2007

Advertising Expenditures in Japan

Contents

I. Overview of Advertising Expenditures in Japan for 2007

1. Total Advertising Expenditures

Spending up by 1.1%, marking a fourth consecutive year of growth

1. Total advertising expenditures rose for a fourth straight year in calendar year 2007, reaching ¥7,019.1 billion. This represented a year-on-year gain of 1.1%.
2. Spending was flat during the first half of the year as compared with 2006, when demand had been boosted by events such as the TORINO 2006 Olympic Winter Games and the 2006 FIFA World Cup Germany™. However, spending recovered during the second half of the year thanks to positive factors such as the Upper House election, the IAAF World Championships in Athletics Osaka 2007, the Tokyo Motor Show, and others.
3. Spending was down in the four major media for the third year in a row, but Internet advertising continued to climb.
4. Industry categories such as Government/Organizations, Energy/Materials/Machinery, and Precision Instruments/Office Supplies posted gains.

2. Advertising Expenditures Classified by Medium

Four major media down 2.6%; Internet advertising continued to climb, gaining 24.4%

1. Newspaper Advertising Expenditures (down 5.2%): Newspaper advertising fell back in 2007 compared with the previous year, when advertising demand had been boosted by events such as the 2006 FIFA World Cup Germany™ and the introduction of the mobile phone number portability system. Spending was up in Foodstuffs, Government/Organizations, and Transportation/Leisure, but declined in major industry categories such as Finance/Insurance, Automobiles/Related Products, and Beverages/Cigarettes.
2. Magazine Advertising Expenditures (down 4.0%): Spending grew in the major industry category of Apparel/Fashion, Accessories/Personal Items, but overall spending was lower as demand fell in most other industry categories. Placements fell in magazines specializing in TV programs and city information as well as personal computer magazines.
3. Radio Advertising Expenditures (down 4.2%): Spending increased in Finance/Insurance and Real Estate/Housing Facilities, but fell in major industry categories such as Automobiles/Related Products, Foodstuffs, and Beverages/Cigarettes. By broadcast format, year-on-year spending was lower in both AM and FM.
4. Television Advertising Expenditures (down 0.9%): Program sponsorship advertising fell back slightly compared with 2006, when spending had been pushed up by major sporting events. Spot advertising was also weaker. Spending was up in Pharmaceuticals/Medical Supplies, Foodstuffs, and Government/Organizations, but dropped in Finance/Insurance, Automobiles/Related Products, and Home Electric Appliances/AV Equipment.
5. Satellite Media-Related Advertising Expenditures (up 10.8%): Spending in BS (broadcast satellite) digital broadcasting was up sharply, supported by an increase in the number of households capable of receiving broadcasts and increased placements by mail-order companies. CATV also registered solid growth. Expenditures in CS (communications satellite) fell back on slow growth in subscriber households.
6. Internet Advertising Expenditures (up 24.4%): Spending on Internet advertising continued to shoot up. Increased focus by advertisers on cost-effectiveness and the establishment of cross-media approaches led to a significant expansion in search-engine advertising. Increasing recognition of the effectiveness of mobile advertising produced a sharp rise in spending in this category as well.
7. Promotional Media (up 1.9%): Expenditures increased for a fourth straight year. Placements were strong in Free Newspapers/Free Magazines (a new category that has been included in this survey for the first time), as well as Exhibitions/Screen Displays and Direct Mail. Spending on Flyers fell for the first time in five years. Overall spending levels in Promotional Media were boosted by aggressive corporate sales promotion activities.

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

Spending up in Government/Organizations, Energy/Materials/Machinery, and Precision Instruments/Office Supplies, but down in Finance/Insurance, Automobiles/Related Products, and Home Electric Appliances/AV Equipment

1. Advertising expenditures increased in 11 of the 21 industry categories surveyed in 2007 (up from 8 industry categories a year earlier).
2. Double-digit gains were posted by Government/Organizations (up 24.0% on placements related to the Upper House election and environmental issues), and Energy/Materials/Machinery (up 15.4% on higher outlays by gas companies and pachinko machine makers). Another strong category was Precision Instruments/Office Supplies (up 5.4% on placements for digital cameras and other goods).
3. On the other hand, expenditures turned lower in Finance/Insurance (down 19.2%, falling for the second year in a row as insurance, consumer finance, and credit card companies reduced spending), Automobiles/Related Products (down 7.7%, on lower spending across the board on domestic passenger cars, wagons, minivans, SUVs, and imported cars), Home Electric Appliances/AV Equipment (down 7.5% on fewer placements related to LCD and plasma televisions, washing machines, and others), and Education/Medical Services/Religion (down 7.4% on cutbacks by language schools).

The method used to estimate Japan's advertising expenditures has been revised.

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

Contents of the revision:

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

(Reference) Comparison of Advertising Expenditures by Medium under the Previous and Revised Methods of Calculation

Previous Method of Calculation (Unit: ¥ billion)

	2006
Major Media	
Newspapers	998.6
Magazines	388.7
Radio	174.4
Television	2,016.1
Subtotal	3,577.8
Promotional Media	
Direct Mail	349.5
Flyers	480.9
Outdoor	273.8
Transit	250.5
POP	184.5
Telephone Directories	115.4
Exhibitions / Screen Displays	345.6
Subtotal	2,000.2
Satellite Media-Related	54.4
Internet	363.0
Total	5,995.4

Revised Method of Calculation (Unit: ¥ billion)

	2006	2007
Major Media		
Newspapers	998.6	**946.2**
Magazines(1)	477.7	**458.5**
Radio	174.4	**167.1**
Television	2,016.1	**1,998.1**
Subtotal	3,666.8	**3,569.9**
Satellite Media-Related	54.4	**60.3**
Internet(2)		
Advertising Placement	363.0	**459.1**
Advertising Production	119.6	**141.2**
Subtotal	482.6	**600.3**
Promotional Media(3)		
Outdoor(4)	394.6	**404.1**
Transit(5)	253.9	**259.1**
Flyers(6)	666.2	**654.9**
Direct Mail(7)	440.2	**453.7**
Free Newspapers / Free Magazines(8)	335.7	**368.4**
POP	184.5	**188.6**
Telephone Directories	115.4	**101.4**
Exhibitions / Screen Displays	345.6	**358.4**
Subtotal	2,736.1	**2,788.6**
Total	6,939.9	**7,019.1**

Note: (1) through (8) denote modified items.

II. Advertising Expenditures in Japan for 2007

TOTAL ADVERTISING EXPENDITURES FOR 2007 REACHED ¥7,019.1 BILLION, UP BY 1.1% OVER 2006

Total advertising expenditures in 2007 rose for a fourth consecutive year, to ¥7,019.1 billion, an increase of 1.1% over 2006. In 2000 overall advertising expenditures recovered after a two-year decline, thanks to a boom in the IT sector. Spending fell again for the next three years, but rebounded in 2004 due to an upswing in the Japanese economy, the proliferation of digital home electric appliances, and the spread of broadband Internet services. Total advertising expenditures continued to expand in 2005 and 2006 (up 2.9% and 1.7%, respectively), and rose again in 2007.

General Characteristics of Advertising Activities in 2007

1. Continued expansion of the Japanese economy helped to push up total advertising expenditures again in 2007. In the first half of the year, spending was flat as compared with the previous year, when the TORINO 2006 Olympic Winter Games and the 2006 FIFA World Cup™ in Germany had boosted demand sharply. Spending recovered in the second half of 2007, however, as a result of the Upper House election, the IAAF World Championships in Athletics Osaka 2007, the Tokyo Motor Show and other positive factors. As a result, total advertising expenditures for 2007 amounted to ¥7,019.1 billion, a year-on-year increase of 1.1%. This marked a fourth consecutive year of growth, although the rate of increase was slightly lower than in 2006.
2. Broken down by medium, Newspaper advertising (down 5.2%) fell sharply. Spending was also lower in Television (down 0.9%). As a result, total advertising expenditures in the four major media (down 2.6%) slipped for a third straight year. In other (non-major) media, spending in Promotional Media rose for a fourth straight year (up 1.9%). This category includes Free Newspapers/Free Magazines, Exhibitions/Screen Displays, and Direct Mail. Satellite Media-Related expenditures remained strong (up 10.8%) on firm demand associated with BS digital broadcasting. Spending on Internet advertising continued to climb (up 24.4%), primarily due to higher spending on search engine and mobile advertising.
3. By industry category (four major media), expenditures were up in Government/Organizations, boosted by spending on the Upper House election, and advertising related to environmental issues. Energy/Materials/Machinery was also higher, on demand from gas companies and pachinko machine makers, together with Precision Instruments/Office Supplies, which saw higher placements for digital cameras and other goods. Overall, year-on-year spending was up in 11 of 21 categories. Meanwhile, Finance/Insurance declined on reduced demand from insurance and consumer finance firms. Automobiles/Related Products and Home Electric Appliances/AV Equipment also posted declines.

Background to 2007 Advertising Expenditures

1. The Japanese economy continued to expand in 2007, although at a weaker pace than in the previous year. Exports, especially to Asian markets, remained strong throughout the year, and both private-sector capital investment and consumer spending held firm. However, beginning in the summer, housing investment declined sharply due to the implementation of the Revised Building Standard Law, and anxiety began to spread in financial markets as a result of the subprime loan problem in the United States. Such factors led to a rapid strengthening of the yen, a sudden collapse in the Japanese stock market, and a sharp rise in oil prices. All the factors served to increase uncertainty about the direction of the economy. In foreign exchange markets, the subprime loan problem sparked concerns about a slowdown in the U.S. economy and pushed down the value of the dollar. Corporate revenues and earnings posted a sixth straight year of growth. The stronger yen in the first half of the year helped manufacturing industries boost exports, and in the non-industrial sector, the real estate industry also posted a year-on-year gain. The Nikkei average stock index started the year at around ¥17,000. It reached a peak of over ¥18,000 in July, then fell sharply throughout the rest of the year as the subprime loan problem generated concerns about the world's financial markets, prompting investors to abandon stocks.

In the area of consumer spending, despite higher sales of food products, department store sales were sluggish due to a weaker demand for apparel and strong competition from shopping centers and stores located in train and subway stations. Weakness in the supermarket sector also carried over from the previous year. Sales of regular domestic passenger cars were significantly lower. Year-on-year sales of new cars picked up in October and November when many new models came onto the market, but the overall number of cars sold fell by 7.6%. Sales of the smaller K-cars (engine displacement up to 60 cc) also fell (down 5.1%), but total sales in this category remained relatively strong. Housing starts fell sharply after July, as soon as the more stringent Revised Building Standard Law went into effect in June. All sectors of the housing market were severely impacted, as same-period sales of residential condominiums, houses for lease, and privately owned homes all plunged significantly. Food services recorded strong growth in overall revenues as the recovery in customer numbers accelerated. The travel industry saw higher spending on both domestic and overseas travel. Theme parks also did very well, despite concerns that the number of visitors might be adversely affected by the unusually hot summer weather. Imported brand-name luxury goods, expensive wristwatches, and jewelry remained very popular, as did other types of premium quality goods. Sales of relatively high-priced rice cookers, shampoo products, beers, ice creams, and others increased compared to 2006. In the home electric appliances category, sales of home air conditioners were hurt by the exceptionally long rainy season. Price reductions lifted sales of LCD and plasma televisions for a second year in a row. Large screen models were especially popular. Sales of DVD recorders declined, but year-end sales were stimulated by the introduction of Blu-ray Disc (BD) and other next-generation DVD recorders. Sales of large-sized refrigerators, and IH rice cookers, cooking heaters, and dehumidifiers were also brisk. The number of subscribers to mobile phone services surpassed the 100 million mark by the end of the year. 1-SEG mobile devices also sold well. The continued popularity of new highly sophisticated digital single lens reflex cameras boosted digital camera sales. It had been expected that the introduction of the new Windows Vista operating system would stimulate replacement demand for personal computers, however domestic PC shipments in the April–September period actually fell by 5.0% compared with the same period in the previous year. The broadband services market continued its steady expansion, and the share of FTTH (optical fiber-to-the-home) services increased significantly.

2. Some of the major new products, hit products and trendy phenomena that had a major impact on the advertising environment during 2007 were the following: low-calorie, nutrient fortified instant cup soup products, chocolates for adults, zero-calorie colas, specified health foods such as oolong teas rich in polyphenyls, premium beers, new beer-like beverages with a strong barley flavor that are being called a "fourth kind of beer," sugar-free low-malt beers (*happo-shu*), sweet wines and cocktails made from tomatoes, premium shampoos costing around ¥1,000, fashionably designed "eco shopping bags," large-capacity refrigerators, high-grade rice cookers, toilet seats with built-in automatic bidet-style washing functions, 1-SEG mobile devices, mobile video game devices with touch pen screens, video game devices with new-generation controllers that resemble TV remote controls, video sharing websites, social networking services (SNS), U.S. military-style exercise DVDs, publication of novels written originally on mobile phones, large-scale commercial facilities like "Tokyo Midtown," and the introduction of electronic money for use in mass transit systems.

Japan's nominal GDP expanded at a rate of 1.3% in 2007, marking the fourth consecutive year of economic expansion. Total advertising expenditure as a percentage of GDP was 1.36%.

III. 2007 Advertising Expenditures Classified by Medium

TELEVISION FELL FOR THE THIRD STRAIGHT YEAR; INTERNET EXPENDITURES CLIMBED 24.4%

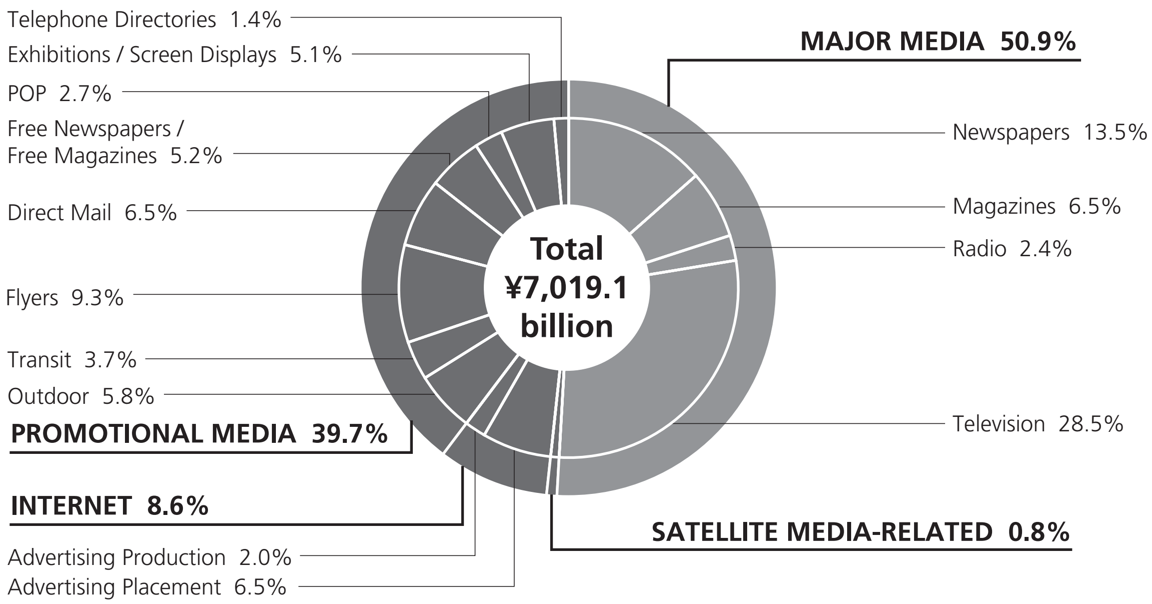
Broken down by medium, spending in Television, the largest component of total advertising expenditures, edged down slightly (0.9%), falling for the third year in a row. Newspapers also slipped for a third straight year (down 5.2%). Magazines and Radio followed a similar trend (down 4.0% and 4.2%, respectively), and as a result total advertising expenditures for the four major media posted a third consecutive year-on-year decline (¥3,569.9 billion, down 2.6%).

In contrast, spending in Promotional Media (¥2,788.6 billion, up 1.9%) grew for the fourth year in a row. Broken down by component, POP increased for an eighth consecutive year, Transit rose for a fifth straight year, Outdoor was up for a second year in a row, and Exhibitions/Screen Displays reversed their downtrend and returned to positive territory. Flyers, however, fell for the first time in five years.

Satellite Media-Related advertising expenditures (¥60.3 billion, up 10.8%) recorded double-digit growth in BS broadcasting, but spending fell in CS broadcasting.

Internet advertising expenditures (¥600.3 billion, up 24.4%) continued to expand steadily, and the component ratio of this segment rose to 8.6%. Key trends for each medium are summarized below.

2007 Advertising Expenditure Component Ratios by Medium



Newspaper Advertising

Spending on Newspapers fell by 5.2%, to ¥946.2 billion.

Newspaper advertising in 2007 saw increased placements related to the Upper House election and health food products; however, overall spending fell back from previous year levels, which had been boosted significantly by the 2006 FIFA World Cup Germany™ and the introduction of the mobile phone number portability system. Newspapers were also hurt by a sharp decline in advertising by automakers and consumer finance firms, which are a major component of spending in this medium. Total expenditures fell by 5.2% compared with 2006.

A breakdown of trends by industry category showed that 6 of 21 categories posted year-on-year gains. Increases were seen in Government/Organizations, Foodstuffs, Transportation/Leisure, and Classified Ads/Others; however, overall expenditures slumped in the face of continued weakness in the conventional mainstay industry categories of Finance/Insurance, Automobiles/Related Products, and Beverages/Cigarettes.

By genre, national dailies and prefectural newspapers slightly outperformed sports newspapers.

Magazine Advertising

Spending on Magazines totaled ¥458.5 billion, a year-on-year decrease of 4.0%.

By industry category, spending was up in categories with high component ratios such as Apparel/Fashion Accessories/Personal Items, Energy/Materials/Machinery, and Classified Ads/Others. However, placements fell in a wide range of other industries, driving down overall spending.

By genre, expenditures were sharply lower in TV programs and city information guides and personal computer magazines. Women's magazines, which command a large share of the market, were boosted by the introduction of new titles, and fashion magazines targeting affluent customers also did well. Overall, however, magazines fared poorly and spending failed to keep pace with previous year levels.

In the spring of 2007 the simultaneous introduction of *AneCan* (Shogakukan), *marisol* (Shueisha), and *GRACE* (SEKAI BUNKA PUBLISHING) attracted widespread attention, as did the introduction of several major new titles aimed at women in the 40–50 year old age group, such as *éclat* (Shueisha) and *Croissant Premium* (MAGAZINE HOUSE). Demand for *JUMP SQUARE* (Shueisha) was so strong that the inaugural issue had to be reprinted. Other new titles introduced during the year were *zino* (KI&Company), *Rolling Stone* (International Luxury Media), *Dear* (Esquire Magazine Japan), and *Bijin Keikaku* (SEISHUN PUBLISHING). The number of both new and discontinued titles increased compared with 2006. Major titles that were discontinued included *dacapo* (MAGAZINE HOUSE), *SAY* (SEISHUN PUBLISHING), *Vingtaine* (Hachette Fujingaho), *LUCi* (Fusosha Publishing), *telepal f* (Shogakukan), *NetRunner* (SOFTBANK Creative), and others. New or revived titles totaled 182, an increase of 21 (13%), and discontinued titles numbered 218, up by 51 (30.5%) from 2006.

Beginning with the present survey, the scope of our estimate of advertising expenditures has been expanded to include industry magazines, specialty magazines and journals, credit card magazines, member magazines, and local town magazines.

Radio Advertising

Expenditures on Radio totaled ¥167.1 billion, a year-on-year decrease of 4.2%.

Many companies in Automobile/Related Products, which is a major industry category of Radio advertising, are showing higher profits in their overseas operations, but unit sales in the Japanese market have been falling every year since 2004. Under these conditions, spending on Radio advertising failed to stage a recovery in 2007. Placements were also lower in key industry categories such as Foodstuffs, Beverages/Cigarettes, and Transportation/Leisure. On the other hand, year-on-year gains were seen in Finance/Insurance, which saw strong advertising demand for products aimed at middle-aged and older consumers, particularly the baby boomer generation. Also higher was Real Estate/Housing Facilities, which was boosted by urban redevelopment activity. Finance/Insurance overtook Automobiles/Related Products for the top share in this medium. Advertising expenditures by Finance/Insurance companies fell in each of the four major media except for radio, where there was a sharp increase in highly effective response-type advertising.

Demand for program sponsorships and spot advertising continued to slip at both AM and FM stations, and the rate of decline increased in 2007.

Overall radio ratings for all stations on an SIU (sets in use) basis are on the rise. This is largely due to the efforts broadcasters have made to completely revamp their programming to better suit the needs of their respective local markets. They have also worked to improve content, made effective use of popular personalities, and carried out cross-media promotional campaigns. Ratings of evening baseball games, which are an important content area for radio, are rising.

In recent years, the number of community FM stations has been growing at a rate of 7 to 10 a year, but the number jumped to 15 new stations in 2006, and a further 16 stations opened in 2007, making a total of 216 such stations in operation as of the end of the year under review. Total spending in this format continued to rise, reflecting both growth in ad placements at existing stations and the addition of new stations.

In April, digital radio entered a new stage of development and began to implement full-scale operations. Internet radio and podcasting also gained momentum.

Television Advertising

Spending on Television in 2007 totaled ¥1,998.1 billion, a fall of 0.9% compared with the previous year. A breakdown of these results showed that spending on program sponsorships reached ¥877.3 billion (down 0.6%) and spot advertising totaled ¥1,120.8 billion (down 1.1%).

Spending on regular program sponsorships shrank slightly, and advertising for ad hoc program sponsorships was hurt by a shortage of major events as compared with 2006. Overall expenditures declined by 0.6%. Advertising for ad hoc program sponsorships was helped to some extent by events such as the IAAF World Championships in Athletics Osaka 2007 and the 12th FINA World Championships Melbourne 2007, but this was not enough to match the demand created in the previous year by the TORINO 2006 Olympic Winter Games, the World Baseball Classic (WBC), the 2006 FIFA World Cup Germany™, the 2006 FIVE Volleyball World Championships Japan, and other major sporting events that were broadcast nationwide. Ad hoc program sponsorships were also hurt by a drop in the number of evening baseball games, as well as by a fall in unit advertising rates. Meanwhile, both nationwide and local networks saw a shift away from ad placements in regular programs, as major advertisers cut fixed costs and shortened the periods of their ad campaigns. A decline in the number of regular programs also dampened vitality in this category.

Spot advertising posted year-on-year gains in the January–March and July–September quarters, but fell sharply in the April–June and October–December quarters. Overall spot advertising declined for a second straight year (down 1.1%).

By region, monthly spending fluctuated widely in the three key markets of Tokyo, Osaka and Nagoya, and was down overall by about 2%. This trend also extended to local markets, where lower advertising volumes intensified competition among stations for market share and put downward pressure on prices for new advertising contracts.

Placements trended lower in the major industry categories that conventionally account for a large share of Television advertising. Although the Japanese economy continued to grow in 2007, the pace of expansion clearly slowed, and while some industry categories performed very well, this economic vitality did not extend to those companies in the consumer sales sector that typically support television advertising. More specifically, expenditures in Finance/Insurance fell for a second straight year as consumer finance firms cut back on advertising placements in both program sponsorships and spots, and insurance companies reduced spending in the face of criticism about non-payment of insurance claims. Spending, especially on spot advertising, was also lower in industry categories such as Automobiles/Related Products and Home Electric Appliances/AV Equipment, where domestic sales were weak despite strength in overseas markets. On the other hand, demand was strong on the part of companies in the health or environmental sectors, and spot placements were higher in Pharmaceuticals/Medical Supplies and Foodstuffs. Spending was also up significantly in Government/Organizations on demand related to the Upper House election, however the composition ratio of this industry category was relatively low.

Advertising Production Costs for the Four Major Media

Advertising production costs for the four major media totaled ¥343.4 billion, a decline of 1.1% from the previous year. Of this amount, production of television commercials accounted for ¥220.6 billion, which was a gain of 1.2% from 2006. (Please note that advertising expenditures by medium include relevant advertising production costs.)

Overall advertising production costs in the four major media remained sluggish through the summer of 2007. Spending recovered in the second half of the year on the strength of demand created by the Upper House election, and an increase in spending by pachinko machine makers, but totals failed to reach previous year levels.

By medium, production costs in Television advertising posted year-on-year gains throughout the year and this segment appears to have recovered from its downturn. The October–December quarter was not particularly strong, but results for the full year more than made up for the losses posted in 2006. Newspapers and Magazines, on the other hand, edged lower compared with 2006. The downward slide in Radio seems to have finally bottomed out, as spending held steady at previous year levels. Celebrities and popular characters continued to be used widely in this category, as has been the case for the past several years.

Broken down by industry, major contributors to spending, such as Information/Communications and Beverages/Cigarettes, continued to drive growth. Expenditures were also higher in industry categories that targeted individual consumers, such as Cosmetics/Toiletries and Hobbies/Sporting Goods, and this may be taken as a sign that consumer spending is beginning to recover. On the downside, Automobiles/Related Products, Home Electric Appliances/AV Equipment and Finance/Insurance posted year-on-year declines.

Satellite Media-Related Advertising

Spending on Satellite Media-Related advertising grew by 10.8% year on year, to ¥60.3 billion.

CATV subscriber households continued to expand steadily, boosted by the introduction of terrestrial digital broadcasting services and aggressive marketing by the CATV industry, as well as by steady growth in ad placements by regional advertisers. Overall expenditures grew 7.1% compared to 2006.

Spending in CS broadcasting leveled off (down 2.5%) compared with the rapid rates of growth recorded in the last several years. Growth in new subscribers was sluggish. Placements by mail-order firms (especially for health food product promotions) were up, but demand was weaker in music, sports, and news channels.

In BS broadcasting, strong sales of digital televisions pushed up the number of subscriber households. Against this background, placements related to the "BS-Surpass 30 million subscribers" and other promotional campaigns, strong demand from major clients for placements in new regular programming, and continued strength in the mail-order segment helped this medium to post a gain of 24.4% compared with the previous year.

In contrast to the stable growth of digital media, spending in Teletext broadcasting plunged another 32.5% year on year due to slow dissemination of the required hardware and a lack of new demand.

Internet Advertising

Spending on Internet advertising (including both advertising placement and production costs) was up 24.4% year on year, to ¥600.3 billion. Internet advertising placements totaled ¥459.1 billion (including ¥62.1 billion for mobile advertising and ¥128.2 billion for search engine advertising), a gain of 26.5%. Advertising production costs for Internet advertising grew 18.1%, to ¥141.2 billion.

In 2007 the percentage of the Japanese population using the Internet climbed to 68.5%, and the shift to broadband Internet and mobile connections accelerated. With the high penetration rate of broadband, it has become commonplace for users to access video content on the Internet, and the size of banner advertisements has increased. Internet advertising has become richer in its modes of expression, and companies are now looking not only at conventional considerations of cost efficiency, but are also using the Internet as part of their corporate branding campaigns.

Search engine marketing (SEM) is expanding more rapidly than any other Internet-related medium. Spending shot up by 37.8% to a total of ¥128.2 billion in 2007. In addition to growing demand on the part of advertisers attracted by the cost-effectiveness of SEM, cross-media approaches using television commercials to promote access to websites have become standard procedure. Moreover, the emergence of new techniques such as behavioral targeting advertising is contributing significantly to the expansion of the SEM market.

Mobile advertising is gathering momentum as well. The total number of mobile phone units in use in Japan is still expanding, and has now reached the152 million level (as of December 2007). The use of mobile advertising by top global clients in the beverage and automobile industries as part of their nationwide mass campaigns continued in 2007, and total spending in this medium reached ¥62.1 billion (up 59.2%). This includes ¥8.5 billion in mobile search engine advertising. The spread of 3G mobile devices and fixed rate services has led to the creation of networks with higher connection speeds and higher data capacity. As a result, the effectiveness of mobile advertising has increased, and this, together with the development of new mobile advertising products, is helping to stimulate the growth of this market. As regards advertising applications in this medium, demand for conventional page view advertising at free portal sites is increasing. Social networking services (SNS) are continuing to expand, and new advertising methods have been developed that target this market. Mobile search services are also becoming well established. Mobile advertising is therefore not only showing significant growth in volume, it is also expanding steadily into new genres.

Advertising production costs for campaign websites, banners, and other aspects of Internet advertising are increasing against a background of growing demand for more sophisticated and versatile interactive marketing programs. The market as a whole is expanding steadily. Various methods have been introduced that make very effective use of original video content, blogs, cross-media approaches and others.

Promotional Media Advertising

Promotional Media expenditures totaled ¥2,788.6 billion, up 1.9% from the previous year. This marks a fourth straight year of growth. (Please note that "Promotional Media" has replaced the former "Sales Promotion" category.)

By component, growth in Free Newspapers/Free Magazines, which is now being included in these estimates for the first time, leveled off somewhat in 2007, but there was strong growth in the magazine sector as many new titles were introduced that targeted an increasingly wide range of consumers. The Tokyo Motor Show contributed to higher spending in Exhibitions/Screen Displays, and Direct Mail also posted solid gains, helped by the inclusion this year of spending on private mail delivery services. Outdoor, Transit and POP advertising all grew for a second year in a row. In the Outdoor component, a large drop in neon signs was offset by higher expenditures on billboards, poster boards, advertising banners, and commercial facility media. Transit advertising was up for a second straight year, especially in the Tokyo area, on continued strong demand from beverage companies, along with higher placements by clients in temporary job placement services, consumer finance and entertainment industries. In the POP component, many makers of home electric appliances, mobile phones, beverages, and others made active use of POP advertising to promote in-store sales. Flyers, on the other hand, fell for the first time in five years as major advertisers cut back on placements.

Overall, advertisers continued to carefully review the cost-effectiveness of their advertising outlays. Although the performance of media and production companies varied depending on the location and scale of their respective businesses, nevertheless Promotional Media activities remained very strong and total expenditures continued to expand in 2007.

Outdoor advertising expenditures were up 2.4% year on year, to ¥404.1 billion. Spending was up for a second straight year, although the pace of growth slackened. Neon signs fell sharply compared to 2006, but this was more than made up for by an upturn in demand for billboards, poster boards, advertising banners, and commercial facility media. Spending on billboards was driven by replacement demand from automobile retailers, and by the privatization of Japan Post. Placements were also higher in the real estate and leisure industries. Although leasing fees and production costs for billboards in highly desirable locations in urban areas and along expressways have been trending downward as clients opt for simpler designs, most of such spaces are now full. As a result, there was little movement in this medium during the second half of 2007. The pace of the decline in spending on neon signs was unusually severe. Many consumer finance firms removed their signs, and a significant number of these spaces were acquired by new clients who chose externally illuminated billboards over neon.

In poster board and banner advertising, demand remained firm from companies in the beverage, automobile, and music industries, and in the last few years these media have become a standard fixture in many outdoor ad campaigns. This trend is beginning to spread to other industry categories and is likely to continue for some time. Placements in large screen advertising and sports stadium billboards were about the same as in the previous year. Commercial facility media attracted a lot of attention, especially with the opening in 2007 of a major shopping complex in Roppongi. Also, the use of so-called "Christmas illumination" has become a traditional part of ad campaigns during the Christmas season, and this was also partly responsible for the strong growth in spending in this sector.

Transit advertising expenditures were up 2.0%, to ¥259.1 billion. Overall spending in transit advertising, especially in the Tokyo area, grew again in 2007, driven by continued strong demand from the beverage industry, and higher placements by clients in the temporary job placement, consumer finance, and entertainment industries. By region, demand was boosted in the Tokyo metropolitan area as a result of the introduction in March 2007 of the PASMO IC-card ticketing system. This rechargeable card can be used on all major subway, private railway and bus lines in the Tokyo area and is also compatible with the Suica card introduced earlier for use on JR lines. Passenger convenience has improved dramatically, as it has now become possible to ride virtually all types of public transit in the Tokyo region using a single pre-paid card. Spending in the Nagoya area has remained strong since The 2005 World Exposition, Aichi, Japan. The transit market has been weak in the Osaka area in recent years, but subway lines there have revised their marketing methods and all of the transit companies are implementing various strategies to increase advertising sales. Completion in 2012 of the major redevelopment project currently underway in the Osaka station district is expected to mark a major turning point in this market.

By industry, the notable decline in placements by publishing companies in recent years is continuing. Publishing firms now account for less than 50% of all hanging poster advertising in some electric railway systems. On the other hand, advertising activity was strong among temporary job placement companies, consumer finance companies, pachinko machine makers, and providers of mobile media contents. Placements by communications companies rose sharply in 2006 due to the introduction of the mobile phone number portability system and the entry of new players in the market, but leveled off in 2007. In other developments, installation of the JR train channel, which has gained a considerable reputation in recent years, has now been completed on all train cars on the JR Yamanote Line, and its popularity is growing even further as the system is gradually expanded to the JR Chuo Line. Moreover, the opening of the Tokyo Metro Fukutoshin Line in June 2008 is expected to further stimulate travel in the greater Tokyo area. In the bus sector, some bus companies posted gains in exterior advertising, but on the whole, the slide in bus wrap and on-board bus advertising continued, and total expenditures in this medium fell again in 2007. Airport advertising, which has been included in this survey for the first time, showed solid growth, particularly in illuminated billboards. Taxi advertising also recorded gains, on higher placements by credit card companies, rental condominiums, and various service industries.

Flyer advertising expenditures were down 1.7%, to ¥654.9 billion. Year-on-year spending was weaker throughout the country. The rate of decline was more severe in regional districts than in urban centers. Some reasons for this result were cutbacks in advertising by pachinko machine makers due to a tightening of regulations, and by automobile dealers in response to falling sales in the domestic market. Demand was firm from supermarkets and general merchandise stores (GMS) in urban centers, but was sluggish in regional districts where the number of medium and small-sized retailers is shrinking due to inroads by subsidiaries and franchises of major retailers, as well as M&A activities. Strong demand for help-wanted advertising carried over from the previous year.

DM advertising expenditures rose 3.1% year on year, to ¥453.7 billion. Demand for Direct Mail was boosted in 2007 by a number of positive factors, such as nationwide local elections, the Upper House election, increasingly fierce competition among mobile phone companies, the privatization of Japan Post, the beginning of large-scale retirements of baby boomers, and the expansion in services provided by private delivery companies. As a result, Direct Mail postal fees and private delivery fees posted year-on-year gains. "Town Mail" delivery services (allowing blanket general delivery to all addresses in a specific area) are also expanding significantly. Bulk mailings of direct mail were flat (envelopes down somewhat while direct mail postcards rose slightly) and ordinary mail recorded only minor gains. The decrease in use of envelopes was apparently due in part to a shift to media with lower mailing costs, such as postcards, booklet parcels, and private mail services. Another factor was the shift away from mass mailings using general mailing lists to smaller-scale, more targeted approaches as a result of the full implementation of the Personal Information Protection Law, and an increase in the practice of inserting flyers directly into consumer mailboxes ("posting"). By industry, demand was very strong from communications and finance companies, as well as from firms marketing high-priced luxury goods, travel packages, and financial products to baby boomers.

Free Newspaper/Free Magazine expenditures totaled ¥368.4 billion, a year-on-year gain of 9.7%. Advertising in free newspapers and free magazines has been included in these estimates for the first time this year. Although spending growth in this medium has slowed somewhat, it is still posting gains in the double-digit range. According to the report "2006 Free Papers in Japan" published in May 2006 by the Japan Free Newspapers Association (JAFNA), there were 1,200 free newspapers in Japan, with a total free newspaper/free magazine circulation of nearly 294 million copies.

In the beginning, most of these free newspapers were tabloids that targeted women and were geared to local markets, like *Sankei Living Shimbun*, *Pado*, and *The Tokyo Shimbun Shopper*. Since 2000, however, new magazine-type titles have appeared in rapid succession, including *R25* (RECRUIT), which was first published in 2004. The free magazine medium has thus attracted increasing attention as it has expanded and developed.

By industry, the majority of advertising in this medium targets women and is related to gourmet foods and cooking, shopping, beauty, culture centers, and real estate. In recent years, however, the scope of the target audience has widened to include young people, businessmen, and senior citizens, and this has attracted a diverse new range of advertising in areas such as communications (mobile phones), movies, and investment. This trend is likely to continue for some time.

POP advertising expenditures increased 2.2%, to ¥188.6 billion. The year 2007 saw an upturn in consumer sentiment, and POP advertising activities increased across a wide spectrum of industries. Prominent was the home electric appliance industry, where different manufacturers used POP advertising at volume retailers as a means of distinguishing their products from those of rival companies. In a trend carrying over from the previous year, mobile phone companies and beverage makers introduced many new products during the year, and used POP advertising as part of their promotional campaigns for these new products. On the other hand, in comparison with the previous year (which had seen the TORINO 2006 Olympic Winter Games and the 2006 FIFA World Cup Germany™), there were few major events in 2007, and as a result there was a contraction in POP spending associated with large-scale sponsorship-based ad campaigns. In terms of the overall market, total POP spending posted solid gains once again in 2007.

Telephone Directory advertising expenditures fell 12.1%, to ¥101.4 billion. Spending in this medium has declined for nine years in a row, dating back to 1999. The downturn in spending in this segment was especially strong in 2007 in the large urban markets (Tokyo's 23 wards, Osaka, Aichi Prefecture), where year-on-year spending fell by 14.8%. In November 2006 steps were taken to improve the product quality by grouping together the mot popular business categories, in the hope that this would attract more users and increase revenues, but conditions remain severe in this medium.

Exhibitions/Screen Display advertising expenditures totaled ¥358.4 billion, up by 3.7%. Exhibitions overall recorded significant gains in 2007 compared with their sluggish performance in the previous year as a result of strong demand generated in November by the Tokyo Motor Show, the IAAF

World Championships in Athletics Osaka 2007, in August, and by the 39th World Skills Competition 2007 in Shizuoka.

In Exhibitions, as was the case in 2006, corporate integration, especially in the finance industry, generated high levels of PR activity and new Corporate Identity (CI) programs. This, together with the opening of new stores, helped boost orders significantly. Advertising and sales promotion activities in major industry categories remained strong, especially in the automobile industry, where international competition is heating up significantly, the home electric appliance industry, which is seeing increased shipments of flat-panel televisions, and the mobile phone industry, where the introduction of the mobile phone number portability system has intensified competition. On the other hand, museums and other public facilities cut their display budgets significantly, shrinking the size of the overall market, which remained in the doldrums. Severe competition continues to put pressure on production and costs, making it more difficult to secure profits.

As was the case with Exhibitions, nearly all screen display (video) and hardware-related firms in the Screen Displays sector posted substantially higher sales as compared with 2006. However, while the value of total orders is increasing as a result of media diversification in the booming promotions sector and technical innovations in broadband and communications, it is becoming increasingly difficult to post profits. It is likely for the time being that rising production volumes will be accompanied by declining client budgets.

IV. 2007 Advertising Expenditures Classified by Industry (Four Major Media)

SPENDING UP IN GOVERNMENT/ORGANIZATIONS AND ENERGY/MATERIALS/MACHINERY

Outline of Advertising Expenditures by Industry (21 Categories, Four Major Media Only)

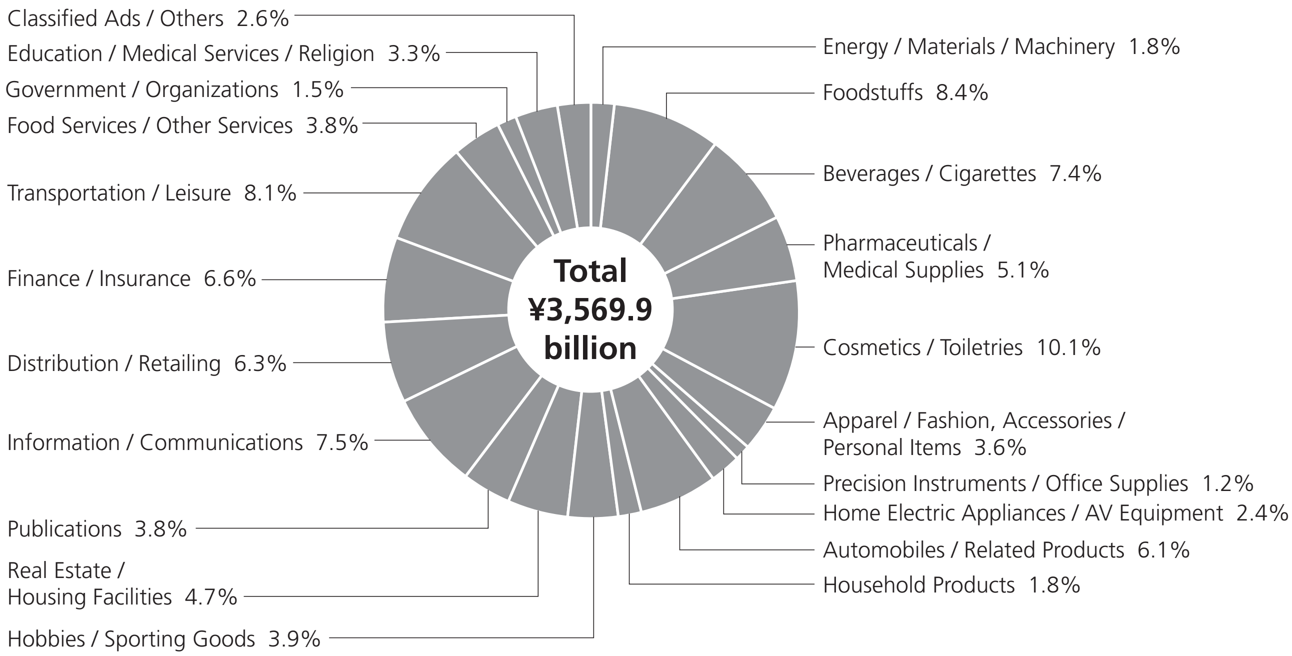
Expenditures increased in 11 of the 21 industry categories surveyed, compared with 8 of the 21 categories in 2006. Two categories posted double-digit growth.

Among the industry categories where spending increased, double-digit gains were seen in Government/Organizations (up 24.0%) as a result of demand created by the Upper House election and higher placements related to government publicity on environmental issues, and Energy/Materials/Machinery (up 15.4%) on aggressive advertising by gas companies, makers of entertainment equipment (pachinko machines) and related products. Brisk activity in digital cameras boosted Precision Instruments/Office Supplies (up 5.4%), and Apparel/Fashion, Accessories/Personal Items (up 3.8%) saw higher placements related to women's clothing, jewelry products and accessories, handbags, and others. Real Estate/Housing Facilities (up 3.5%) was helped by strong advertising demand from companies in the condominium and home building industry, and Pharmaceuticals/Medical Supplies (up 2.8%) rose on placements for health drinks, general health supplements, and cold remedies.

On the other hand, spending fell in 10 industry categories, led by Finance/Insurance (down 19.2%), which slipped for the second year in a row, primarily due to cutbacks in advertising by insurance companies, consumer finance firms and credit card companies. Automobiles/Related Products also declined (down 7.7%), as placements were lower across the board for domestic passenger cars, wagons, minivans, SUVs and imported cars. Home Electric Appliances/AV Equipment (down 7.5%) was hurt by a fall in activity related to LCD televisions, plasma televisions and washing machines. Expenditures declined in Education/Medical Services/Religion (down 7.4%) on advertising budget cuts in the areas of correspondence education and English conversation companies/language schools. Hobbies/Sporting Goods (down 5.7%) saw lower spending on advertising for video game machines and game software, while spending also declined in Distribution/Retailing (down 4.8%), and Beverages/Cigarettes (down 4.6%).

Eleven industry categories posted gains, but three categories, Government/Organizations, Energy/Materials/Machinery and Real Estate/Housing Facilities, accounted for nearly 60% of the total increase (57.1%). On the other hand, more than half of the losses (52.9%) came in just two categories, Finance/Insurance and Automobiles/Related Products.

2007 Advertising Expenditure Component Ratios by Industry in the Four Major Media



A Breakdown of Advertising Expenditures by Industry

1. **Energy/Materials/Machinery:** Up 15.4%, with a 1.8% component ratio.
Advertising expenditures in this category climbed for the fifth year in a row. Demand remained strong for corporate advertising by gas companies and materials manufacturers (mining, steel, etc.), and gasoline advertising, which fell in 2006, bounced back in 2007. Makers of entertainment equipment (pachinko machines) also upped their outlays. Spending was higher throughout the industry, with the exception of electric power companies, which fell sharply after having posted steady gains through 2006. By medium, spending was up in all media, and Television posted especially strong growth.

2. **Foodstuffs:** Up 0.1%, with an 8.4% component ratio.
Spending rose for the first time in six years, although the rate of increase was narrow. Spending on ads for dairy products (yogurt, cheese, etc.), meat products (fresh fish, fresh meat), frozen foods, retort pouch foods, health foods, *natto* (fermented soybeans), and *tsukudani* (fish boiled in soy sauce) was strong, and other food products (*udon* noodles, *mochi* rice cakes, *tsukemono* pickled vegetables, and others) also posted gains. Corporate advertising placements by producers of seasonings and dairy companies were stronger as well. On the other hand, seasoning sauces (barbecue sauces, mayonnaise, stock sauces), snack foods, chocolates, instant noodles, and beauty-related food products showed year-on-year declines. By medium, expenditures rose in Newspapers, supported primarily by ads for health foods. Television, which is the largest component of spending in this category, reversed its downtrend on strong demand from dairy and health food companies, and this was largely responsible for the gains posted by the industry as a whole.

3. **Beverages/Cigarettes:** Down 4.6%, with a 7.4% component ratio.
Annual expenditures slipped for a third straight year in 2007. Among non-alcoholic drinks, placements for black tea, mineral water, blended teas and other tea products did well, but major products such as canned coffee, Japanese green tea, energy and beauty drinks, and carbonated soft drinks all fell sharply. Among alcoholic beverages, some products, such as domestic beers and *shochu* (a distilled liquor) posted gains, but overall spending in this sector was lower as placements for *happo-shu* (low-malt beer, and other beer-like beverages) and pre-mixed cocktails declined. Spending was lower in all media, but the fall in Television was minimal due to robust demand from makers of tea drinks and carbonated soft drinks.

4. **Pharmaceuticals/Medical Supplies:** Up 2.8%, with a 5.1% component ratio.
Expenditures bounced back in 2007 after declining in the previous year. Spending was firm on health supplements (health drinks and general health supplements), cold remedies, remedies for muscular pain, plasters, prescription medications/medical trials/others, eyeglasses, contact lens care products, and *onkyuki* (moxa-burning external pain relievers). On the other hand, placements were down for several key products such as digestive aids, pain relievers and fever reducers, dermatological medicines, treatments for scratches, and corporate advertising by manufacturers of prescription medications. Spending was up in all major media except Newspapers. Television, which has a very high share of total advertising in this category, recorded particularly strong growth.

5. **Cosmetics/Toiletries:** Down 2.3%, with a 10.1% component ratio.
Spending in this category fell for a third straight year. In cosmetics, strong performers were hair-coloring agents, skin toners, fragrances, deodorants, and general cosmetics. In contrast, advertising for mainstay products such as shampoos/conditioners, hair growth/hair restoration tonics, moisturizing creams, foundation, and wigs declined. Among oral hygiene products, placements for toothbrushes were higher, but fell in the key category of toothpastes. In toiletries, meanwhile, advertising for soaps (beauty soaps, body shampoos, facial cleansing foams) was generally down. In detergents, spending rose in dishwashing detergents, fabric softeners, and bath agents, but demand was sluggish in laundry

detergents and home cleaning agents. In hygiene products, ads for disposable diapers for babies were higher. Spending fell in every medium except Radio, with particularly sharp declines in the print media.

6. **Apparel/Fashion, Accessories/Personal Items:** Up 3.8%, with a 3.6% component ratio.
Strong demand from makers of women's clothing, jewelry products and accessories, and handbags pushed up spending in this category for the fifth straight year. In fashion, expenditures on mainstay products such as women's clothing, foundation garments, and general clothing rose, while activity was weak in men's clothing and casual wear. In accessories, placements were higher for many key components of spending such as jewelry products and accessories, handbags, men's and women's dress shoes, and casual shoes. Expenditures rose in all media, primarily due to the strength of Magazine advertising, which was boosted by a significant increase in ads for women's clothing and handbags, and Television, where demand for spot advertising was strong.

7. **Precision Instruments/Office Supplies:** Up 5.4%, with a 1.2% component ratio.
Spending grew again in 2007, and the pace of growth accelerated compared with the previous year. Ad placements for digital cameras, a mainstay product in this category, were higher in all media, and demand for corporate advertising was higher among film manufacturers and other companies. Placements for wristwatches, however, fell for the first time in several years. By medium, expenditures rose in Television and Magazines, but fell in Newspapers.

8. **Home Electric Appliances/AV Equipment:** Down 7.5%, with a 2.4% component ratio.
Expenditures in Home Electric Appliances/AV Equipment fell for the first time in five years. Placements for vacuum cleaners and beauty appliances, electric shavers and DVD players were firm. However, advertising for LCD and plasma televisions fell back compared to the high levels seen in 2006 when terrestrial digital broadcasting was introduced. Placements also fell for washing machines, home air conditioners, and VTRs. Spending was lower in all major media.

9. **Automobiles/Related Products:** Down 7.7%, with a 6.1% component ratio.
Expenditures fell for a third consecutive year, and the rate of decline increased compared with the previous year. In automobiles, placements were down sharply for mainstay products such as domestic passenger cars, wagons, minivans, SUVs, and imported cars. Among related products, spending was lower on advertising for tires, car navigation systems and other automotive goods. Corporate advertising related to environmental issues and the Tokyo Motor Show rose sharply. By medium, Television dipped slightly, while all other media were significantly lower.

10. **Household Products:** Up 1.1%, with a 1.8% component ratio.
Expenditures bounced back in 2007 for the first time in three years, led by sharply higher outlays for mainstay products such as deodorizers, electric insect traps, and water purifiers. Spending was also strong in memorial goods (Buddhist altars and related goods), and corporate advertising (as a result of recalls of defective water heaters). On the other hand, demand weakened in the areas of furniture, insect repellents and air fresheners. By medium, corporate advertising and placements for water purifiers boosted Newspapers and Television, but Magazines and Radio both posted year-on-year declines.

11. **Hobbies/Sporting Goods:** Down 5.7%, with a 3.9% component ratio.
The previous year's recovery proved short lived as spending fell back again in 2007. In hobbies, demand remained firm from game software makers, but fell in most other goods. Among AV goods, although audio software and DVD software posted gains, video software fell sharply. Pet foods and pet products, which had been a major source of support, were generally lower. In sporting goods, demand

was firm for fishing gear and others, as well as sportswear, but year-on-year spending was down in the mainstay category of golf-related products. Expenditures fell in all media, but the decline was minimal in Television due to robust growth in ad placements for software products.

12. **Real Estate/Housing Facilities:** Up 3.5%, with a 4.7% component ratio.
Spending increased for the fifth straight year, and the pace of growth accelerated. In real estate, demand held firm in the areas of condominiums, model homes, and brokerage/land-space exchange, but dropped off in residential housing and home renovation, which are major components of spending in this category. In housing facilities, key products such as central power elements (solar power generation systems and others), home security systems, and toilet systems saw sharp gains. Corporate advertising by companies specializing in residential construction or renovation, construction companies, and residential leasing companies also jumped significantly. By medium, spending in Television and Radio was sharply higher due to strong demand from corporate advertising. Newspapers and Magazines fell due to cutbacks in advertising for houses, vacation homes, and vacation lots.

13. **Publications:** Down 4.2%, with a 3.8% component ratio.
Spending was weak overall and fell for the third year in a row. In magazines, activity was brisk in some hobby-related magazines and women's and home magazines, but Publications as a whole was depressed by year-on-year falls in weekly magazines, and general and entertainment magazines. In books, advertisements were up in both paperback and hardcover books. Newspaper advertising was up sharply, boosted by corporate advertising. By medium, year-on-year spending rose again in Radio, but fell in Newspapers, Magazines, and Television.

14. **Information/Communications:** Down 1.0%, with a 7.5% component ratio.
Spending fell for the fourth straight year, but the rate of decline narrowed. Activity was very brisk in mobile phones due to a number of positive factors that attracted much attention, such as the introduction of phones with improved functions, diversification in services, and a shift to lower phone rates. Advertising for computer software (system software) and Internet services was much higher than in 2006. On the other hand, advertising for personal computers and printers leveled off, and spending fell in the areas of domestic phone services and corporate advertising (imaging technology and environmental issues). By medium, expenditures rose in Television, which was boosted by higher ad placements for Internet services, mobile phones and corporate advertising.

15. **Distribution/Retailing:** Down 4.8%, with a 6.3% component ratio.
Expenditures fell for the third year in a row. Advertising demand from commercial facilities such as shopping malls and convenience stores remained firm, but major components of spending, including mail-order businesses and department stores, remained sluggish. Supermarkets and volume retailers also suffered year-on-year declines. However there were signs of a recovery in advertising by department stores, which had been trending downward, as spending held steady at previous year levels. By medium, Newspapers were hurt by a fall in placements by volume retailers, and Television experienced a drop in demand from supermarkets and mail-order businesses. Spending fell in all four major media.

16. **Finance/Insurance:** Down 19.2%, with a 6.6% component ratio.
Expenditures trended lower again in 2007 and the rate of decline was greater than the previous year. Spending by insurance companies, consumer finance firms, and credit card companies were down sharply. In the securities sector, placements by investment trusts (foreign investment funds) and corporate advertising placements by securities companies were significantly higher. Demand remained firm again in the banking sector, which posted similar large gains in 2006. In contrast, activity was

sluggish in both life insurance (hospitalization, etc.) and non-life insurance (primarily car insurance). Consumer finance firms voluntarily cut their advertising outlays in half as a sign of self-restraint after a number of public scandals. Spending by credit card companies, which had been growing steadily in recent years, also fell dramatically. By medium, year-on-year spending fell significantly in Newspapers and Television due to cutbacks by insurance companies, consumer finance firms, and credit card companies.

17. **Transportation/Leisure:** Up 0.6%, with an 8.1% component ratio.
Spending in this category recovered in 2007 on the strength of placements related to transportation and travel. In travel, advertising by travel agents, hotels, and inns was strong, and the JR (Japan Railway) Group as well as private railways also boosted their placements significantly for travel and IC-cards compared with the previous year. In leisure-related advertising, demand was solid from seminars, events, concerts and musicals, but fell in other leisure facilities, theme parks, and publicly managed racing. By medium, Television was up, helped by JR Group and travel agency advertising, but Newspapers, Magazines and Radio were hurt by overall weakness in the leisure sector.

18. **Food Services/Other Services:** Up 2.1%, with a 3.8% component ratio.
Spending was up for a fourth consecutive year. Advertising demand in the food services sector (restaurants), which is the major contributor to advertising expenditures in this category, held firm throughout the year, and placements by wedding information services, aesthetic salons, and consulting and research services were also higher. Advertising by rental firms was also up, together with wedding halls, barbershops, beauty salons and spas. On the downside, activity was weaker in mainstay sectors like door-to-door delivery and moving services, security services, and temporary job placement services. By medium, Television and Radio both enjoyed year-on-year growth on the strength of advertising by restaurants and other services.

19. **Government/Organizations:** Up 24.0% with a 1.5% component ratio.
Expenditures rose sharply thanks to demand created by the Upper House election and government publicity related to environmental issues. By medium, expenditures were higher in Television and Newspapers, largely due to an increase in placements by political parties.

20. **Education/Medical Services/Religion:** Down 7.4%, with a 3.3% component ratio.
Growth fell for the third straight year, and the pace of decline accelerated. Demand was strong among preparatory schools and tutoring schools as well as facilities for senior citizens, but weakness in schools, vocational schools and various other schools, correspondence education, and hospital/nursing services, depressed overall spending in this category. Expenditures fell in all media, hurt by lower placements by correspondence education and English conversation companies/language schools.

21. **Classified Ads/Others:** Up 1.1%, with a 2.6% component ratio.
This category enjoyed a fourth consecutive year of growth, although the pace of growth slackened compared with 2006. Demand remained weak for classified ads, but expenditures by corporate groups, and multi-industry, small-space joint advertising posted healthy gains. Advertising on an ad hoc basis (notices of apology, etc.) was higher.

Quarterly Breakdown of Growth in Advertising Expenditures in the Four Major Media in 2007

A quarterly breakdown of advertising spending in the four major media revealed that spending grew by 0.2% year on year during the July–September quarter on demand created by positive factors such as the Upper House election and the IAAF World Championships in Athletics Osaka 2007, but posted year-on-year losses during the three other quarters.

(Year-on-year basis in %)

	2007 (Full Year)	Jan.–June	July–Dec.	Jan.–Mar.	Apr.–June	July–Sept.	Oct.–Dec.
Advertising Expenditures in the Four Major Media	97.4	96.8	97.9	97.9	95.8	100.2	95.8

Outlook for 2008 Advertising Expenditures

The Beijing 2008 Olympic Games Are Expected to Help Boost Growth by 1.7% in 2008

Total advertising expenditures are forecast to reach ¥7,135.4 billion in the 2008 calendar year, an increase of 1.7% compared with 2007. There are concerns that an economic slowdown in the United States may dampen growth in the world economy, but the Beijing 2008 Olympic Games and other positive factors are expected to stimulate active advertising demand across a wide range of industry categories.

In 2008 the Japanese economy will continue to expand; however, the pace of growth, which until now has been driven primarily by exports and corporate capital investment, may slow somewhat as the U.S. economy cools and the world economy decelerates. Growth in corporate earnings is likely to be sluggish due to the effects of the strong yen and rising costs of raw materials. Recovery in consumer spending will also be sluggish. However, the corporate business environment is expected to see a number of changes in 2008, including market reorganization in some industries and further expansion of the market for IT- and digital-related goods.

Many factors are expected to positively impact the advertising environment in 2008, including the Beijing 2008 Olympic Games, the G-8 Hokkaido Toyako Summit, and increased concerns about the environment.

Many industry categories are expected to continue advertising aggressively in 2008. Expenditures are forecast to increase in Information/Communications as more new mobile phone products and services enter the market. The same is true in Home Electric Appliances/AV Equipment, where companies will battle for market share as they introduce new thin-screen televisions and other increasingly sophisticated home appliances. Finance/Insurance will see higher placements for financial products targeting so-called baby boomers and senior citizens. Spending will also grow in Transportation/Leisure on strong demand from travel companies and leisure facilities. Apparel/Fashion, Accessories/Personal Items will see increased activity by overseas brands, and Food Services/Other Services, Government/Organizations, and others are also expected to post year-on-year gains.

As a result, we forecast that total advertising expenditures in 2008 will rise by 1.7% year on year, that spending in the four major media will fall by 0.8%, and that advertising outlays in media other than the four major media will rise by 4.2%, driven primarily by growth in Promotional Media and Internet advertising.

	2007 (Actual)	**2008 (Forecast)**
Total Advertising Expenditures (¥ billion)	7,019.1	**7,135.4**
Comparison with Previous Year (%)	101.1	**101.7**

Note: The estimates of total advertising expenditures for 2008 are based on forecasts of the performance of the Japanese economy along with analyses of advertising trends in the various advertising media and industry categories. Broken down by medium, spending in the four major media is estimated to fall by 0.8%, and expenditures in the non-major media are anticipated to rise by 4.2% compared with 2007.

APPENDIX 1

Japan's GDP and Advertising Expenditures (1985–2007)

	Year	Gross Domestic Product (B)		Advertising Expenditures (A)		A / B (%)
		GDP (¥ billion)	Compared to Previous Year (%)	Advertising Expenditures (¥ billion)	Compared to Previous Year (%)	
Before revision	1985	323,541.2	107.5	3,504.9	—	1.08
	1986	338,674.0	104.7	3,647.8	104.1	1.08
	1987	352,530.0	104.1	3,944.8	108.1	1.12
	1988	379,250.4	107.6	4,417.5	112.0	1.16
	1989	408,534.7	107.7	5,071.5	114.8	1.24
	1990	440,124.8	107.7	5,564.8	109.7	1.26
	1991	468,234.4	106.4	5,726.1	102.9	1.22
	1992	480,492.1	102.6	5,461.1	95.4	1.14
	1993	484,233.8	100.8	5,127.3	93.9	1.06
	1994	486,551.7	100.5	5,168.2	100.8	1.06
	1995	493,588.1	101.4	5,426.3	105.0	1.10
	1996	504,261.9	102.2	5,771.5	106.4	1.14
	1997	515,249.1	102.2	5,996.1	103.9	1.16
	1998	504,842.9	98.0	5,771.1	96.2	1.14
	1999	497,628.6	98.6	5,699.6	98.8	1.15
	2000	502,989.9	101.1	6,110.2	107.2	1.21
	2001	497,719.7	99.0	6,058.0	99.1	1.22
	2002	491,312.2	98.7	5,703.2	94.1	1.16
	2003	490,294.0	99.8	5,684.1	99.7	1.16
	2004	498,328.4	101.6	5,857.1	103.0	1.18
	2005	501,734.4	100.7	5,962.5	101.8	1.19
	2006	508,925.1	101.4	5,995.4	100.6	1.18
Revised	2005	501,734.4	100.7	6,823.5	102.9	1.36
	2006	508,925.1	101.4	6,939.9	101.7	1.36
	2007	**515,716.2**	**101.3**	**7,019.1**	**101.1**	**1.36**

Notes: 1. The above figures for GDP are those released in the Cabinet Office's 'Annual Report on National Accounts' and 'GDP Estimates'.
2. All the above figures are for the calendar year.
3. The method for estimating 'Advertising Expenditures in Japan' was modified in 2007, and data from 2005 onward have been retroactively revised.
4. Please see page 26 for details regarding the above revision.

APPENDIX 2

Advertising Expenditures by Medium (2005–2007)

Media	Advertising Expenditures (¥ billion)			Comparison Ratio (%)		Component Ratio (%)		
	2005	2006	**2007**	2006	**2007**	2005	2006	**2007**
Major Media								
Newspapers	1,037.7	998.6	**946.2**	96.2	**94.8**	15.2	14.4	**13.5**
Magazines(1)	484.2	477.7	**458.5**	98.7	**96.0**	7.1	6.9	**6.5**
Radio	177.8	174.4	**167.1**	98.1	**95.8**	2.6	2.6	**2.4**
Television	2,041.1	2,016.1	**1,998.1**	98.8	**99.1**	29.9	29.0	**28.5**
Subtotal	3,740.8	3,666.8	**3,569.9**	98.0	**97.4**	54.8	52.9	**50.9**
Satellite Media-Related	48.7	54.4	**60.3**	111.7	**110.8**	0.7	0.8	**0.8**
Internet(2)								
Advertising Placement	280.8	363.0	**459.1**	129.3	**126.5**	4.2	5.2	**6.5**
Advertising Production	96.9	119.6	**141.2**	123.4	**118.1**	1.4	1.7	**2.0**
Subtotal	377.7	482.6	**600.3**	127.8	**124.4**	5.6	6.9	**8.6**
Promotional Media(3)								
Outdoor(4)	380.6	394.6	**404.1**	103.7	**102.4**	5.6	5.7	**5.8**
Transit(5)	246.3	253.9	**259.1**	103.1	**102.0**	3.7	3.7	**3.7**
Flyers(6)	664.9	666.2	**654.9**	100.2	**98.3**	9.7	9.6	**9.3**
Direct Mail(7)	431.4	440.2	**453.7**	102.0	**103.1**	6.3	6.3	**6.5**
Free Newspapers / Free Magazines(8)	283.5	335.7	**368.4**	118.4	**109.7**	4.1	4.8	**5.2**
POP	178.2	184.5	**188.6**	103.5	**102.2**	2.6	2.6	**2.7**
Telephone Directories	119.2	115.4	**101.4**	96.8	**87.9**	1.7	1.7	**1.4**
Exhibitions / Screen Displays	352.2	345.6	**358.4**	98.1	**103.7**	5.2	5.0	**5.1**
Subtotal	2,656.3	2,736.1	**2,788.6**	103.0	**101.9**	38.9	39.4	**39.7**
Total	6,823.5	6,939.9	**7,019.1**	101.7	**101.1**	100.0	100.0	**100.0**

Notes: 1. The method for estimating 'Advertising Expenditures in Japan' was modified in 2007, and data from 2005 onward have been retroactively revised.

2. (1) through (8) denote modified items. Please see page 26 for details regarding the revision of these items.

APPENDIX 3 Major Media Only

Advertising Expenditures by Industry (2005–2007)

Industry	Advertising Expenditures (¥10 million)			Comparison Ratio (%)		Component Ratio (%)		
	2005	2006	**2007**	2006	**2007**	2005	2006	**2007**
Energy / Materials / Machinery	4,997	5,635	**6,500**	112.8	**115.4**	1.3	1.5	**1.8**
Foodstuffs	30,248	29,893	**29,933**	98.8	**100.1**	8.1	8.1	**8.4**
Beverages / Cigarettes	28,220	27,651	**26,374**	98.0	**95.4**	7.6	7.5	**7.4**
Pharmaceuticals / Medical Supplies	18,473	17,791	**18,288**	96.3	**102.8**	4.9	4.8	**5.1**
Cosmetics / Toiletries	37,653	36,983	**36,148**	98.2	**97.7**	10.1	10.1	**10.1**
Apparel / Fashion, Accessories / Personal Items	11,066	12,318	**12,787**	111.3	**103.8**	3.0	3.4	**3.6**
Precision Instruments / Office Supplies	4,097	4,236	**4,465**	103.4	**105.4**	1.1	1.2	**1.2**
Home Electric Appliances / AV Equipment	9,051	9,192	**8,503**	101.6	**92.5**	2.4	2.5	**2.4**
Automobiles / Related Products	24,796	23,504	**21,691**	94.8	**92.3**	6.6	6.4	**6.1**
Household Products	6,818	6,244	**6,313**	91.6	**101.1**	1.8	1.7	**1.8**
Hobbies / Sporting Goods	14,599	14,784	**13,948**	101.3	**94.3**	3.9	4.0	**3.9**
Real Estate / Housing Facilities	16,120	16,216	**16,780**	100.6	**103.5**	4.3	4.4	**4.7**
Publications	14,822	14,313	**13,712**	96.6	**95.8**	4.0	3.9	**3.8**
Information / Communications	27,042	26,979	**26,700**	99.8	**99.0**	7.2	7.4	**7.5**
Distribution / Retailing	25,413	23,486	**22,348**	92.4	**95.2**	6.8	6.4	**6.3**
Finance / Insurance	31,293	29,212	**23,603**	93.3	**80.8**	8.4	8.0	**6.6**
Transportation / Leisure	28,820	28,802	**28,976**	99.9	**100.6**	7.7	7.9	**8.1**
Food Services / Other Services	13,059	13,227	**13,505**	101.3	**102.1**	3.5	3.6	**3.8**
Government / Organizations	5,217	4,367	**5,413**	83.7	**124.0**	1.4	1.2	**1.5**
Education / Medical Services / Religion	13,599	12,794	**11,849**	94.1	**92.6**	3.6	3.5	**3.3**
Classified Ads / Others	8,677	9,053	**9,154**	104.3	**101.1**	2.3	2.5	**2.6**
Total	374,080	366,680	**356,990**	98.0	**97.4**	100.0	100.0	**100.0**

APPENDIX 4 Major Media Only

Advertising Expenditures by Industry in the Four Major Media (2006–2007)

(Unit: ¥10 million)

Media	Newspapers			Magazines			Radio			Television			Total		
Industry	2006	**2007**	Comparison Ratio (%)	2006	**2007**	Comparison Ratio (%)	2006	**2007**	Comparison Ratio (%)	2006	**2007**	Comparison Ratio (%)	2006	**2007**	Comparison Ratio (%)
Energy / Materials / Machinery	1,074	**1,102**	**102.6**	478	**525**	**109.8**	528	**547**	**103.6**	3,555	**4,326**	**121.7**	5,635	**6,500**	**115.4**
Foodstuffs	5,499	**5,792**	**105.3**	2,532	**2,342**	**92.5**	1,464	**1,361**	**93.0**	20,398	**20,438**	**100.2**	29,893	**29,933**	**100.1**
Beverages / Cigarettes	3,260	**2,776**	**85.2**	2,340	**2,241**	**95.8**	1,101	**919**	**83.5**	20,950	**20,438**	**97.6**	27,651	**26,374**	**95.4**
Pharmaceuticals / Medical Supplies	2,792	**2,588**	**92.7**	1,194	**1,204**	**100.8**	1,100	**1,110**	**100.9**	12,705	**13,386**	**105.4**	17,791	**18,288**	**102.8**
Cosmetics / Toiletries	2,652	**2,525**	**95.2**	7,786	**7,470**	**95.9**	370	**408**	**110.3**	26,175	**25,745**	**98.4**	36,983	**36,148**	**97.7**
Apparel / Fashion, Accessories / Personal Items	1,392	**1,280**	**92.0**	8,311	**8,819**	**106.1**	151	**96**	**63.6**	2,464	**2,592**	**105.2**	12,318	**12,787**	**103.8**
Precision Instruments / Office Supplies	891	**843**	**94.6**	1,242	**1,257**	**101.2**	84	**84**	**100.0**	2,019	**2,281**	**113.0**	4,236	**4,465**	**105.4**
Home Electric Appliances / AV Equipment	1,341	**1,150**	**85.8**	1,242	**1,131**	**91.1**	195	**134**	**68.7**	6,414	**6,088**	**94.9**	9,192	**8,503**	**92.5**
Automobiles / Related Products	4,406	**3,883**	**88.1**	2,724	**2,461**	**90.3**	2,012	**1,750**	**87.0**	14,362	**13,597**	**94.7**	23,504	**21,691**	**92.3**
Household Products	848	**864**	**101.9**	669	**593**	**88.6**	266	**251**	**94.4**	4,461	**4,605**	**103.2**	6,244	**6,313**	**101.1**
Hobbies / Sporting Goods	1,773	**1,299**	**73.3**	2,054	**1,971**	**96.0**	620	**548**	**88.4**	10,337	**10,130**	**98.0**	14,784	**13,948**	**94.3**
Real Estate / Housing Facilities	5,686	**5,363**	**94.3**	574	**546**	**95.1**	1,035	**1,062**	**102.6**	8,921	**9,809**	**110.0**	16,216	**16,780**	**103.5**
Publications	9,807	**9,307**	**94.9**	525	**491**	**93.5**	860	**873**	**101.5**	3,121	**3,041**	**97.4**	14,313	**13,712**	**95.8**
Information / Communications	7,316	**6,859**	**93.8**	3,057	**2,783**	**91.0**	945	**852**	**90.2**	15,661	**16,206**	**103.5**	26,979	**26,700**	**99.0**
Distribution / Retailing	9,598	**9,045**	**94.2**	2,389	**2,217**	**92.8**	1,074	**1,030**	**95.9**	10,425	**10,056**	**96.5**	23,486	**22,348**	**95.2**
Finance / Insurance	7,659	**6,426**	**83.9**	2,484	**1,971**	**79.3**	1,797	**1,869**	**104.0**	17,272	**13,337**	**77.2**	29,212	**23,603**	**80.8**
Transportation / Leisure	15,405	**15,435**	**100.2**	2,818	**2,858**	**101.4**	1,562	**1,506**	**96.4**	9,017	**9,177**	**101.8**	28,802	**28,976**	**100.6**
Food Services / Other Services	3,088	**2,981**	**96.5**	1,959	**1,892**	**96.6**	835	**884**	**105.9**	7,345	**7,748**	**105.5**	13,227	**13,505**	**102.1**
Government / Organizations	2,052	**2,211**	**107.7**	525	**523**	**99.6**	871	**868**	**99.7**	919	**1,811**	**197.1**	4,367	**5,413**	**124.0**
Education / Medical Services / Religion	5,658	**5,221**	**92.3**	2,723	**2,391**	**87.8**	535	**487**	**91.0**	3,878	**3,750**	**96.7**	12,794	**11,849**	**92.6**
Classified Ads / Others	7,663	**7,670**	**100.1**	144	**164**	**113.9**	35	**71**	**202.9**	1,211	**1,249**	**103.1**	9,053	**9,154**	**101.1**
Total	99,860	**94,620**	**94.8**	47,770	**45,850**	**96.0**	17,440	**16,710**	**95.8**	201,610	**199,810**	**99.1**	366,680	**356,990**	**97.4**

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

APPENDIX 5 Major Media Only

Component Ratio of Media Expenditures by Industry and Industry Expenditures by Medium for 2007

(Unit: %)

Industry	Media Expenditures by Industry					Industry Expenditures by Medium				
	Newspapers	Magazines	Radio	Television	**Total**	Newspapers	Magazines	Radio	Television	**Total**
Energy / Materials / Machinery	1.2	1.2	3.3	2.2	**1.8**	17.0	8.1	8.4	66.5	**100.0**
Foodstuffs	6.1	5.1	8.1	10.2	**8.4**	19.4	7.8	4.5	68.3	**100.0**
Beverages / Cigarettes	2.9	4.9	5.5	10.2	**7.4**	10.5	8.5	3.5	77.5	**100.0**
Pharmaceuticals / Medical Supplies	2.7	2.6	6.6	6.7	**5.1**	14.1	6.6	6.1	73.2	**100.0**
Cosmetics / Toiletries	2.7	16.3	2.4	12.9	**10.1**	7.0	20.7	1.1	71.2	**100.0**
Apparel / Fashion, Accessories / Personal Items	1.4	19.2	0.6	1.3	**3.6**	10.0	69.0	0.7	20.3	**100.0**
Precision Instruments / Office Supplies	0.9	2.7	0.5	1.1	**1.2**	18.9	28.1	1.9	51.1	**100.0**
Home Electric Appliances / AV Equipment	1.2	2.5	0.8	3.1	**2.4**	13.5	13.3	1.6	71.6	**100.0**
Automobiles / Related Products	4.1	5.4	10.5	6.8	**6.1**	17.9	11.3	8.1	62.7	**100.0**
Household Products	0.9	1.3	1.5	2.3	**1.8**	13.7	9.4	4.0	72.9	**100.0**
Hobbies / Sporting Goods	1.4	4.3	3.3	5.1	**3.9**	9.3	14.2	3.9	72.6	**100.0**
Real Estate / Housing Facilities	5.7	1.2	6.4	4.9	**4.7**	32.0	3.2	6.3	58.5	**100.0**
Publications	9.8	1.1	5.2	1.5	**3.8**	67.9	3.6	6.3	22.2	**100.0**
Information / Communications	7.2	6.1	5.1	8.1	**7.5**	25.7	10.4	3.2	60.7	**100.0**
Distribution / Retailing	9.6	4.8	6.2	5.0	**6.3**	40.5	9.9	4.6	45.0	**100.0**
Finance / Insurance	6.8	4.3	11.2	6.7	**6.6**	27.2	8.4	7.9	56.5	**100.0**
Transportation / Leisure	16.3	6.2	9.0	4.6	**8.1**	53.3	9.8	5.2	31.7	**100.0**
Food Services / Other Services	3.2	4.1	5.3	3.9	**3.8**	22.1	14.0	6.5	57.4	**100.0**
Government / Organizations	2.3	1.1	5.2	0.9	**1.5**	40.8	9.7	16.0	33.5	**100.0**
Education / Medical Services / Religion	5.5	5.2	2.9	1.9	**3.3**	44.1	20.2	4.1	31.6	**100.0**
Classified Ads / Others	8.1	0.4	0.4	0.6	**2.6**	83.8	1.8	0.8	13.6	**100.0**
Total	100.0	100.0	100.0	100.0	**100.0**	26.5	12.8	4.7	56.0	**100.0**

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

APPENDIX 6 Major Media Only

Eleven-Year Trends in Advertising Expenditures by Industry Category (1997–2007)

(Unit: ¥10 million)

Industry	<Before revision>								<Revised>		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	**2007**
Energy / Materials / Machinery	5,222	5,149	4,604	4,830	5,160	4,332	4,610	4,726	4,997	5,635	**6,500**
Foodstuffs	36,792	37,444	36,969	36,221	36,311	33,430	31,872	30,177	30,248	29,893	**29,933**
Beverages / Cigarettes	32,099	33,088	31,415	32,629	32,228	27,770	26,562	28,769	28,220	27,651	**26,374**
Pharmaceuticals / Medical Supplies	20,497	19,229	19,297	20,092	20,691	19,111	18,128	17,692	18,473	17,791	**18,288**
Cosmetics / Toiletries	36,724	34,688	34,648	37,413	34,284	34,700	35,755	37,913	37,653	36,983	**36,148**
Apparel / Fashion, Accessories / Personal Items	11,329	9,910	9,537	10,091	9,719	9,330	9,601	9,655	11,066	12,318	**12,787**
Precision Instruments / Office Supplies	5,611	5,065	4,168	4,123	3,883	4,043	4,740	4,746	4,097	4,236	**4,465**
Home Electric Appliances / AV Equipment	9,814	8,586	8,129	8,832	8,201	7,396	7,591	8,245	9,051	9,192	**8,503**
Automobiles / Related Products	32,515	29,591	25,375	25,250	26,921	25,600	24,887	25,490	24,796	23,504	**21,691**
Household Products	8,573	7,787	8,090	8,245	7,404	7,044	6,307	6,697	6,818	6,244	**6,313**
Hobbies / Sporting Goods	16,952	16,852	16,553	15,767	15,730	15,701	15,071	14,230	14,599	14,784	**13,948**
Real Estate / Housing Facilities	18,902	15,414	14,506	16,003	16,127	14,705	14,823	15,596	16,120	16,216	**16,780**
Publications	18,909	17,139	16,751	17,907	17,221	15,628	15,087	15,135	14,822	14,313	**13,712**
Information / Communications	22,404	22,782	24,794	33,127	29,369	23,743	27,466	26,646	27,042	26,979	**26,700**
Distribution / Retailing	26,686	26,325	25,958	27,260	27,373	25,741	24,738	25,489	25,413	23,486	**22,348**
Finance / Insurance	17,557	18,987	20,764	26,621	27,518	25,443	25,573	29,120	31,293	29,212	**23,603**
Transportation / Leisure	28,991	28,811	27,783	28,613	28,750	27,564	26,847	28,457	28,820	28,802	**28,976**
Food Services / Other Services	13,621	12,504	12,626	13,794	13,093	12,249	12,213	12,409	13,059	13,227	**13,505**
Government / Organizations	5,545	5,644	5,026	5,786	6,055	4,920	5,233	4,681	5,217	4,367	**5,413**
Education / Medical Services / Religion	12,367	11,835	12,039	13,426	12,258	11,962	12,775	13,090	13,599	12,794	**11,849**
Classified Ads / Others	12,460	10,200	9,788	11,040	10,564	9,048	8,341	8,637	8,677	9,053	**9,154**
Total	393,570	377,030	368,820	397,070	388,860	359,460	358,220	367,600	374,080	366,680	**356,990**

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

APPENDIX 7

Sources 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).

Satellite Media-Related: Advertising expenditures for satellite broadcasts, CATV and teletext (placement and production costs).

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

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

Outdoor: Production and placements costs for billboards, neon signs, outdoor video screens, and poster boards, etc.

Transit: Placement costs for transit advertisements.

Flyers: Insertion costs for flyers in newspapers nationwide.

Direct Mail: Postage and private delivery costs spent on direct mail.

Free Newspapers / Free Magazines: Advertising costs in free newspapers and magazines.

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

Telephone Directories: Placement costs for advertisements in telephone directories.

Exhibitions / Screen Displays: Production costs for exhibitions and PR centers, production and screening costs for promotional films and videos, etc.

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

Contents of the revision:

(1) The range of "Magazines" included in the four major media was expanded to include specialty magazines and journals, local magazines, etc.
(2) "Internet" advertising expenditures now include estimated production costs.
(3) The "Sales Promotion" component has been renamed "Promotional Media," and the breakdown of media within the category has been revised.
(4) The "Outdoor" component now includes outdoor video screens along with billboards and neon signs.
(5) The "Transit" component was revised to include airports and taxis along with trains and buses.
(6) In the "Flyers" component, the nationwide insertion costs for flyers were revised.
(7) In addition to postal fees, "Direct Mail" was revised to include delivery fees charged by private delivery companies.
(8) Figures now include estimated advertising expenditures in the component "Free Newspapers/Free Magazines."

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, health foods and beauty-related food products, 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, motor scooters, bicycles, motorboats, tires, car air conditioners, car audio systems, car navigation systems, etc.

Household Products: Petroleum/gas-related equipment, bedding, interior decoration products, furniture, kitchen accessories, insecticides, mothballs, air fresheners, deodorizers, etc.

Hobbies / Sporting Goods: Hobby products, game machines and software, audio-visual software, pets and pet products, 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, computer software, copiers, mobile phones, communications facilities and services, Internet, broadcasting, etc.

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

Food Services / Other Services: Restaurants, door-to-door delivery and moving services, beauty salons, rental businesses, temporary job placement agencies, wedding planning, security services, etc.

Government / Organizations: Government offices, local autonomous bodies, political parties, 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, medical and nursing services, nursing homes, religion, etc.

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

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