

NEWS RELEASE**FOR IMMEDIATE RELEASE****February 20, 2006**

Advertising Expenditures in Japan Totalled 5,962.5 Billion Yen in 2005, Up by 1.8% Over 2004

— *Expenditures Rise for a Second Straight Year; Internet Advertising Grows Sharply* —

Dentsu Inc. (President: Tateo Mataki; Head Office: Tokyo; Capital: 58,967.1 million yen) announced today advertising expenditures in Japan for the 2005 calendar year, including an estimated breakdown by medium and industry.

According to this report, the nation's total advertising expenditures in 2005 amounted to 5,962.5 billion yen, an increase of 1.8% compared with the previous year. In terms of spending trends, total expenditures reversed a two-year decline in 2000 as business boomed in the IT sector. Expenditures began to shrink again in 2001, and continued on a downward slide through 2003. However, spending recovered in 2004 thanks to an upswing in the Japanese economy and the proliferation of broadband and digital home electric appliances. Total advertising expenditures for 2004 posted a year-on-year increase (3.0%) for the first time in four years, and today's announcement revealed that expenditures continued to grow in 2005.

Advertising expenditures in 2006 are forecast to rise by 2.1% compared to 2005 on the strength of the 2006 FIFA World Cup Germany™ and other major sporting events.

Following is a brief analysis of advertising expenditures in 2005:

1. Total advertising expenditures posted a second straight year-on-year increase in 2005, following the trend set in the previous year when an upswing in the Japanese economy sparked a recovery in advertising spending. Expenditures received a boost in the first half of the year by The 2005 World Exposition, Aichi, Japan. The second half of 2005 saw firm demand related to the Lower House election and the Tokyo Motor Show; however, spending fell back slightly compared with the same period in the previous year, when demand was

boosted by events such as the Upper House election, the ATHENS 2004 Olympic Games, and the unusually hot summer weather. As a result, total advertising expenditures for 2005 amounted to 5,962.5 billion yen, a year-on-year increase of 1.8%. This marked a second consecutive year of growth, although the rate of increase declined slightly.

2. Broken down by medium, Television, the largest component of total expenditures, was slightly weaker (down 0.1%), as was Newspaper advertising (down 1.7% compared to 2004). As a result, total advertising expenditures for the four major media fell by 0.7% year on year. In other media, Sales Promotion increased for the second year in a row (up 1.3%) helped particularly by spending on POP and Exhibitions/Screen Displays. Satellite Media-Related expenditures were also stronger (up 11.7%) thanks to firm demand associated with BS digital broadcasting. Spending on Internet advertising continued to expand rapidly, growing by 54.8%.
3. By industry category (four major media), expenditures increased in Home Electric Appliances/AV Equipment due to aggressive advertising for thin-screen televisions, and in Finance/Insurance, supported by increased advertising demand on the part of banks, insurance companies, and consumer finance firms. Spending was also higher in Government/Organizations as a result of demand related to The 2005 World Exposition, Aichi, Japan, and the Lower House election. Overall, spending in 10 of 21 categories exceeded 2004 levels. Meanwhile, Automobiles/Related Products, Cosmetics/Toiletries, and Beverages/Cigarettes showed declines.

Total Advertising Expenditures

Total advertising expenditures in 2005 rose for the second consecutive year, reaching 5,962.5 billion yen, an increase of 1.8% over 2004. This ranks as 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 fell by 0.7% year on year, with Television showing a year-on-year decline for the first time in three years. Outside the four major media, Sales Promotion grew by 1.3%, supported by continued growth in spending on Flyers, Transit, POP, and Exhibitions/Screen Displays. Satellite Media-Related expenditures rose by 11.7% due to strong growth in demand associated with BS broadcasting, and Internet advertising continued to rise sharply, increasing by 54.8% in 2005.

A quarterly breakdown of advertising spending in the four major media revealed that spending grew by 2.7% during the January–March quarter, but retreated to minus territory for the remainder of the year.

Quarterly Breakdown of Growth in Advertising Expenditures in the Four Major Media in 2005

(Year-on-year basis in %)

	2005 (Full Year)	Jan.– June	July– Dec.	Jan.– Mar.	Apr.– June	July– Sep.	Oct.– Dec.
Advertising Expenditures in the Four Major Media	99.3	100.5	98.1	102.7	98.5	98.1	98.2

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

Spending increased in 10 of the 21 industry categories surveyed in 2005, although none of the categories achieved double-digit growth. By comparison, in 2004 year-on-year spending increased in 16 of the 21 categories, with one category showing a double-digit increase.

Among the industry categories where spending increased, Government/Organizations (up 9.7%) posted gains as a result of advertising related to The 2005 World Exposition, Aichi, Japan, and the Lower House election. Home Electric Appliances/AV Equipment (up 7.1%) grew for the third year in a row thanks to aggressive advertising for LCD televisions, portable audio players, and others. Finance/Insurance (up 5.8%) also increased, for a third consecutive year, due to greater demand for advertising on the part of banks, insurance companies, and

consumer finance firms. Spending on electricity, gas, and others boosted Energy/Materials/Machinery (up 3.7%), and Pharmaceuticals/Medical Supplies (up 2.8%) grew on the strength of increased advertising for medicines for intestinal disorders, as well as spending on merger announcements and notifications. Other categories showing higher expenditures were Real Estate/Housing Facilities (up 2.7%), enhanced by strong demand for corporate advertising by condominium and residential housing manufacturers, and Food Services/Other Services (up 2.2%), where growth was supported by increased advertising by security services and esthetic salons.

Spending fell in 11 industry categories, including Precision Instruments/Office Supplies (down 18.4%), which declined due to a fall in advertising for digital cameras, as well as Automobiles/Related Products (down 4.9%), Cosmetics/Toiletries (down 4.4%), and Beverages/Cigarettes (down 3.5%).

Industries Showing Increases (Decreases) in 2005 (Four Major Media Only)

Increased Spending				Decreased Spending			
	Comparison Ratio	Component Ratio	Contribution Ratio		Comparison Ratio	Component Ratio	Contribution Ratio
Finance/Insurance	105.8	8.4	39.8	Cosmetics/Toiletries	95.6	9.9	24.9
Home Electric Appliances/ AV Equipment	107.1	2.4	13.8	Automobiles/Related Products	95.1	6.6	18.4
Pharmaceuticals/Medical Supplies	102.8	5.0	11.9	Beverages/Cigarettes	96.5	7.6	15.2
Government/Organizations	109.7	1.4	10.8	Precision Instruments/ Office Supplies	81.6	1.1	13.0
Real Estate/Housing Facilities	102.7	4.4	10.0	Distribution/Retailing	97.4	6.8	9.8

Note: Contribution ratios for the five industry categories listed represent the percentage contribution to the total amount of increase or decrease.

Outlook for Advertising Expenditures in 2006: Growth of 2.1% Is Forecast for 2006; Major Sporting Events Expected to Spur Demand

Total advertising expenditures are forecast to reach 6,088.3 billion yen in the 2006 calendar year, an increase of 2.1% compared with 2005. Japan's steadily improving economy, and major

events such as the 2006 FIFA World Cup Germany™ will continue to boost demand for advertising in a wide range of industries in 2006.

Although a number of factors such as high crude oil prices, increased personal income tax rates, and social security payments may adversely affect consumer confidence, and slowdowns in the pace of economic growth in the United States and China may lead to a reduction in the rate of growth of exports, the Japanese economy is nevertheless expected to continue its recovery in 2006. Corporate earnings are forecast to continue to increase in a wide range of industries, capital investment will continue to rise as industry expands production and replaces outmoded facilities, and the market for IT- and digital-related goods is expected to show further growth. There are also likely to be a number of corporate mergers. In addition, several major sporting events scheduled in 2006 will drive up advertising spending, such as the TORINO 2006 Olympic Winter Games, and the 2006 FIFA World Cup Germany™. Overall, quite a number of factors should positively impact the advertising industry.

Many industry categories are expected to actively step up their advertising activities in 2006. 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 the introduction of new LCD televisions, plasma televisions, and DVD recorders is stimulating fierce competition for market share. Aggressive marketing of new car models will drive up spending in Automobiles/Related Products. Finance/Insurance will continue to benefit from corporate mergers and the introduction of new services by banks, securities companies, insurance firms, and credit card companies. Advertising expenditures are also expected to rise in Transportation/Leisure due to continued strong demand for advertising related to travel and tourism, as well as in Real Estate/Housing Facilities, Education/Medical Services/Religion, and others.

As a result, we estimate that total advertising expenditures in 2006 will rise by 2.1% year on year, that spending in the four major media will increase by 0.8%, and that expenditures in media other than the four major media will rise by 4.1%, thanks largely to the contribution of growth in Internet advertising.

2005 (Results)		2006 (Forecast)	
Total Advertising Expenditures (billion yen)	Comparison with Previous Year (%)	Total Advertising Expenditures (billion yen)	Comparison with Previous Year (%)
5,962.5	101.8	6,088.3	102.1

Note: The estimates of total advertising expenditures for 2006 are based on forecasts of the performance of the Japanese economy along with analyses of advertising trends in the advertising media and industry categories. Broken down by medium, spending in the four major media is estimated to increase by 0.8%, and expenditures in media other than the four major media are anticipated to rise by 4.1% compared with 2005.

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The full text of *2006 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 (2001–2005)

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)	
2001	496,776.8	99.1	154	6,058.0	99.1	173	1.22
2002	489,618.4	98.6	151	5,703.2	94.1	163	1.16
2003	490,543.5	100.2	152	5,684.1	99.7	162	1.16
2004	496,050.3	101.1	153	5,857.1	103.0	167	1.18
2005	503,183.9	101.4	156	5,962.5	101.8	170	1.18

Notes: GDP figures up to and including those for 2004 are from the 'Annual Report on National Accounts' and 'GDP Estimates' published by the Cabinet Office.

<TABLE 2>

Advertising Expenditures by Medium (2003–2005)

Media	Advertising Expenditures (¥ billion)			Comparison Ratio (%)		Component Ratio (%)		
	2003	2004	2005	2004	2005	2003	2004	2005
Major Media								
Newspapers	1,050.0	1,055.9	1,037.7	100.6	98.3	18.5	18.0	17.4
Magazines	403.5	397.0	394.5	98.4	99.4	7.1	6.8	6.6
Radio	180.7	179.5	177.8	99.3	99.1	3.2	3.1	3.0
Television	1,948.0	2,043.6	2,041.1	104.9	99.9	34.3	34.9	34.2
Subtotal	3,582.2	3,676.0	3,651.1	102.6	99.3	63.1	62.8	61.2
Sales Promotion								
Direct Mail	337.4	334.3	344.7	99.1	103.1	5.9	5.7	5.8
Flyers	459.1	476.5	479.8	103.8	100.7	8.1	8.1	8.1
Outdoor	261.6	266.7	264.6	101.9	99.2	4.6	4.5	4.4
Transit	237.1	238.4	243.2	100.5	102.0	4.2	4.1	4.1
POP	172.5	174.5	178.2	101.2	102.1	3.0	3.0	3.0
Telephone Directories	152.4	134.2	119.2	88.1	88.8	2.7	2.3	2.0
Exhibitions / Screen Displays	321.6	331.5	352.2	103.1	106.2	5.6	5.7	5.9
Subtotal	1,941.7	1,956.1	1,981.9	100.7	101.3	34.1	33.4	33.3
Satellite Media-Related	41.9	43.6	48.7	104.1	111.7	0.7	0.7	0.8
Internet	118.3	181.4	280.8	153.3	154.8	2.1	3.1	4.7
Total	5,684.1	5,857.1	5,962.5	103.0	101.8	100.0	100.0	100.0

<TABLE 3>

Advertising Expenditures by Industry in the Four Major Media (2004–2005)

(Unit: ¥10 million)

Media	Newspapers			Magazines			Radio			Television			Total		
	2004	2005	Comparison Ratio (%)	2004	2005	Comparison Ratio (%)	2004	2005	Comparison Ratio (%)	2004	2005	Comparison Ratio (%)	2004	2005	Comparison Ratio (%)
Energy / Materials / Machinery	1,005	1,011	100.6	300	338	112.7	592	618	104.4	2,829	2,932	103.6	4,726	4,899	103.7
Foodstuffs	4,530	5,132	113.3	2,199	2,281	103.7	1,490	1,512	101.5	21,958	20,795	94.7	30,177	29,720	98.5
Beverages / Cigarettes	3,462	3,168	91.5	2,104	2,094	99.5	1,285	1,189	92.5	21,918	21,297	97.2	28,769	27,748	96.5
Pharmaceuticals / Medical Supplies	2,948	3,005	101.9	1,126	1,125	99.9	1,013	1,123	110.9	12,605	12,941	102.7	17,692	18,194	102.8
Cosmetics / Toiletries	2,154	2,332	108.3	6,628	6,235	94.1	455	366	80.4	28,676	27,305	95.2	37,913	36,238	95.6
Apparel / Fashion Accessories / Personal Items	1,244	1,132	91.0	5,569	5,845	105.0	147	150	102.0	2,695	2,619	97.2	9,655	9,746	100.9
Precision Instruments / Office Supplies	1,029	779	75.7	994	937	94.3	92	86	93.5	2,631	2,070	78.7	4,746	3,872	81.6
Home Electric Appliances / AV Equipment	1,165	1,340	115.0	1,131	1,085	95.9	205	242	118.0	5,744	6,162	107.3	8,245	8,829	107.1
Automobiles / Related Products	5,945	5,081	85.5	2,548	2,504	98.3	2,132	2,031	95.3	14,865	14,634	98.4	25,490	24,250	95.1
Household Products	804	836	104.0	506	492	97.2	293	292	99.7	5,094	5,109	100.3	6,697	6,729	100.5
Hobbies / Sporting Goods	1,764	1,741	98.7	1,667	1,710	102.6	709	661	93.2	10,090	10,115	100.2	14,230	14,227	100.0
Real Estate / Housing Facilities	6,616	6,392	96.6	493	482	97.8	868	966	111.3	7,619	8,181	107.4	15,596	16,021	102.7
Publications	10,544	10,209	96.8	467	475	101.7	846	840	99.3	3,278	3,192	97.4	15,135	14,716	97.2
Information / Communications	7,939	7,305	92.0	2,855	2,636	92.3	1,180	1,039	88.1	14,672	15,453	105.3	26,646	26,433	99.2
Distribution / Retailing	10,500	10,540	100.4	2,485	2,470	99.4	1,161	1,178	101.5	11,343	10,645	93.8	25,489	24,833	97.4
Finance / Insurance	8,144	8,402	103.2	1,964	2,077	105.8	1,674	1,594	95.2	17,338	18,731	108.0	29,120	30,804	105.8
Transportation / Leisure	16,497	16,290	98.7	2,177	2,130	97.8	1,550	1,482	95.6	8,233	8,433	102.4	28,457	28,335	99.6
Food Services / Other Services	3,067	3,109	101.4	1,668	1,613	96.7	768	765	99.6	6,906	7,199	104.2	12,409	12,686	102.2
Government / Organizations	2,287	2,408	105.3	313	453	144.7	840	997	118.7	1,241	1,279	103.1	4,681	5,137	109.7
Education / Medical Services / Religion	5,983	5,948	99.4	2,404	2,353	97.9	625	618	98.9	4,078	4,128	101.2	13,090	13,047	99.7
Classified Ads / Others	7,963	7,610	95.6	102	115	112.7	25	31	124.0	547	890	162.7	8,637	8,646	100.1
Total	105,590	103,770	98.3	39,700	39,450	99.4	17,950	17,780	99.1	204,360	204,110	99.9	367,600	365,110	99.3

<TABLE 4>

Breakdown of Media Expenditures

Major Media: Advertising expenditures spent in the four major media of newspapers, magazines, radio and television.

Newspapers: Advertising rates of national daily and trade newspapers, and advertising production costs.

Magazines: Advertising rates of national monthly, weekly and specialized magazines and advertising production costs.

Radio: Time rates and production costs of private broadcasting stations nationwide and commercial production costs (but not including event-related costs).

Television: Time rates and production costs of private broadcasting stations nationwide and commercial production costs (but not including event-related costs).

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

Direct Mail: Postage spent on direct mail.

Flyers: Insertion costs for flyers in newspapers nationwide.

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

Transit: Placement costs for transit advertisements.

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

Telephone Directories: Placement costs for advertisements in telephone directories.

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

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

Internet: Placement costs for advertising on Internet sites.

(Includes mobile advertisings; does not include site set-up costs)

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