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**FOR IMMEDIATE RELEASE**

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## Advertising Expenditures in Japan Amounted to ¥6,058 Billion in 2001, Posting a 0.9% Year-on-Year Decline

— *Dentsu Announces Advertising Expenditures in Japan for 2001* —

Dentsu Inc. (President: Yutaka Narita; Head Office: Tokyo; Capital: ¥58,967.1 million) announced 2001 advertising expenditures in Japan, including a breakdown by medium and industry on February 18.

According to the report, total expenditures for the 2001 calendar year amounted to ¥6,058 billion. After a year of increase in 2000, expenditures fell 0.9% from the previous year's total. After two years of decline, total expenditures grew in 2000 as a result of a rise in advertising spending across a wide range of industries including Information/Communications and Finance/Insurance, as the Japanese economy began to exhibit signs of recovery while the IT boom continued. The 2001 figure slipped and failed to reach the 2000 level, which can be attributed to a sharp curtailment that took place in the latter half of the year. However, expenditures in 2001 were still above the ¥6 trillion mark, which was second after the previous year's record high.

The following characteristics were discerned in advertising expenditures in 2001:

1. Advertising expenditures in 2001 were impacted by a further downturn of the Japanese economy as characterized by the slowing IT demand, deteriorating corporate business results and the uncertain employment and income outlook. They were further exacerbated by the terrorist attacks in the United States. These developments prompted a number of corporations, including those in the Information/Communications and Finance/Insurance industries, which were active users of advertising in 2000, to cut down on their spending. Additionally, the year 2001 suffered a setback in reaction to the strong spending of the previous year, which was buoyed by the Sydney Olympics, the Lower House election campaign and the launch of the Long-Term Care Insurance Plan. As a result, total advertising expenditures declined on a year-on-year basis after a year of growth.
2. Broken down by medium, spending in all four mass media turned downward after a year of increase, with Television advertising expenditures showing a year-on-year decline of 0.5% and Newspaper advertising dwindling 3.6% year on year. Elsewhere, Direct Mail, Transit and Flyers posted increases, while Outdoor continued to decline. As a result, Sales Promotion expenditures failed to reach the previous year's level. Robust growth (up 77.1%) continued in Satellite Media-Related advertising, aided by BS digital broadcasting, while Internet advertising spending, which grew successively until 2000, slowed down sharply, posting an increase of only 24.6% over 2000.
3. By major industry, spending by the Automobiles/Related Products category rose for the first time in four years, while spending by Finance/Insurance and Pharmaceuticals/Medical Supplies continued to grow. Of the 21 categories, declines were observed in 12 categories. The Information/Communications category, which drove the overall increase until 2000, recorded a sharp decline in 2001, and this sector along with Cosmetics/Toiletries stunted overall growth.

### **Breakdown of Advertising Expenditures by Medium**

Spending in the four major media dropped 2.1% year on year after an increase posted in 2000. Outside of the four major media, Sales Promotion showed a decline of 0.2%. Of the subcategories belonging to Sales Promotion, Direct Mail posted an increase for the third year in a row, while Outdoor and Exhibitions/Screen Displays, among others, recorded a decline. Satellite Media-Related advertising surged 77.1% year on year and continued its course of robust growth, while growth in Internet advertising, which had continued to double until the previous year, slowed significantly, posting an increase of 24.6% year on year.

### **Breakdown of Advertising Expenditures by Industry (21 Categories, Four Major Media Only)**

Twelve of the 21 categories surveyed decreased their spending on advertising in 2001, and the nine categories that boosted their spending did so in single-digit increases. (In 2000, 17 categories increased their advertising spending, with six of them showing two-digit increases.)

Increases were observed in Energy/Materials/Machinery (up 6.8%), where stronger impetus came from an increase in gasoline advertising, and Automobiles/Related Products (up 6.6%), whose spending grew as domestic automakers increased their spending after three years of lackluster performance. Strength was also felt in Government/Organizations (up 4.6%) where political parties and a variety of organizations produced announcements and event-related notices. Finance/Insurance (up 3.4%), was mixed with securities firms tightening their spending and consumer finance and insurance companies increasing their spending on a continual basis. Pharmaceuticals/Medical Supplies (up 3.0%) ran more ads seeking volunteers for clinical trials in addition to ads for medications.

Among the categories that slashed their spending, the largest reduction took place in Information/Communications (down 11.3%, the first decline in eight years), with significantly lower levels of spending by personal computer and Internet-related companies while My Line and cellular phones remained strong. The

decrease in Education/Medical Services/Religion (down 8.7%) is attributable to the setback in reaction to an increase in advertising spending for long-term care insurance that took place in 2000. Cosmetics/Toiletries too suffered a reversal (down 8.4%) in reaction to a surge in advertising activities in 2000. In terms of monetary value, Information/Communications and Cosmetics/Toiletries had the largest impact on overall advertising spending.

**(Reference) Quarterly Breakdown of Growth in Advertising Spending in the Four Major Media**

A quarterly breakdown of advertising spending in the four major media reveals that spending in the January–March quarter increased in 2001 but turned negative in the subsequent months.

(Year-on-year basis in %)

	2001 (Full Year)	Jan.- June	July- Dec.	Jan.- March	April- June	July- Sept.	Oct.- Dec.
Advertising Spending in the Four Major Media	97.9	101.6	94.3	103.8	99.7	97.5	91.3

### **Outlook for 2002 Advertising Expenditures (Four Major Media)**

Advertising expenditures in the four major media in calendar 2002 are forecast to decrease 3.2% compared to 2001. Continued weakening of Japan's economy, corporate restructuring, the deteriorating employment and income environment and the hazy economic outlook are expected to cast a dark shadow on spending in the first half of the year. The FIFA World Cup™ in June, along with the expected pickup in the nation's economy induced by the U.S. economic upturn, should slow the decline in advertising expenditures toward the year-end.

Although many industrial sectors will continue their austere policy vis-à-vis advertising spending, industry-wide restructuring and competition will force companies in Finance/Insurance to step up their advertising, as will companies in Automobiles/Related Products, which faces fierce market competition. Meanwhile, Pharmaceuticals/Medical Supplies, which is noted for its aggressive use of advertising to seek volunteers for clinical trials and to boost its corporate image, and Information/Communications with next-generation cellular telephones and broadband communications as growth drivers are also expected to intensify advertising activity.

	2001 (results)	<b>2002 (forecast)</b>
Advertising Expenditures (¥ billion)	3,888.6	<b>3,765.8</b>
Comparison with Previous Year (%)	-2.1	<b>-3.2</b>

Note: The forecast for 2002 is based on a comprehensive analysis that takes into account Japan's economic outlook, developments in advertising media, and advertising trends in major industrial sectors.

Note: The full text of the report discussed in this news release is currently being compiled and will be available in both hard copy and on Dentsu's website in mid-March.

&lt; TABLE 1 &gt;

**Japan's GDP and Advertising Expenditures (1997-2001)**

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)	
1997	521,861.5	102.2	160	5,996.1	103.9	171	1.15
1998	515,834.8	98.8	158	5,771.1	96.2	165	1.12
1999	511,837.1	99.2	157	5,699.6	98.8	163	1.11
2000	513,534.0	100.3	158	6,102.0	107.2	174	1.19
<b>2001</b>	<b>504,242.6</b>	<b>98.2</b>	<b>155</b>	<b>6,058.0</b>	<b>99.1</b>	<b>173</b>	<b>1.20</b>

&lt; TABLE 2 &gt;

**Advertising Expenditures by Medium (1999-2001)**

Media	Advertising Expenditures (¥ billion)			Comparison Ratio (%)		Component Ratio (%)		
	1999	2000	2001	2000	2001	1999	2000	2001
<b>Major Media</b>								
Newspapers	1,153.5	1,247.4	<b>1,202.7</b>	108.1	<b>96.4</b>	20.2	20.4	<b>19.9</b>
Magazines	418.3	436.9	<b>418.0</b>	104.4	<b>95.7</b>	7.3	7.2	<b>6.9</b>
Radio	204.3	207.1	<b>199.8</b>	101.4	<b>96.5</b>	3.6	3.4	<b>3.3</b>
Television	1,912.1	2,079.3	<b>2,068.1</b>	108.7	<b>99.5</b>	33.6	34.0	<b>34.1</b>
Subtotal	3,688.2	3,970.7	<b>3,888.6</b>	107.7	<b>97.9</b>	64.7	65.0	<b>64.2</b>
<b>Sales Promotion</b>								
Direct Mail	324.2	345.5	<b>364.3</b>	106.6	<b>105.4</b>	5.7	5.6	<b>6.0</b>
Flyers	424.1	454.6	<b>456.0</b>	107.2	<b>100.3</b>	7.5	7.4	<b>7.5</b>
Outdoor	314.8	311.0	<b>299.2</b>	98.8	<b>96.2</b>	5.5	5.1	<b>5.0</b>
Transit	232.0	245.0	<b>248.0</b>	105.6	<b>101.2</b>	4.1	4.0	<b>4.1</b>
POP	161.0	169.5	<b>169.8</b>	105.3	<b>100.2</b>	2.8	2.8	<b>2.8</b>
Telephone Directories	177.7	174.8	<b>165.2</b>	98.4	<b>94.5</b>	3.1	2.9	<b>2.7</b>
Exhibitions/Screen Displays	331.0	353.5	<b>346.3</b>	106.8	<b>98.0</b>	5.8	5.8	<b>5.7</b>
Subtotal	1,964.8	2,053.9	<b>2,048.8</b>	104.5	<b>99.8</b>	34.5	33.6	<b>33.8</b>
<b>Satellite Media-Related</b>	22.5	26.6	<b>47.1</b>	118.2	<b>177.1</b>	0.4	0.4	<b>0.8</b>
<b>Internet</b>	24.1	59.0	<b>73.5</b>	244.8	<b>124.6</b>	0.4	1.0	<b>1.2</b>
<b>Total</b>	5,699.6	6,110.2	<b>6,058.0</b>	107.2	<b>99.1</b>	100.0	100.0	<b>100.0</b>

&lt; TABLE 3 &gt;

**Advertising Expenditures by Industry in the Four Major Media (2000-2001)**

(Unit: ¥10 million)

Media Industry	Newspapers			Magazines			Radio			Television			Total		
	2000	2001	Comparison Ratio (%)	2000	2001	Comparison Ratio (%)	2000	2001	Comparison Ratio (%)	2000	2001	Comparison Ratio (%)	2000	2001	Comparison Ratio (%)
Energy / Materials / Machinery	1,196	1,307	109.3	311	292	93.9	658	726	110.3	2,665	2,835	106.4	4,830	5,160	106.8
Foodstuffs	3,646	4,078	111.8	2,340	2,499	106.8	1,955	1,921	98.3	28,280	27,813	98.3	36,221	36,311	100.2
Beverages / Cigarettes	4,724	4,248	89.9	2,944	2,759	93.7	1,537	1,407	91.5	23,424	23,814	101.7	32,629	32,228	98.8
Pharmaceuticals / Medical Supplies	3,278	3,438	104.9	1,244	1,143	91.9	895	1,123	125.5	14,675	14,987	102.1	20,092	20,691	103.0
Cosmetics / Toiletries	2,288	2,125	92.9	7,071	6,470	91.5	470	457	97.2	27,584	25,232	91.5	37,413	34,284	91.6
Apparel / Fashion Accessories / Personal Items	1,542	1,348	87.4	5,590	5,489	98.2	159	160	100.6	2,800	2,722	97.2	10,091	9,719	96.3
Precision Instruments / Office Supplies	1,178	947	80.4	1,264	1,139	90.1	129	132	102.3	1,552	1,665	107.3	4,123	3,883	94.2
Home Electric Appliances / AV Equipment	1,334	1,227	92.0	1,106	1,026	92.8	366	327	89.3	6,026	5,621	93.3	8,832	8,201	92.9
Automobiles / Related Products	8,372	8,178	97.7	2,742	3,052	111.3	1,858	1,892	101.8	12,278	13,799	112.4	25,250	26,921	106.6
Household Products	1,360	1,183	87.0	621	542	87.3	304	351	115.5	5,960	5,328	89.4	8,245	7,404	89.8
Hobbies / Sporting Goods	2,990	2,556	85.5	2,122	2,139	100.8	1,138	985	86.6	9,517	10,050	105.6	15,767	15,730	99.8
Real Estate / Housing Facilities	8,665	8,032	92.7	566	542	95.8	931	980	105.3	5,841	6,573	112.5	16,003	16,127	100.8
Publications	12,531	12,156	97.0	1,264	916	72.5	1,081	1,053	97.4	3,031	3,096	102.1	17,907	17,221	96.2
Information / Communications	9,348	8,405	89.9	3,730	3,573	95.8	1,901	1,610	84.7	18,148	15,781	87.0	33,127	29,369	88.7
Distribution / Retailing	10,147	10,457	103.1	2,167	2,366	109.2	1,598	1,496	93.6	13,348	13,054	97.8	27,260	27,373	100.4
Finance / Insurance	11,816	11,305	95.7	2,195	2,065	94.1	1,414	1,198	84.7	11,196	12,950	115.7	26,621	27,518	103.4
Transportation / Leisure	16,727	16,629	99.4	2,186	1,972	90.2	1,928	1,804	93.6	7,772	8,345	107.4	28,613	28,750	100.5
Food Services / Other Services	3,201	3,149	98.4	1,915	1,739	90.8	1,086	1,035	95.3	7,592	7,170	94.4	13,794	13,093	94.9
Government / Organizations	2,834	2,991	105.5	394	341	86.5	769	852	110.8	1,789	1,871	104.6	5,786	6,055	104.6
Education / Medical Services / Religion	7,085	6,547	92.4	1,755	1,567	89.3	516	462	89.5	4,070	3,682	90.5	13,426	12,258	91.3
Classified Ads / Others	10,478	9,964	95.1	163	169	103.7	17	9	52.9	382	422	110.5	11,040	10,564	95.7
<b>Total</b>	<b>124,740</b>	<b>120,270</b>	<b>96.4</b>	<b>43,690</b>	<b>41,800</b>	<b>95.7</b>	<b>20,710</b>	<b>19,980</b>	<b>96.5</b>	<b>207,930</b>	<b>206,810</b>	<b>99.5</b>	<b>397,070</b>	<b>388,860</b>	<b>97.9</b>

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