substantial increase in LCD televisions and DVD recorders in a vigorous advertising environment for digital home electric appliances. Among kitchen cooking appliances, IH stove tops, electric dishwashers and kitchen-refuse treatment equipment recorded sharp gains. Advertising for electric household appliances, electric washing machines and vacuum cleaners were also up considerably, while home air conditioners remained flat. Video movie cameras also fell sharply. By medium, newspapers slipped, while magazines turned upward. Television and radio both recorded healthy gains.

9. Automobiles/Related Products: Up 2.4%, with a 6.9% component ratio.

Automobiles/Related Products enjoyed the first upturn in three years, as domestic standard vehicles increased dramatically. K-cars advanced, while imported automobiles also registered solid growth. Wagons, minivans and SUVs fell off sharply, on the other hand. Most other vehicles, including motorcycles and bicycles, also suffered substantial spending decreases. Among related products, car

navigation systems performed well, but tires, a major component of this segment, turned downward. Corporate advertising expanded considerably, however, helping the category as a whole to gain ground from the year before. By medium, newspapers and magazines declined sharply, while television increased significantly.

10. Household Products: Up 6.2%, with a 1.8% component ratio.

Brisk advertising activity was seen for gas-related equipment, including kitchen ranges. Spending in the furniture segment was sluggish on the whole, however, with bedding particularly down. Interior decoration products also experienced a steep decline. Although water purifiers and tissue paper declined sharply, many others, including plastic food wrap/aluminum foil and containers/tableware, enjoyed strong growth. Insecticides continued to slip, but deodorizers rose sharply. Corporate advertising expanded substantially, lifting this category to its first year-on-year growth in four years. By medium, television, which enjoyed vigorous overall advertising activity, increased considerably over the previous year. Magazines also turned in a strong performance, but newspapers were down notably year on year.

11. Hobbies/Sporting Goods: Down 5.6%, with a 3.9% component ratio.

Although DVD software enjoyed a sizable increase, audio software and video software, products with large component ratios, turned sharply downward, dragging expenditures on software-related products substantially lower. Dolls/toys and pianos/keyboards posted healthy gains, but video game machines plummeted, causing game software to turn slightly downward as well. Pet products, especially pet foods, decreased significantly, while sporting goods saw lackluster advertising spending overall. This category as a whole experienced a contraction for the seventh consecutive year. Spending was down across all media, with newspapers and magazines falling off steeply.

12. Real Estate/Housing Facilities: Up 5.2%, with a 4.2% component ratio.

Spending for prefab houses staged a recovery, while home renovation enjoyed steady growth and condominiums performed strongly. The residential housing segment, a major component of this category, suffered a sharp drop, however, causing expenditures for real estate as a whole to decline slightly. Toilets, which had shown substantial improvement in 2003, turned sharply downward. Central power elements, centered on solar power generation systems, and modular bathroom units showed solid growth, and home security units advanced significantly. Kitchen units were also robust. As a result, the housing facilities posted solid gains. Corporate advertising by housing builders, companies specializing in renovations and home rental companies made significant progress. Spending in the category as a whole grew for the second straight year. By medium, television increased sharply and newspapers decreased.

13. Publications: Up 0.3%, with a 4.1% component ratio.

Spending in magazines registered steady growth, but books turned in a lackluster performance. Hobby-related magazines and job-placement magazines were strong, but spending on general and entertainment magazines, weekly magazines and women's and home magazines fell below their 2003 levels. Decreased spending for hardcover books and new publication guides, which account for a large component of books, were the main cause of the weakness in this segment. By medium, whereas television enjoyed noticeable gains thanks to brisk ad placements for magazines, newspapers and magazines suffered year-on-year declines due to the downturn in new publication guides and other publications.

14. Information/Communications: Down 3.0%, with a 7.3% component ratio.

Advertising expenditures for PCs, domestic telephone services and mobile phones, which had seen brisk ad placements a year earlier, fell off steeply. On the other hand, spending picked up sharply

on Internet services, computer software, printers, copiers and private broadcasting stations, which prevented the category as a whole from suffering a serious loss. By medium, television and radio decreased sharply due to sluggish communications-related advertising. Despite a substantial decline in spending on Internet services, newspapers continued to grow, fueled by active ad placements for PCs, computer software, domestic telephone services and mobile phones as well as by private broadcasting stations for the ATHENS 2004 Olympic Games. Magazines continued their downward trend for the fourth straight year due to a large downturn in PCs, which more than offset upturns by printers, Internet services and mobile phones.

15. Distribution/Retailing: Up 3.0%, with a 6.9% component ratio.

Distribution/Retailing advanced for the first time in three years. Advertising by mail-order businesses, high-volume retailers and convenience stores was strong. Shopping malls and supermarkets also registered steady growth, while department stores were stagnant. By medium, newspapers and television increased, supported by strong advances by mail-order businesses. Magazines slumped, on the other hand, due to lower spending by mail-order businesses, and radio also performed poorly, as convenience stores declined.

16. Finance/Insurance: Up 13.9%, with a 7.9% component ratio.

Expenditures declined sharply in consumer finance, but life insurance and medical insurance, especially policies offered by foreign-owned insurance companies, turned upward dramatically. Large advances were recorded by non-life insurance, which saw brisk spending for car insurance by foreign-owned insurance firms, the securities segment, which enjoyed vigorous spending for personal accounts and government bonds, and prepaid IC cards. Solid growth was also registered by banks, including city banks, which exhibited a pronounced shift from corporate advertising to product-oriented advertising for housing loans and foreign currency savings. The category as a whole recorded a substantial gain in expenditures as a result. By medium, television improved markedly, lifted by large increases in insurance and securities.

17. Transportation/Leisure: Up 6.0%, with a 7.7% component ratio.

Spending in this category recorded its first advance in three years. JR (Japan Railway) Group suffered substantial setbacks, while domestic airlines enjoyed healthy growth. As the effects of the war in Iraq and SARS receded, advertising by travel agents rebounded. Leisure-related advertising was brisk overall, with spending for lectures and seminars making especially notable gains. Leisure facilities, concerts and theaters also recorded sharp upturns. By medium, newspapers and magazines registered substantial increases thanks to vigorous leisure-related ad placements.

18. Food Services/Other Services: Up 1.6%, with a 3.4% component ratio.

Door-to-door delivery and moving services, temporary job placement agencies, wedding information and security services all boosted spending, while restaurants held steady. Wedding halls and aesthetic salons declined. By medium, television rose with support from brisk advertising by temporary job placement agencies and door-to-door delivery and moving services. Newspapers also expanded with help from a larger volume of advertising featuring wedding information. Magazines contracted due to a sharp drop in aesthetic salons, a mainstay in this medium.

19. Government/Organizations: Down 10.5%, with a 1.3% component ratio.

Following the Upper House election in 2004 and the Lower House general election the year before, political parties and organizations registered a small decrease. Central government offices and other organizations (including the National Pension Fund Popularization and Promotion Conference, Japan Agricultural Cooperatives and the Energy Conservation Center), which had made strong showings due

to spending on advertising to publicize revisions in the tax code in the previous year, suffered a sharp reversal. Events sponsored by general government offices, local autonomous bodies and various other organizations also decreased substantially, leading to a steep falloff in the category. By medium, radio registered gains. A substantial decrease in other organizations caused newspapers, by contrast, to fall below their 2003 level, and television and magazines also recorded declines due to a sharp curtailment of advertising activities by central government offices.

20. Education/Medical Services/Religion: Up 2.5%, with a 3.6% component ratio.

This category grew for the second straight year. Despite slippage in expenditures by correspondence schools, vocational schools and various other schools, English conversation and language schools performed well, and universities also exhibited healthy growth. Hospitals and medical-service organizations and facilities for senior citizens continued to post strong gains. By medium, magazines registered a substantial improvement supported by large increases in advertising by hospitals and medical-service organizations, while radio also expanded, thanks to brisk overall activity. Newspapers remained at the 2003 level, held down by sluggish growth in education-related spending.

21. Classified Ads/Others: Up 3.5%, with a 2.4% component ratio.

This category enjoyed its first year-on-year increase in four years. The volume of advertising on an *ad hoc* basis, especially help-wanted ads, increased sharply. Expenditures by corporate groups also enjoyed a healthy gain. Classified ads, by contrast, continued on a downward trend from the year before. By medium, newspapers recorded solid growth thanks to an increase in advertising on an *ad hoc* basis, while television and radio saw healthy gains in corporate groups.

Quarterly Breakdown of Growth in Advertising Expenditures in the Four Major Media in 2004

A quarterly breakdown of advertising expenditures in the four major media in calendar year 2004 reveals that spending was up sharply in the July–September period, increasing by 5.1% compared with the same period in 2003; however, growth was relatively flat during the rest of the year.

	(Year-on-year basis in %)						
	2004 (Full Year)	Jan.– June	July– Dec.	Jan.– Mar.	April– June	July– Sept.	Oct.– Dec.
Advertising Expenditures in the Four Major Media	102.6	101.9	103.3	101.2	102.6	105.1	101.7

Outlook for 2005 Advertising Expenditures

Growth of 1.4% is forecast for 2005, with the trend toward increased spending expected to continue

Total advertising expenditures in 2005 are forecast to increase by 1.4% compared with 2004. Although the anticipated slowdown in the economic recovery and cutbacks to make up for front-loaded spending in the previous year on advertising associated with the ATHENS 2004 Olympic Games must be taken into account, it is nevertheless expected that advertising demand will continue to increase in a wide range of industries in 2005.

There are many causes for concern with regard to the performance of the Japanese economy in 2005. In addition to the rising value of the yen, higher crude oil prices and the increasing cost of raw materials, increases in personal income tax rates and social security payments are expected to put a damper on consumer sentiment. Exports are also expected to be flat as the pace of economic growth slows in the United States and China. As a result, the Japanese economy is likely to experience a temporary slowdown. On the other hand, there are also many factors that should have a favorable impact on the advertising industry in 2005. Corporate earnings are expected to continue to increase in a wide range of industries, progress in disposing of nonperforming loans is easing fears about the financial system, capital investment by private industry is on the rise due to expanded production and replacement of facilities, and the market for IT- and digital-related goods is expected

to expand further. There are also likely to be a number of corporate mergers. In addition, several events scheduled in 2005 will positively impact advertising spending, such as the 2005 World Exposition, Aichi, Japan, and the Tokyo Motor Show.

Many industry categories are expected to actively step up their advertising activities. Expenditures are forecast to increase in Information/Communications as more new mobile phone and Internet products and services are introduced to take advantage of the expansion of broadband networks. The same is true in Home Electric Appliances/AV Equipment, where demand is strong for LCD televisions and DVD recorders, and aggressive marketing of new car models should stimulate spending in Automobiles/Related Products. Advertising expenditures are also expected to rise in the highly competitive Beverages/Cigarettes category as new products are introduced, and easing safety concerns and events such as the 2005 World Exposition, Aichi, Japan, should stimulate demand in Transportation/Leisure. Finance/Insurance will benefit from fierce competition among insurance firms, securities companies, banks and credit card companies as they attempt to attract new customers. Spending is also predicted to grow in Real Estate/Housing Facilities, Education/Medical Services/Religion and others. As a result, we estimate that total advertising expenditures in 2005 will rise by 1.4% year on year, that spending in the four major media will increase by 0.3%, and that expenditures in media other than the four major media will rise by 3.2% compared with 2004, thanks largely to the contribution of Internet advertising.

	2004 (Results)	2005 (Forecast)
Total Advertising Expenditures (¥ billion)	5,857.1	5,937.9
Comparison with Previous Year (%)	103.0	101.4

Note: The estimates of total advertising expenditures for 2005 are based on forecasts of the performance of the Japanese economy along with analyses of advertising trends in the advertising media and industry categories.

Japan's GDP and Advertising Expenditures (1985–2004)

Year	Gross Domestic Product (B)			Advertising Expenditures (A)			A / B (%)
	GDP (¥ billion)	Compared to Previous Year (%)	Index (1985 = 100)	Advertising Expenditures (¥ billion)	Compared to Previous Year (%)	Index (1985 = 100)	
1985	323,541.2	107.5	100	3,504.9	—	100	1.08
1986	338,674.0	104.7	105	3,647.8	104.1	104	1.08
1987	352,530.0	104.1	109	3,944.8	108.1	113	1.12
1988	379,250.4	107.6	117	4,417.5	112.0	126	1.16
1989	408,534.7	107.7	126	5,071.5	114.8	145	1.24
1990	440,124.8	107.7	136	5,564.8	109.7	159	1.26
1991	468,234.4	106.4	145	5,726.1	102.9	163	1.22
1992	480,492.1	102.6	149	5,461.1	95.4	156	1.14
1993	484,233.8	100.8	150	5,127.3	93.9	146	1.06
1994	490,005.2	101.2	151	5,168.2	100.8	147	1.05
1995	496,922.2	101.4	154	5,426.3	105.0	155	1.09
1996	509,983.9	102.6	158	5,771.5	106.4	165	1.13
1997	520,939.1	102.1	161	5,996.1	103.9	171	1.15
1998	514,595.2	98.8	159	5,771.1	96.2	165	1.12
1999	507,224.1	98.6	157	5,699.6	98.8	163	1.12
2000	511,462.3	100.8	158	6,110.2	107.2	174	1.19
2001	505,847.1	98.9	156	6,058.0	99.1	173	1.20
2002	497,896.8	98.4	154	5,703.2	94.1	163	1.15
2003	497,485.0	99.9	154	5,684.1	99.7	162	1.14
2004	504,589.3	101.4	156	5,857.1	103.0	167	1.16

Note The above figures for GDP are those released in the Cabinet Office's 'Annual Report on National Accounts' and 'GDP Estimates'.

<APPENDIX 2>

Advertising Expenditures by Medium (2002–2004)

Media	Advertising Expenditures (¥ billion)			Comparison Ratio (%)		Component Ratio (%)		
	2002	2003	2004	2003	2004	2002	2003	2004
Major Media								
Newspapers	1,070.7	1,050.0	1,055.9	98.1	100.6	18.8	18.5	18.0
Magazines	405.1	403.5	397.0	99.6	98.4	7.1	7.1	6.8
Radio	183.7	180.7	179.5	98.4	99.3	3.2	3.2	3.1
Television	1,935.1	1,948.0	2,043.6	100.7	104.9	33.9	34.3	34.9
Subtotal	3,594.6	3,582.2	3,676.0	99.7	102.6	63.0	63.1	62.8
Sales Promotion								
Direct Mail	347.8	337.4	334.3	97.0	99.1	6.1	5.9	5.7
Flyers	454.6	459.1	476.5	101.0	103.8	8.0	8.1	8.1
Outdoor	288.7	261.6	266.7	90.6	101.9	5.1	4.6	4.5
Transit	234.8	237.1	238.4	101.0	100.5	4.1	4.2	4.1
POP	172.0	172.5	174.5	100.3	101.2	3.0	3.0	3.0
Telephone Directories	155.9	152.4	134.2	97.8	88.1	2.7	2.7	2.3
Exhibitions/Screen Displays	327.8	321.6	331.5	98.1	103.1	5.8	5.6	5.7
Subtotal	1,981.6	1,941.7	1,956.1	98.0	100.7	34.8	34.1	33.4
Satellite Media-Related	42.5	41.9	43.6	98.6	104.1	0.7	0.7	0.7
Internet	84.5	118.3	181.4	140.0	153.3	1.5	2.1	3.1
Total	5,703.2	5,684.1	5,857.1	99.7	103.0	100.0	100.0	100.0

Note See APPENDIX 7 for breakdown of media expenditures.

Advertising Expenditures by Industry (2002–2004)

Industry	Advertising Expenditures (¥10 million)			Comparison Ratio (%)		Component Ratio (%)		
	2002	2003	2004	2003	2004	2002	2003	2004
Energy / Materials / Machinery	4,332	4,610	4,726	106.4	102.5	1.2	1.3	1.3
Foodstuffs	33,430	31,872	30,177	95.3	94.7	9.3	8.9	8.2
Beverages / Cigarettes	27,770	26,562	28,769	95.6	108.3	7.7	7.4	7.8
Pharmaceuticals / Medical Supplies	19,111	18,128	17,692	94.9	97.6	5.3	5.1	4.8
Cosmetics / Toiletries	34,700	35,755	37,913	103.0	106.0	9.6	10.0	10.3
Apparel / Fashion Accessories / Personal Items	9,330	9,601	9,655	102.9	100.6	2.6	2.7	2.6
Precision Instruments / Office Supplies	4,043	4,740	4,746	117.2	100.1	1.1	1.3	1.3
Home Electric Appliances / AV Equipment	7,396	7,591	8,245	102.6	108.6	2.1	2.1	2.3
Automobiles / Related Products	25,600	24,887	25,490	97.2	102.4	7.1	6.9	6.9
Household Products	7,044	6,307	6,697	89.5	106.2	2.0	1.8	1.8
Hobbies / Sporting Goods	15,701	15,071	14,230	96.0	94.4	4.4	4.2	3.9
Real Estate / Housing Facilities	14,705	14,823	15,596	100.8	105.2	4.1	4.1	4.2
Publications	15,628	15,087	15,135	96.5	100.3	4.3	4.2	4.1
Information / Communications	23,743	27,466	26,646	115.7	97.0	6.6	7.7	7.3
Distribution / Retailing	25,741	24,738	25,489	96.1	103.0	7.2	6.9	6.9
Finance / Insurance	25,443	25,573	29,120	100.5	113.9	7.1	7.1	7.9
Transportation / Leisure	27,564	26,847	28,457	97.4	106.0	7.7	7.5	7.7
Food Services / Other Services	12,249	12,213	12,409	99.7	101.6	3.4	3.4	3.4
Government / Organizations	4,920	5,233	4,681	106.4	89.5	1.4	1.5	1.3
Education / Medical Services / Religion	11,962	12,775	13,090	106.8	102.5	3.3	3.6	3.6
Classified Ads / Others	9,048	8,341	8,637	92.2	103.5	2.5	2.3	2.4
Total	359,460	358,220	367,600	99.7	102.6	100.0	100.0	100.0

Note See APPENDIX 8 for breakdown of industry categories.

Advertising Expenditures by Industry in the Four Major Media (2003–2004)

(Unit: ¥10 million)

Media	Newspapers			Magazines			Radio			Television			Total		
	Industry	2003	2004	Comparison Ratio (%)	2003	2004	Comparison Ratio (%)	2003	2004	Comparison Ratio (%)	2003	2004	Comparison Ratio (%)	2003	2004
Energy / Materials / Machinery	1,000	1,005	100.5	324	300	92.6	659	592	89.8	2,627	2,829	107.7	4,610	4,726	102.5
Foodstuffs	4,379	4,530	103.4	2,374	2,199	92.6	1,583	1,490	94.1	23,536	21,958	93.3	31,872	30,177	94.7
Beverages / Cigarettes	3,248	3,462	106.6	2,111	2,104	99.7	1,237	1,285	103.9	19,966	21,918	109.8	26,562	28,769	108.3
Pharmaceuticals / Medical Supplies	3,110	2,948	94.8	1,105	1,126	101.9	933	1,013	108.6	12,980	12,605	97.1	18,128	17,692	97.6
Cosmetics / Toiletries	2,036	2,154	105.8	6,712	6,628	98.7	517	455	88.0	26,490	28,676	108.3	35,755	37,913	106.0
Apparel / Fashion Accessories / Personal Items	1,288	1,244	96.6	5,526	5,569	100.8	137	147	107.3	2,650	2,695	101.7	9,601	9,655	100.6
Precision Instruments / Office Supplies	1,163	1,029	88.5	970	994	102.5	103	92	89.3	2,504	2,631	105.1	4,740	4,746	100.1
Home Electric Appliances / AV Equipment	1,258	1,165	92.6	1,049	1,131	107.8	183	205	112.0	5,101	5,744	112.6	7,591	8,245	108.6
Automobiles / Related Products	6,292	5,945	94.5	2,821	2,548	90.3	2,095	2,132	101.8	13,679	14,865	108.7	24,887	25,490	102.4
Household Products	929	804	86.5	495	506	102.2	308	293	95.1	4,575	5,094	111.3	6,307	6,697	106.2
Hobbies / Sporting Goods	2,244	1,764	78.6	1,966	1,667	84.8	732	709	96.9	10,129	10,090	99.6	15,071	14,230	94.4
Real Estate / Housing Facilities	6,880	6,616	96.2	482	493	102.3	871	868	99.7	6,590	7,619	115.6	14,823	15,596	105.2
Publications	10,865	10,544	97.0	646	467	72.3	868	846	97.5	2,708	3,278	121.0	15,087	15,135	100.3
Information / Communications	7,878	7,939	100.8	2,882	2,855	99.1	1,398	1,180	84.4	15,308	14,672	95.8	27,466	26,646	97.0
Distribution / Retailing	9,475	10,500	110.8	2,558	2,485	97.1	1,194	1,161	97.2	11,511	11,343	98.5	24,738	25,489	103.0
Finance / Insurance	7,996	8,144	101.9	1,941	1,964	101.2	1,631	1,674	102.6	14,005	17,338	123.8	25,573	29,120	113.9
Transportation / Leisure	15,101	16,497	109.2	2,037	2,177	106.9	1,535	1,550	101.0	8,174	8,233	100.7	26,847	28,457	106.0
Food Services / Other Services	3,040	3,067	100.9	1,819	1,668	91.7	776	768	99.0	6,578	6,906	105.0	12,213	12,409	101.6
Government / Organizations	2,830	2,287	80.8	326	313	96.0	736	840	114.1	1,341	1,241	92.5	5,233	4,681	89.5
Education / Medical Services / Religion	6,072	5,983	98.5	2,094	2,404	114.8	557	625	112.2	4,052	4,078	100.6	12,775	13,090	102.5
Classified Ads / Others	7,916	7,963	100.6	112	102	91.1	17	25	147.1	296	547	184.8	8,341	8,637	103.5
Total	105,000	105,590	100.6	40,350	39,700	98.4	18,070	17,950	99.3	194,800	204,360	104.9	358,220	367,600	102.6

Component Ratio of Media Expenditures by Industry and Industry Expenditures by Medium for 2004

(Unit: %)

Industry	Media Expenditures by Industry					Industry Expenditures by Medium				
	Newspapers	Magazines	Radio	Television	Total	Newspapers	Magazines	Radio	Television	Total
Energy / Materials / Machinery	0.9	0.8	3.3	1.4	1.3	21.3	6.3	12.5	59.9	100.0
Foodstuffs	4.3	5.5	8.3	10.7	8.2	15.0	7.3	4.9	72.8	100.0
Beverages / Cigarettes	3.3	5.3	7.2	10.7	7.8	12.0	7.3	4.5	76.2	100.0
Pharmaceuticals / Medical Supplies	2.8	2.8	5.7	6.2	4.8	16.7	6.4	5.7	71.2	100.0
Cosmetics / Toiletries	2.0	16.7	2.5	14.0	10.3	5.7	17.5	1.2	75.6	100.0
Apparel / Fashion Accessories / Personal Items	1.2	14.0	0.8	1.3	2.6	12.9	57.7	1.5	27.9	100.0
Precision Instruments / Office Supplies	1.0	2.5	0.5	1.3	1.3	21.7	21.0	1.9	55.4	100.0
Home Electric Appliances / AV Equipment	1.1	2.8	1.1	2.8	2.3	14.1	13.7	2.5	69.7	100.0
Automobiles / Related Products	5.6	6.4	11.9	7.3	6.9	23.3	10.0	8.4	58.3	100.0
Household Products	0.8	1.3	1.6	2.5	1.8	12.0	7.5	4.4	76.1	100.0
Hobbies / Sporting Goods	1.7	4.2	4.0	4.9	3.9	12.4	11.7	5.0	70.9	100.0
Real Estate / Housing Facilities	6.3	1.2	4.8	3.7	4.2	42.4	3.2	5.6	48.8	100.0
Publications	10.0	1.2	4.7	1.6	4.1	69.7	3.1	5.6	21.6	100.0
Information / Communications	7.5	7.2	6.6	7.2	7.3	29.8	10.7	4.4	55.1	100.0
Distribution / Retailing	9.9	6.3	6.5	5.6	6.9	41.2	9.7	4.6	44.5	100.0
Finance / Insurance	7.7	4.9	9.3	8.5	7.9	28.0	6.7	5.8	59.5	100.0
Transportation / Leisure	15.6	5.5	8.6	4.0	7.7	58.0	7.7	5.4	28.9	100.0
Food Services / Other Services	2.9	4.2	4.3	3.4	3.4	24.7	13.4	6.2	55.7	100.0
Government / Organizations	2.2	0.8	4.7	0.6	1.3	48.9	6.7	17.9	26.5	100.0
Education / Medical Services / Religion	5.7	6.1	3.5	2.0	3.6	45.7	18.4	4.8	31.1	100.0
Classified Ads / Others	7.5	0.3	0.1	0.3	2.4	92.2	1.2	0.3	6.3	100.0
Total	100.0	100.0	100.0	100.0	100.0	28.7	10.8	4.9	55.6	100.0

Eleven-Year Trends in Advertising Expenditures by Industry Category (1994–2004)

(Unit: ¥10 million)

Industry	Advertising Expenditures										
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Energy / Materials / Machinery	5,975	5,330	5,117	5,222	5,149	4,604	4,830	5,160	4,332	4,610	4,726
Foodstuffs	34,493	35,242	35,084	36,792	37,444	36,969	36,221	36,311	33,430	31,872	30,177
Beverages / Cigarettes	27,914	29,161	31,485	32,099	33,088	31,415	32,629	32,228	27,770	26,562	28,769
Pharmaceuticals / Medical Supplies	16,069	17,632	18,804	20,497	19,229	19,297	20,092	20,691	19,111	18,128	17,692
Cosmetics / Toiletries	31,273	32,867	35,295	36,724	34,688	34,648	37,413	34,284	34,700	35,755	37,913
Apparel / Fashion Accessories / Personal Items	8,997	9,474	10,479	11,329	9,910	9,537	10,091	9,719	9,330	9,601	9,655
Precision Instruments / Office Supplies	4,107	4,290	5,236	5,611	5,065	4,168	4,123	3,883	4,043	4,740	4,746
Home Electric Appliances / AV Equipment	8,926	9,178	9,614	9,814	8,586	8,129	8,832	8,201	7,396	7,591	8,245
Automobiles / Related Products	20,504	25,287	28,984	32,515	29,591	25,375	25,250	26,921	25,600	24,887	25,490
Household Products	8,030	7,661	8,019	8,573	7,787	8,090	8,245	7,404	7,044	6,307	6,697
Hobbies / Sporting Goods	13,922	14,367	15,963	16,952	16,852	16,553	15,767	15,730	15,701	15,071	14,230
Real Estate / Housing Facilities	16,364	17,710	18,959	18,902	15,414	14,506	16,003	16,127	14,705	14,823	15,596
Publications	16,178	17,487	18,632	18,909	17,139	16,751	17,907	17,221	15,628	15,087	15,135
Information / Communications	12,841	15,401	19,724	22,404	22,782	24,794	33,127	29,369	23,743	27,466	26,646
Distribution / Retailing	26,187	26,319	27,106	26,686	26,325	25,958	27,260	27,373	25,741	24,738	25,489
Finance / Insurance	13,800	14,868	16,911	17,557	18,987	20,764	26,621	27,518	25,443	25,573	29,120
Transportation / Leisure	28,294	27,795	30,041	28,991	28,811	27,783	28,613	28,750	27,564	26,847	28,457
Food Services / Other Services	10,371	10,966	12,691	13,621	12,504	12,626	13,794	13,093	12,249	12,213	12,409
Government / Organizations	4,170	5,230	5,444	5,545	5,644	5,026	5,786	6,055	4,920	5,233	4,681
Education / Medical Services / Religion	11,749	12,226	11,998	12,367	11,835	12,039	13,426	12,258	11,962	12,775	13,090
Classified Ads / Others	11,316	11,859	12,364	12,460	10,200	9,788	11,040	10,564	9,048	8,341	8,637
Total	331,480	350,350	377,950	393,570	377,030	368,820	397,070	388,860	359,460	358,220	367,600

<APPENDIX 7>

Breakdown of Media Expenditures

Major Media: Advertising expenditures spent in the four major 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).

Sales Promotion: Advertising expenditures for sales promotion-related media.

Direct Mail: Postage spent on direct mail.

Flyers: Insertion costs for advertising inserts in newspapers nationwide.

Outdoor: Production costs for billboards, neon signs, etc.

Transit: Placement costs for transit advertisements.

POP: Production costs for POP (Point Of Purchase) displays.

Telephone Directories: Placement costs for advertisements in telephone directories.

Exhibitions / Screen Displays: Production costs for corporate-sponsored exhibitions, and running costs for promotional films, videos, etc.

Satellite Media-Related: Advertising expenditures for satellite broadcasts, CATV and teletext (placement and production costs). ('New Media' has been changed to 'Satellite Media-Related'.)

Internet: Placement costs for advertising on Internet sites (includes mobile advertisings; does not include site set-up costs).

<APPENDIX 8>

Breakdown of Industry Categories

Energy / Materials / Machinery: Electricity, gas, petroleum products, paper, steel, chemical materials, agricultural machinery, construction and civil engineering machinery, machine tools, store equipment, etc.

Foodstuffs: Dairy products, meat products, seasonings, bread and confectioneries, processed foods, etc.

Beverages / Cigarettes: Alcoholic beverages, nonalcoholic beverages, tobacco products, etc.

Pharmaceuticals / Medical Supplies: Medicines, medical supplies, eyeglasses, etc.

Cosmetics / Toiletries: Skin and hair products, makeup and other cosmetics, dentifrice, soap, detergents, feminine hygiene products, disposable diapers, etc.

Apparel / Fashion Accessories / Personal Items: Clothing, fabrics, home-use textile products, shoes, handbags, umbrellas, jewelry and accessories, etc.

Precision Instruments / Office Supplies: Timepieces, cameras, digital cameras, film and other optical equipment and supplies, office supplies, stationery, etc.

Home Electric Appliances / AV Equipment: Electric cooking appliances and household appliances, home air-conditioning equipment, audio-visual equipment (including digital video camera), lighting fixtures, etc.

Automobiles / Related Products: Automobiles, motorcycles, bicycles, motorboats, tires, car air conditioners, car stereos, car navigation systems, etc.

Household Products: Petroleum/gas-related equipment, bedding, interior decoration products, furniture, household machinery, household sundry goods, chemicals for home use, insecticides, mothballs, etc.

Hobbies / Sporting Goods: Hobby products, game machines and software, audio-visual software, pet products, and sporting goods, etc.

Real Estate / Housing Facilities: Land, housing and other, materials used in building, household fixtures such as toilets, bathtubs, bathroom sink units and kitchen units.

Publications: Newspapers, magazines, books, other publications.

Information / Communications: Computers, computer-related products, copiers, telephones, communications facilities and services, Internet, broadcasting, etc.

Distribution / Retailing: Department stores, supermarkets, convenience stores, mail-order businesses, high-volume and other retailers, shopping malls, etc.

Finance / Insurance: Banks, securities firms, insurance firms, consumer finance and credit card companies, etc.

Transportation / Leisure: Transportation facilities and services, travel agents, hotels, sports and leisure facilities, movies and box office events, etc.

Food Services / Other Services: Restaurants, door-to-door delivery and moving services, beauty salons, rental businesses, other various services.

Government / Organizations: Government offices, local autonomous bodies, political organizations, foreign government offices, various other organizations, etc. (Organizations operating within a single industry are classified under that industry.)

Education / Medical Services / Religion: Schools, preparatory and tutoring schools, vocational schools, correspondence education, medical-service organizations, nursing services, religion, etc.

Classified Ads / Others: Classified ads (newspaper and magazine), personal notices, joint advertising messages, corporate group advertising, etc.

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