

NEWS RELEASE**FOR IMMEDIATE RELEASE****February 17, 2005**

Advertising Expenditures in Japan Totalled 5,857.1 Billion Yen in 2004, a Year-on-Year Increase of 3.0%

—Dentsu Announces 2004 Advertising Expenditures in Japan—

Dentsu Inc. (President: Tateo Mataki; Head Office: Tokyo; Capital: 58,967.1 million yen) announced today advertising expenditures in Japan for the 2004 calendar year, including an estimated breakdown by medium and industry.

According to this report, the nation's total advertising expenditures for the 2004 calendar year amounted to 5,857.1 billion yen, an increase of 3.0% compared with the previous year. In terms of spending trends, total expenditures turned upward in 2000 after two years of decline as the Japanese economy began to show signs of recovery, and business boomed in the IT sector. Expenditures began to shrink again in 2001, and this downward trend continued until the second half of 2003, when spending began to increase thanks to strong demand for advertising in the broadband and digital home electric appliance sectors. As a result, overall totals for 2004 posted a year-on-year increase for the first time in four years.

Advertising expenditures in 2005 are forecast to increase by about 1.4% compared to 2004.

Following is a brief analysis of advertising expenditures in 2004:

1. Against a backdrop of continued Japanese economic recovery, the upswing in advertising spending that began in the second half of 2003 gained momentum and overall spending posted a year-on-year increase in 2004. The Upper House election, the ATHENS 2004 Olympic Games, and the extremely hot summer weather had a positive effect on expenditures, especially during the July–September quarter. From October, however, the economy began to weaken, and the rate of growth in advertising expenditures declined somewhat as

compared with the same period during the previous year, when spending had been boosted by events such as the Tokyo Motor Show, the Lower House general election, and the introduction of terrestrial digital broadcasting, as well as by strong demand for digital home electric appliances. As a result, total advertising expenditures for 2004 amounted to 5,857.1 billion yen, a year-on-year increase of 3.0%. This marked the first increase in four years.

2. Broken down by medium, Television, the largest component of total expenditures, increased for a second consecutive year, posting a year-on-year increase of 4.9%. Newspaper advertising also improved slightly on the previous year's total (up 0.6% compared to 2003), its first increase in four years. As a result, total advertising expenditures for the four major media grew by 2.6%. In other media, spending was up on Flyers* and Exhibitions/Screen Displays, and as a result spending on Sales Promotion increased for the first time in four years (up 0.7%). Satellite Media-Related expenditures were also stronger (up 4.1%) thanks to firm demand from BS digital broadcasting. And, showing an even faster rate of growth than in 2003, spending on Internet advertising was up by 53.3% as broadband services continued to expand.

* Flyers: Insertion costs for advertising inserts in newspapers nationwide.

3. By industry category (four major media), aggressive advertising by insurance companies led to double-digit growth in advertising spending in Finance/Insurance. Spending was also higher in Beverages/Cigarettes due to increased advertising for tea-based drinks, health drinks, and *happo-shu* (low-malt beer), and in Home Electric Appliances/AV Equipment because of strong advertising demand for LCD televisions, DVD recorders and others. Cosmetics/Toiletries and Transportation/Leisure also posted gains. Overall, 16 of 21 categories exceeded the 2003 levels. Meanwhile, Foodstuffs, Information/Communications and others showed declines.

Total Advertising Expenditures

Total advertising expenditures in 2004 rose for the first time in four years, reaching 5,857.1 billion yen, an increase of 3.0% over the previous year. This was the fourth highest level ever

recorded, following the all-time high of 6,110.2 billion yen set in 2000, and strong performances in 2001 and 1997.

Outline of Advertising Expenditures by Medium

Spending in the four major media increased by 2.6% year on year. Among the major media, Television advertising expenditures increased sharply over the previous year. Outside the four major media, Sales Promotion grew by 0.7%, supported by continued growth in three of its components, Flyers, Transit and POP. Satellite Media-Related advertising rose by 4.1% due to strong growth in BS digital broadcasting, and Internet advertising accelerated sharply, increasing by 53.3%.

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

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

(Year-on-year basis in %)

	2004 (Full Year)	Jan.– June	July– Dec.	Jan.– Mar.	Apr.– June	July– Sep.	Oct.– Dec.
Advertising Expenditures in the Four Major Media	102.6	101.9	103.3	101.2	102.6	105.1	101.7

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

Spending increased in 16 of the 21 industry categories surveyed in 2004, and one of these categories achieved double-digit growth. By comparison, in 2003 year-on-year spending increased in 10 of the 21 categories, with two categories showing double-digit increases.

Among the industry categories where spending increased, Finance/Insurance posted gains for the second consecutive year, attaining double-digit growth (up 13.9%) in 2004 due to aggressive promotional activities carried out by insurance companies. Spending by securities

firms was also up. Other categories showing high rates of growth were Home Electric Appliances/AV Equipment (up 8.6%), thanks to increased advertising for LCD televisions and DVD recorders, and Beverages/Cigarettes (up 8.3%), where spending was up for the first time in four years as companies vigorously marketed canned coffee, Japanese tea drinks, health drinks, and *happo-shu* (low-malt beer). Cosmetics/Toiletries was up for the third straight year (6.0%), supported by strong overall demand from cosmetics and detergents.

Transportation/Leisure grew by 6.0%, fueled by increased promotion of tourism and leisure facilities, and spending in Real Estate/Housing Facilities increased by 5.2%, boosted by advertising for condominiums and home renovation.

Spending fell in five industry categories, including Government/Organizations (down 10.5%), where new demand was insufficient to make up for the high level of spending on the Lower House election in 2003, and for a decrease in outlays for Government-related publicity. Expenditures on Hobbies/Sporting Goods were down by 5.6% as advertising for audio software, video software and video game machines fell sharply, and spending for pet-related products and sporting goods remained flat. Foodstuffs declined for a third straight year (down 5.3%) on slack overall demand in the areas of seasonings, confectionery and pouch-packed foods, and despite active spending on advertising for health foods. Information/Communications fell by 3.0% as mobile phone promotions were less aggressive than in the previous year. Advertising for the Internet continued to show solid growth.

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

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

Note: Contribution ratios represent the percentage contribution to the total amount of increase or decrease. The five industry categories that showed the largest increase (decrease) in spending are listed.

**Outlook for 2005 Advertising Expenditures: Growth of 1.4% Is Forecast for 2005;
Trend toward Increased Spending Is Expected to Continue**

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

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

Many industry categories are expected to actively step up their advertising activities. Expenditures are forecast to increase in Information/Communications as more new mobile phone and Internet products and services are introduced to take advantage of the expansion of broadband networks. The same is true in Home Electric Appliances/AV Equipment, where demand is strong for LCD televisions and DVD recorders, and aggressive marketing of new car models should stimulate spending in Automobiles/Related Products. Advertising expenditures are also expected to rise in the highly competitive Beverages/Cigarettes category as new products are introduced, and easing safety concerns and events such as the 2005 World

Exposition, Aichi, Japan, should stimulate demand in Transportation/Leisure.

Finance/Insurance will benefit from fierce competition among insurance firms, securities companies, banks and credit card companies as they attempt to attract new customers. Spending is also predicted to grow in Real Estate/Housing Facilities, Education/Medical Services/Religion, and others. As a result, we estimate that total advertising expenditures in 2005 will rise by 1.4% year on year, that spending in the four major media will increase by 0.3%, and that expenditures in media other than the four major media will rise by 3.2% compared with 2004, thanks largely to the contribution of Internet advertising.

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

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

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The full text of *2004 Advertising Expenditures in Japan* is currently being compiled and will be available on Dentsu's website at the end of March. For reference, please refer to the tables on the following pages.

<TABLE 1>

Japan's GDP and Advertising Expenditures (2000–2004)

Year	Gross Domestic Product (B)			Advertising Expenditures (A)			A/B (%)
	GDP (¥ billion)	Compared to Previous Year (%)	Index (1985 = 100)	Advertising Expenditures (¥ billion)	Compared to Previous Year (%)	Index (1985 = 100)	
2000	511,462.3	100.8	158	6,110.2	107.2	174	1.19
2001	505,847.1	98.9	156	6,058.0	99.1	173	1.20
2002	497,896.8	98.4	154	5,703.2	94.1	163	1.15
2003	497,485.0	99.9	154	5,684.1	99.7	162	1.14
2004	504,589.3	101.4	156	5,857.1	103.0	167	1.16

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

<TABLE 2>

Advertising Expenditures by Medium (2002–2004)

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

<TABLE 3>

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

(Unit: ¥10 million)

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

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