

Earnings Announcement for FY2003

(Year Ended March 31, 2004)

**May 21, 2004
Dentsu Inc.**

Financial Summary for FY2003 **(Year Ended March 31, 2004)**

and

Outlook for FY2004 **(Year Ending March 31, 2005)**

Hitoshi Hanatsuka
Executive Vice President / Chief Financial Officer

Cautionary Statement

This document contains forward-looking statements regarding the intent, belief or current expectations of Dentsu Inc. or its management with respect to the results of operations and financial condition of the Dentsu Group.

Such forward-looking statements, based on information known to the management as of May 21, 2004, are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors.

Unless otherwise stated, the following discussion is based on the Dentsu Group's consolidated financial statements prepared in accordance with Generally Accepted Accounting Principles in Japan.

■ **Consolidated Results**

■ **Non-Consolidated Results**

■ **Outlook for FY2004**

Consolidated Results

Consolidated Results

Years ended March 31

(Millions of yen)

	2003	2004	2004/2003	Results as % of Projection*
Net sales	1,692,947	1,749,110	103.3%	103.4%
Gross profit	285,815	294,044	102.9%	103.8%
Gross profit margin	16.9%	16.8%		
Operating income	46,999	46,687	99.3%	113.4%
Operating margin	16.4%	15.9%		
Ordinary income	45,312	47,140	104.0%	113.3%
Net income	22,963	30,881	134.5%	165.1%

* Compared with revised projections released on November 17, 2003

Consolidated Net Sales

Breakdown by Segment

Years ended March 31

	<u>Net Sales</u>	<u>2004/2003</u>
Advertising (93.7% of total net sales)	1,667,624	102.3%
Other Business (6.3% of total net sales)	112,111	124.2%
Total	1,779,736	103.5%
Eliminations	(30,626)	
Consolidated total	1,749,110	103.3%

Key Subsidiaries

(Millions of yen)

	<u>Net Sales</u>	<u>2004/2003</u>
Advertising		
4 Regional Dentsu	100,045	101.8%
DYR Tokyo	43,152	89.0%
Dentsu USA	43,399	103.8%
Dentsu Beijing	32,745	139.6%
Other Business		
ISID	71,608	101.1%

Notes: (1) Consolidated figures for subsidiaries are prior to elimination.

(2) 4 Regional Dentsu includes the net sales of Ad Dentsu Tokyo.

Newly Consolidated Subsidiaries

Subsidiaries Newly Consolidated in FY2003

Number of companies:	19
Contribution to net sales:	approx. 20.5 billion yen

Examples:

GENEON ENTERTAINMENT
GENEON ENTERTAINMENT (USA)
The Goal
SHINGATA
BUILD creativehaus
bless you
DENTSU e-LINK

Consolidated Net Sales

Overseas Sales by Geographic Segment

Years ended March 31

(Millions of yen)

	<u>Net Sales</u>	<u>2004/2003</u>	<u>% of Total Sales</u>	<u>% of Total Sales</u> <u>in Previous Period</u>
US	45,852	107.0%	2.6%	(2.5%)
Europe	10,987	89.1%	0.6%	(0.7%)
China	35,301	135.8%	2.0%	(1.5%)
Asia (Excluding Japan and China)	28,361	115.1%	1.6%	(1.5%)
Eliminations	(82)	–	0.0%	–
Total overseas sales	120,420	113.9%	6.9%	(6.2%)
Domestic sales	1,635,164	102.7%	93.1%	(93.8%)
Total	1,755,585	103.4%	100.0%	(100.0%)
Eliminations	(6,475)	124.8%	–	–
Consolidated total	1,749,110	103.3%	–	–

Consolidated Operating Income

Years ended March 31

(Millions of yen)

	2003	2004	2004/2003
Personnel expenses	144,821	150,458	103.9%
Salaries	120,324	122,422	101.7%
Others	24,496	28,036	114.5%
Operating expenses	84,065	82,772	98.5%
Depreciation	9,929	14,125	142.3%
SG&A	238,815	247,356	103.6%

Operating Income : 46,687 million yen
(99.3% of previous year)

Consolidated Ordinary Income

Years ended March 31

(Millions of yen)

	2003	2004	2004/2003
Other income	3,500	4,576	130.7%
Other expense	5,187	4,123	79.5%
Total	(1,686)	452	-

Main Factors

Other income:

Gain on sales of investment securities (approx. ¥0.9 billion)

Other expense:

Decrease of provision for allowance for doubtful accounts
(approx. ¥0.4 billion)

Ordinary Income : 47,140 million yen
(104.0% of previous year)

Consolidated Net Income

	(Millions of yen)		
Years ended March 31	2003	2004	2004/2003
Extraordinary income	36,946	19,149	51.8%
Extraordinary loss	32,190	7,526	23.4%
Total	4,755	11,622	244.4%

Main Factors

Extraordinary income:

Gain on return of substitutional portion of employees' pension fund
(approx. ¥12.7 billion)

Gain on sales of investment securities (approx. ¥3.3 billion)

Extraordinary loss:

Revaluation loss on investment securities (approx. ¥1.6 billion)

Special retirement benefits (approx. ¥2.4 billion)

Income before Income Taxes and Minority Interests :
58,763 million yen (117.4% of previous year)

Net Income : 30,881 million yen (134.5% of previous year)

Consolidated Balance Sheets

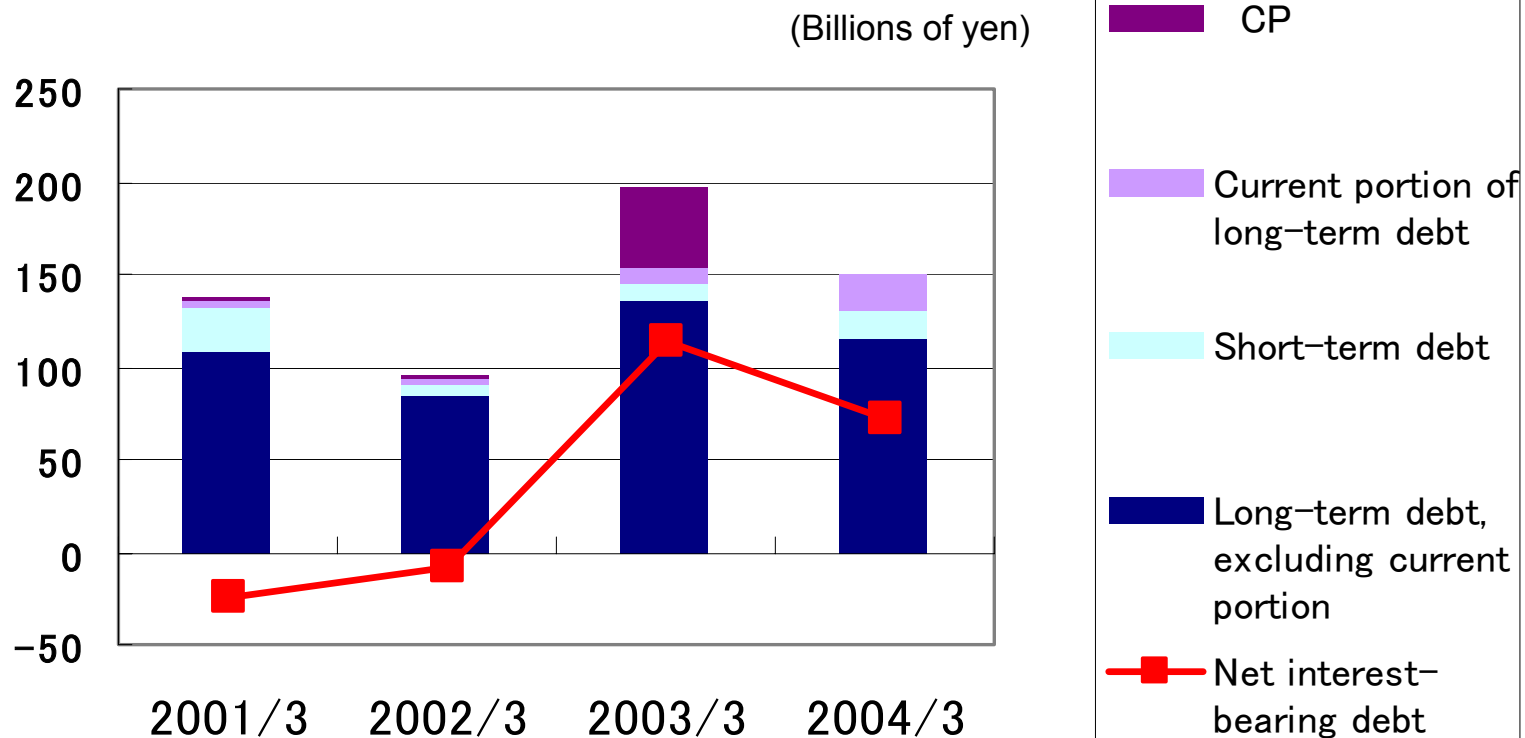
As of March 31

(Millions of yen)

	2003	2004	2004/2003
Current assets	583,104	601,821	103.2%
Fixed assets	604,196	587,272	97.2%
Total assets	1,187,300	1,189,094	100.2%
Current liabilities	488,837	494,418	101.1%
Long-term liabilities	232,992	200,035	85.9%
Total liabilities	721,829	694,454	96.2%
Minority interests	23,376	25,018	107.0%
Total stockholders' equity	442,093	469,621	106.2%
Total liabilities, minority interests and stockholders' equity	1,187,300	1,189,094	100.2%

Consolidated Interest-Bearing Debt

As of March 31



Non-Consolidated Results

Non-Consolidated Results

Years ended March 31

(Millions of yen)

	2003	2004	2004/2003	Results as % of Projection*
Net sales	1,367,658	1,402,533	102.5%	102.6%
Gross profit	202,964	201,941	99.5%	103.3%
Gross profit margin	14.8%	14.4%		
Operating income	40,513	34,975	86.3%	112.5%
Operating margin	20.0%	17.3%		
Ordinary income	41,465	40,249	97.1%	112.1%
Net income	23,116	29,924	129.5%	145.1%

* Compared with revised projections released on November 17, 2003

Non-Consolidated Net Sales by Service Area

Years ended March 31

(Millions of yen)

	2003	2004	2004/2003
Newspapers	198,650	205,186	103.3%
Magazines	74,991	75,933	101.3%
Radio	25,835	26,667	103.2%
Television	687,753	701,354	102.0%
Time	349,847	342,229	97.8%
Spot	337,906	359,124	106.3%
Sales promotion	129,174	155,627	120.5%
Others	251,253	237,764	94.6%
Total	1,367,658	1,402,533	102.5%

Non-Consolidated Net Sales by Industry

Net Sales by Industry (% of Previous Year)

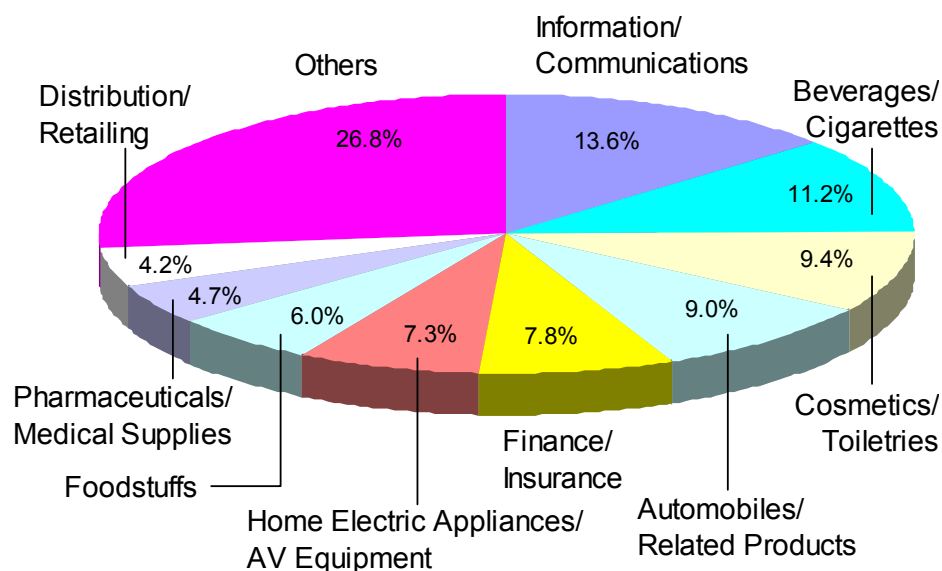
■ Increased:

Information/Communications	(112.7%)
Cosmetics/Toiletries	(105.1%)
Automobiles/Related Products	(105.1%)
Home Electric Appliances/ AV Equipment	(108.4%)
Foodstuffs	(102.1%)

■ Decreased:

Beverages/Cigarettes	(99.5%)
Finance/Insurance	(90.4%)

Breakdown of Net Sales by Industry



Non-Consolidated Operating Income

Years ended March 31

(Millions of yen)

	2003	2004	2004/2003
Personnel expenses	98,848	102,662	103.9%
Salaries	80,020	81,409	101.7%
Others	18,827	21,253	112.9%
Operating expenses	54,239	51,096	94.2%
Depreciation	9,363	13,205	141.0%
SG&A	162,451	166,965	102.8%

Operating Income : 34,975 million yen
(86.3% of previous year)

Non-Consolidated Ordinary Income

Years ended March 31

(Millions of yen)

	2003	2004	2004/2003
Other income	5,288	8,871	167.8%
Other expense	4,336	3,596	82.9%
Total	952	5,274	553.9%

Main Factors

Other income:

Increase in dividend income of ¥2.2 billion

(¥0.9 billion from Publicis; ¥0.9 billion from domestic subsidiaries)

Increase in rental charge of ¥1.3 billion

(mainly related to Shiodome commercial facility)

Ordinary Income : 40,249 million yen
(97.1% of previous year)

Non-Consolidated Net Income

Years ended March 31

(Millions of yen)

	2003	2004	2004/2003
Extraordinary income	36,469	17,676	48.5%
Extraordinary loss	33,846	6,770	20.0%
Total	2,623	10,906	415.7%

Main Factors

Extraordinary income:

Gain on return of substitutional portion of employees' pension fund
(approx. ¥11.4 billion)

Gain on sales of investment securities (approx. ¥3.2 billion)

Extraordinary loss:

Revaluation loss and loss on liquidation of stocks of affiliated companies
(approx. ¥1.6 billion)

Special retirement benefits (approx. ¥2.2 billion)

Income before Income Taxes :

51,155 million yen (116.0% of previous year)

Net Income : 29,924 million yen (129.5% of previous year)

Outlook for FY2004

(April 1, 2004 - March 31, 2005)

Consolidated Outlook for the Fiscal Year Ending March 31, 2005

Years ended/ending March 31

(Millions of yen)

	2004	2005	2005/2004
Net sales	1,749,110	1,857,984	106.2%
Gross profit	294,044	304,786	103.7%
Gross profit margin	16.8%	16.4%	
Operating income	46,687	47,551	101.8%
Operating margin	15.9%	15.6%	
Ordinary income	47,140	48,085	102.0%
Net income	30,881	23,585	76.4%

Non-Consolidated Outlook for the Fiscal Year Ending March 31, 2005

Years ended/ending March 31

(Millions of yen)

	2004	2005	2005/2004
Net sales	1,402,533	1,484,336	105.8%
Gross profit	201,941	205,990	102.0%
Gross profit margin	14.4%	13.9%	
Operating income	34,975	35,652	101.9%
Operating margin	17.3%	17.3%	
Ordinary income	40,249	40,890	101.6%
Net income	29,924	22,991	76.8%

Management Strategy of the Dentsu Group

Tateo Mataka
President & COO

Review of the Fiscal Year Ended March 31, 2004

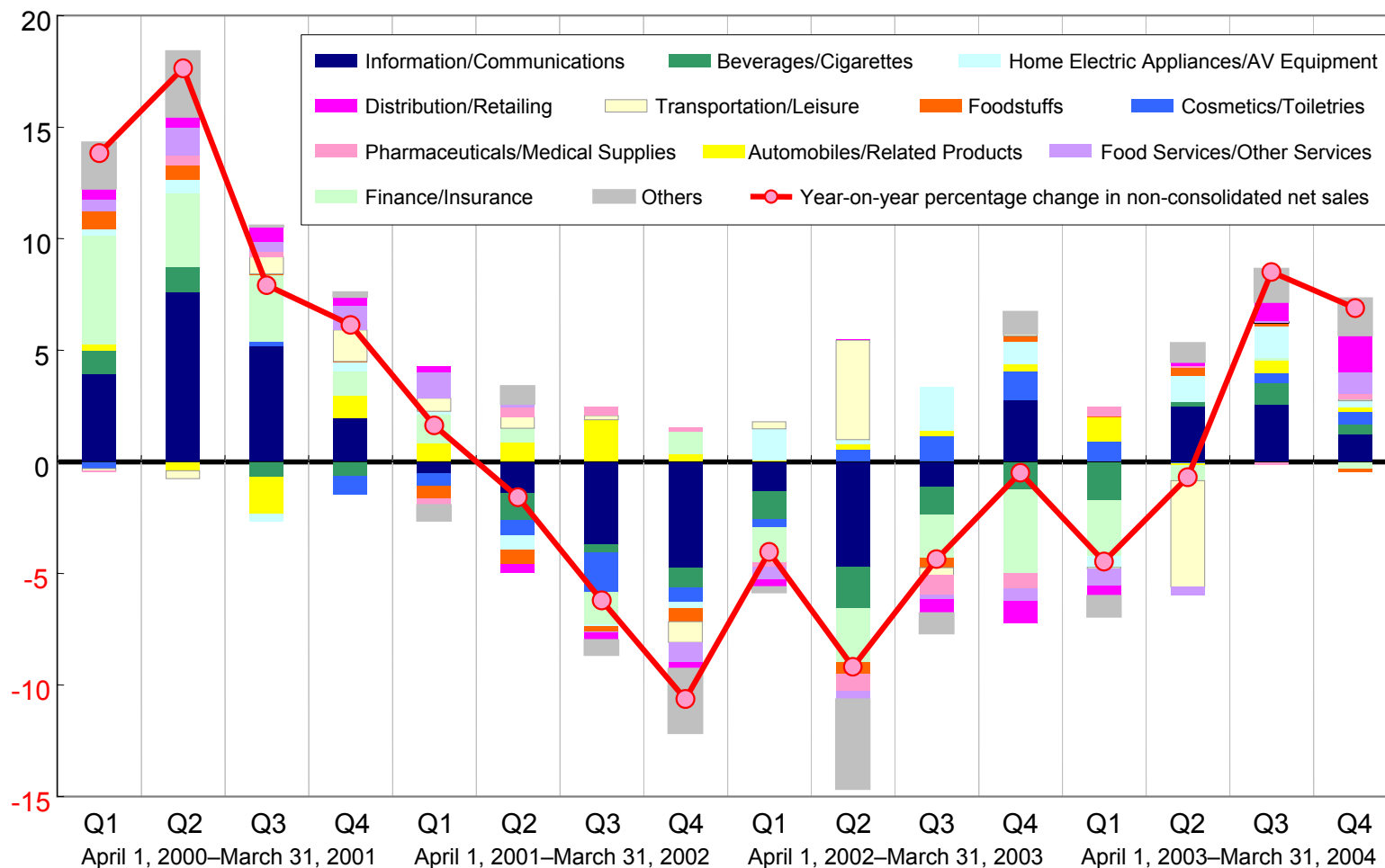
- Surpassed previous year's results

- Implemented management reforms

- Strengthened the Dentsu Group

Solid Growth in Sales to the Information/Communications, Home Electric Appliances/AV Equipment and Distribution/Retailing Industries

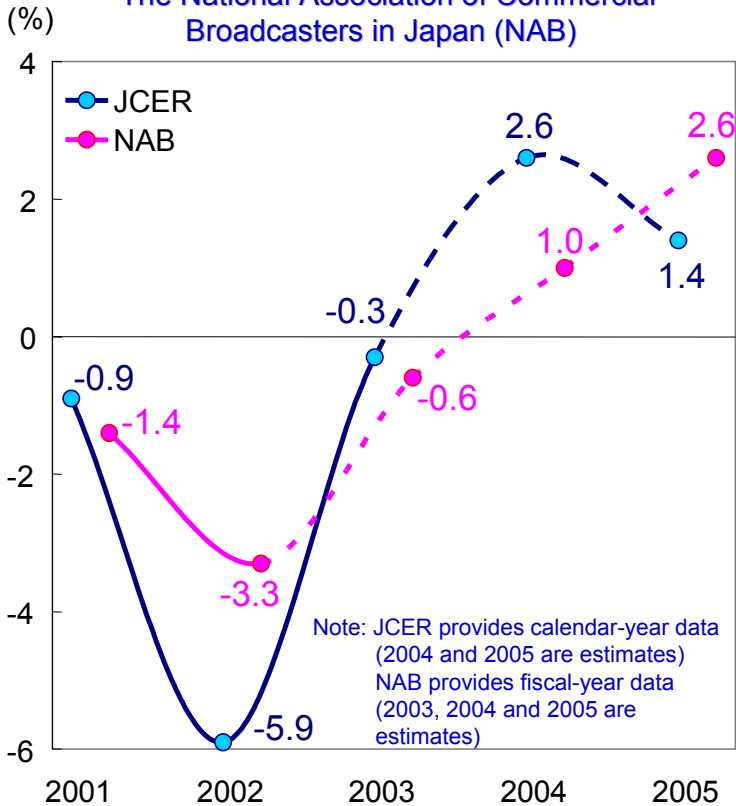
Contribution by Industry to Non-Consolidated Net Sales (Quarterly Basis)



Recovery of Advertising Market Starting from Second Half of 2003

Advertising Market Forecasts

- Japan Center for Economic Research (JCER)
- The National Association of Commercial Broadcasters in Japan (NAB)



Sources: JCER and *Medium-Term Television and Radio Advertising Sales Forecasts*, NAB

Major Events in the Fiscal Year Ending March 31, 2005

- May 2004
Volleyball World Final Qualification and the Regional Qualification of Asian Teams for the Athens Olympics 2004
- June 2004
UEFA EURO 2004™
- July 2004
Elections to the House of Councillors (Japan)
- August 2004
Athens 2004 Olympic Games
- February 2004 – November 2004
Preliminary Competition of the Asian Zone of the 2006 FIFA World Cup™ Germany
- March 2005~
Expo 2005 Aichi, Japan

Medium-Term Targets of the Dentsu Group

Management Vision

“A Partner
in Creating
Value”

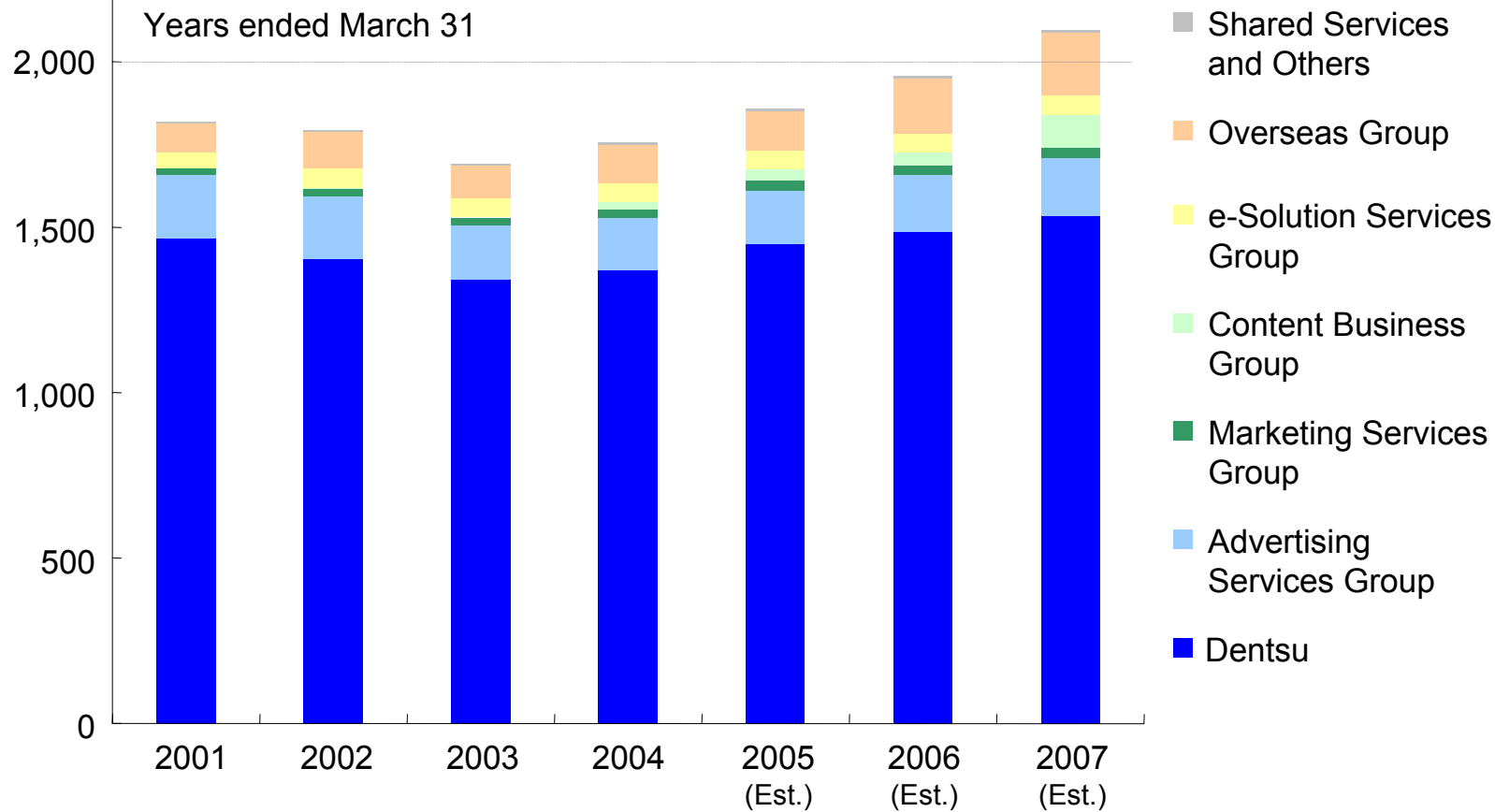
- Surpass 2 trillion yen in consolidated net sales (Fiscal year ending March 31, 2007)

- Ensure stable growth in operating income

Surpass 2 Trillion Yen in Consolidated Net Sales

Medium-Term Management Plan: Net Sales by Business Domain

(Billions of yen)



Note: Calculated using the combined total of sales to external customers by Group companies in each business domain.

Growth Strategy of the Dentsu Group

Growth Strategy

“4-2-2” Growth Strategy

Four Markets

Domestic advertising market, advertising-related markets, new markets and overseas markets

Two Approaches

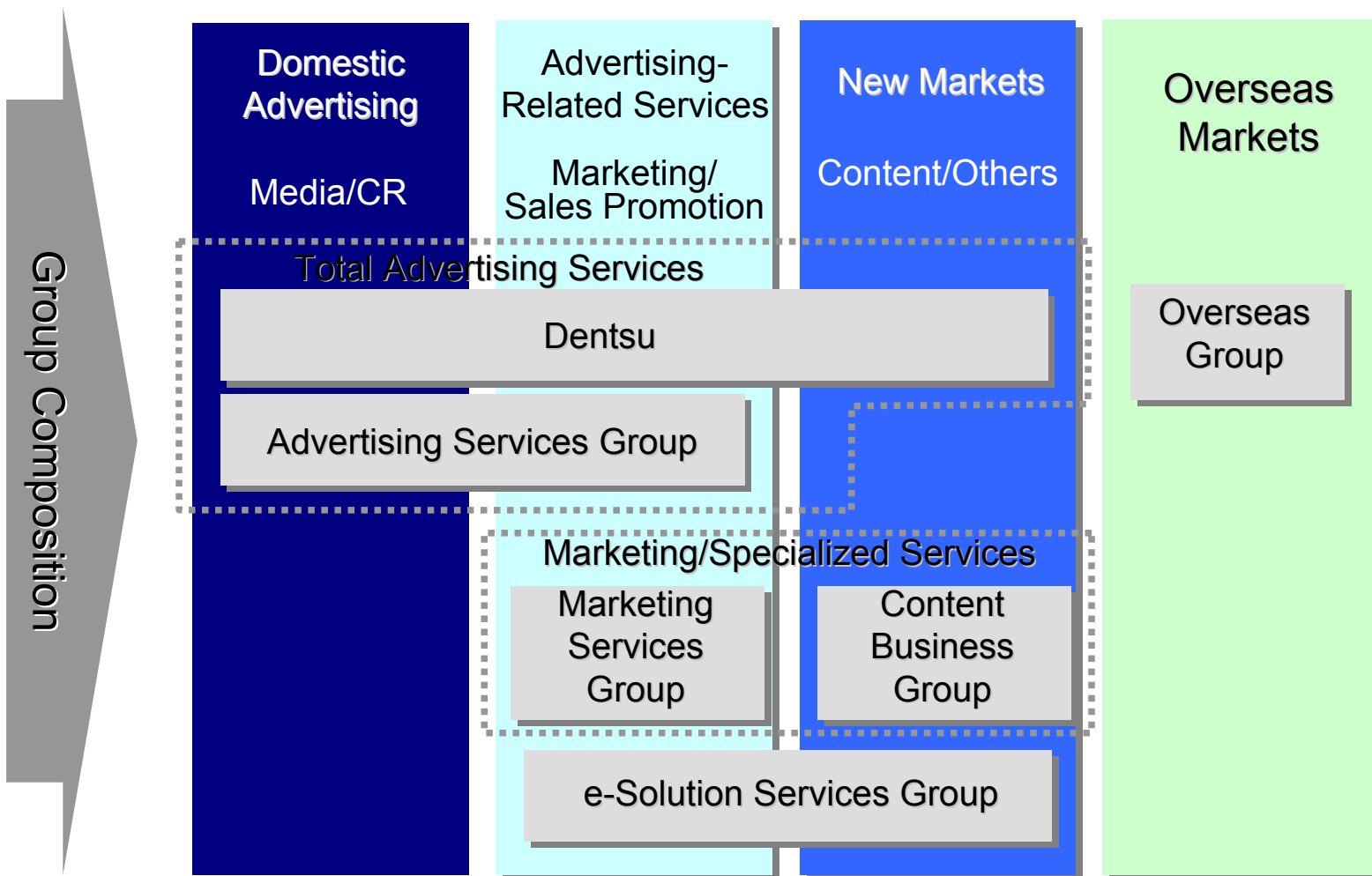
Reinforce existing business models and develop new business models

Two Assessments

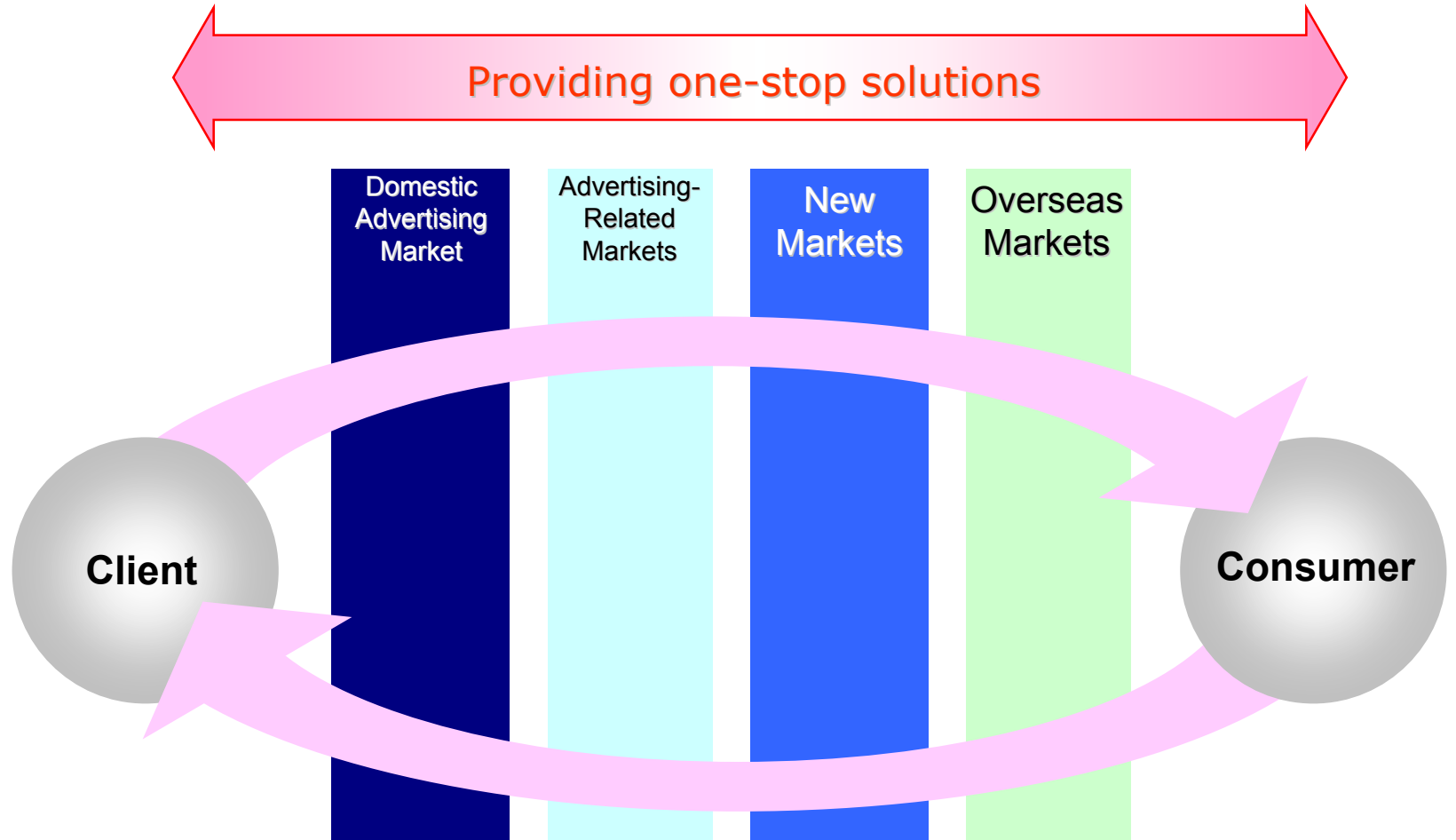
Capable individuals and strong teamwork

Composition of the Dentsu Group and Four Markets

Four Markets

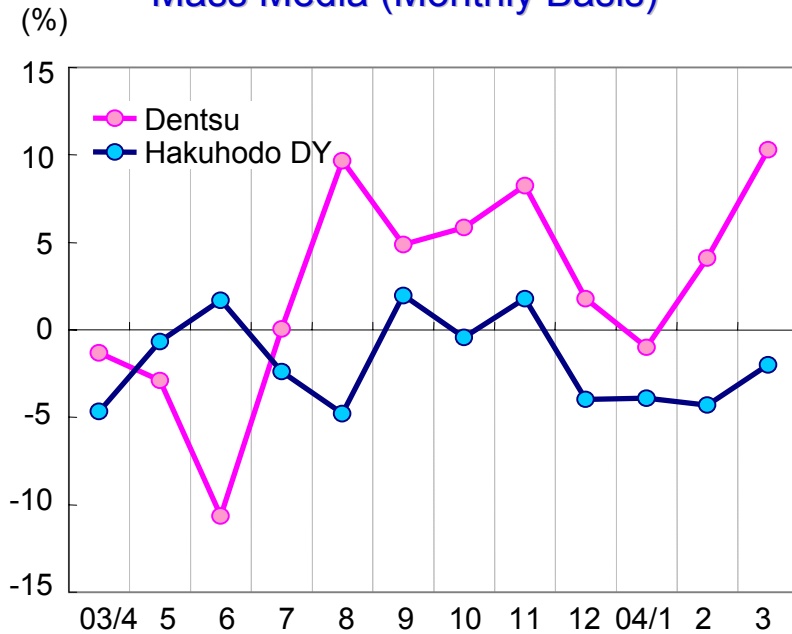


The Dentsu Group's Competitive Edge: "Total Communications Services"



Growth Strategy for the Domestic Advertising Market

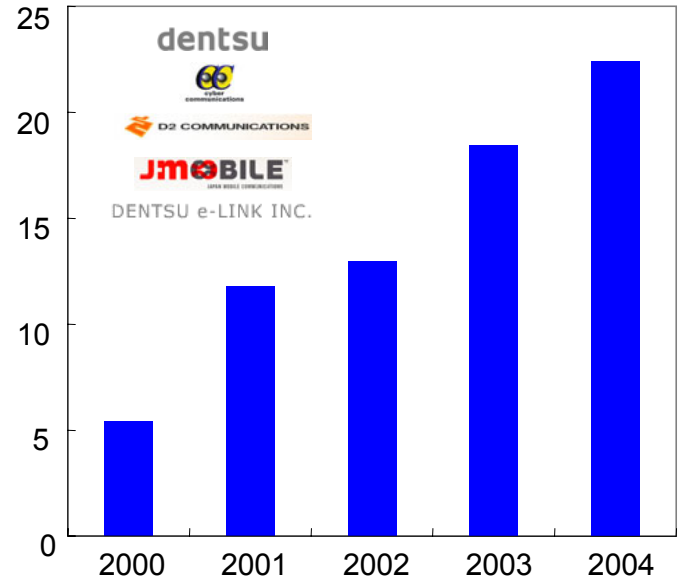
Year-on-Year Percentage Change in Net Sales Accounted for by the Four Traditional Mass Media (Monthly Basis)



Source: Advertising and Economy

Internet Advertising Sales of the Dentsu Group

(Billions of yen) Years ended March 31



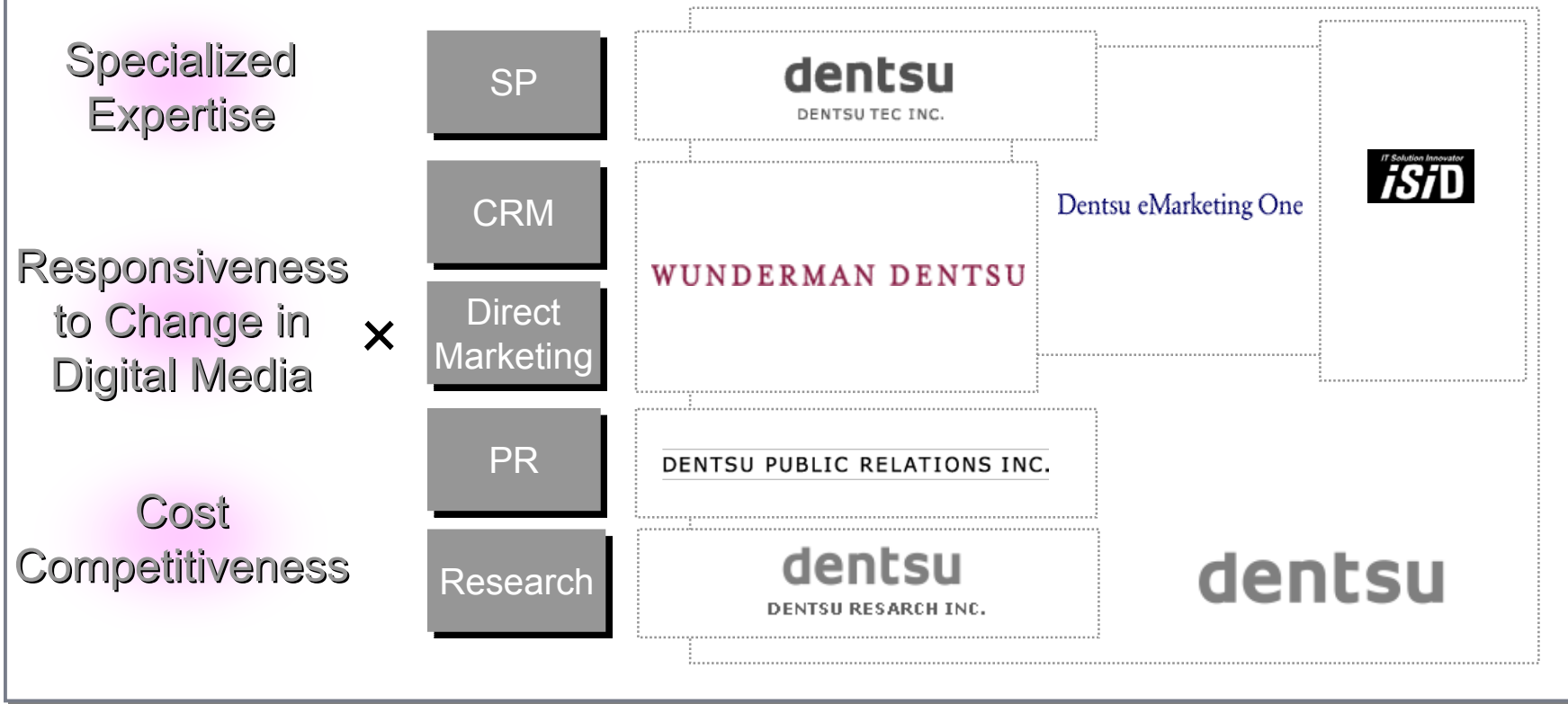
Note: Calculated using the combined total of media-related sales by Dentsu's Interactive Communication Division and sales to external customers by Group companies. Some of the figures used in this calculation are estimates.

Focusing on stable market share increase

Expand business in high-growth Internet advertising business

Growth Strategy for Advertising-Related Markets

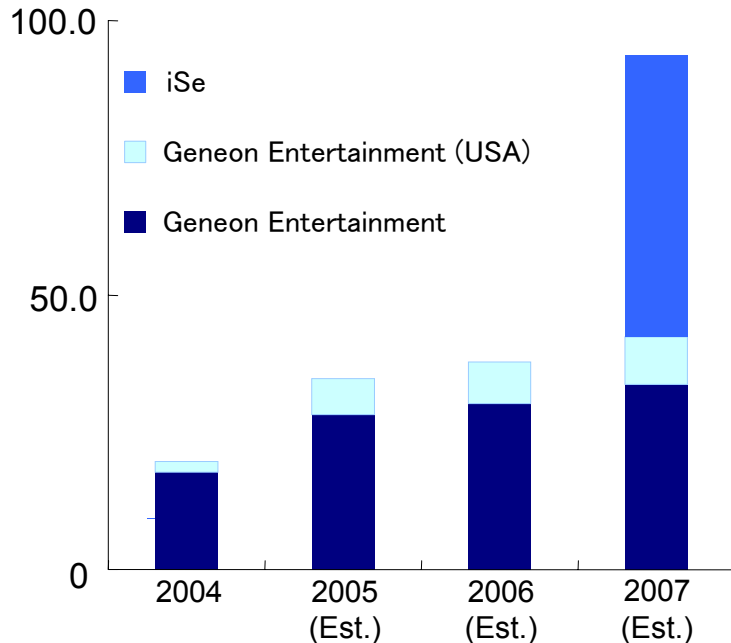
The Dentsu Group's Business Units in Advertising-Related Markets



Maximize capabilities of Group companies to establish competitive edge

Growth Strategy for New Markets

Sales Forecasts for Geneon Entertainment and iSe
(Billions of yen) Years ended March 31



Note: Calculated using the combined total of sales to external customers by Group companies.

Major Sporting Events with Which Dentsu Is Involved

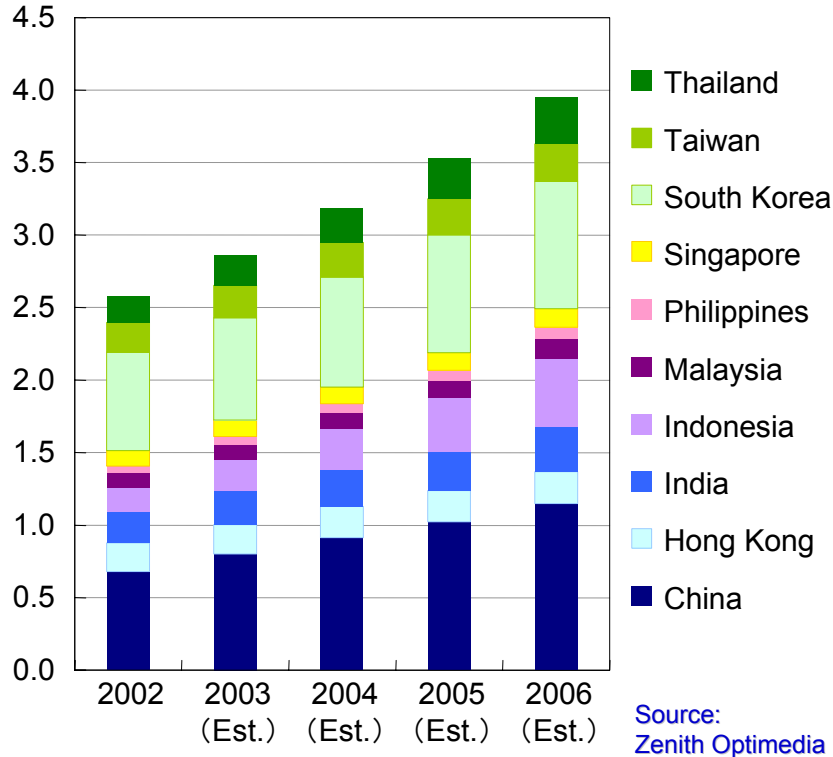
Fiscal Year Ending March 31, 2005	<p>May: Asia Zone Continental Olympic Qualification (volleyball)</p> <p>June: UEFA EURO 2004™</p> <p>August: Athens 2004 Olympic Games</p> <p>Feb. - Nov.: Preliminary Competition of the Asian Zone of the 2006 FIFA World Cup™ Germany</p>
Fiscal Year Ending March 31, 2006	<p>May: East Asia Soccer Championship</p> <p>July: FINA World Championships (Montreal)</p> <p>August: IAAF World Championships</p> <p>February: Turin 2006 Olympic Winter Games</p>
Fiscal Year Ending March 31, 2007	<p>May: 2006 FIFA World Cup™ Germany</p> <p>December: Asian Games (Doha)</p>

Increase earnings in content business and generate synergies between the domestic advertising market, advertising-related markets and overseas markets

Growth Strategy for Overseas Markets

Outlook for Asian Markets

(Trillions of yen)

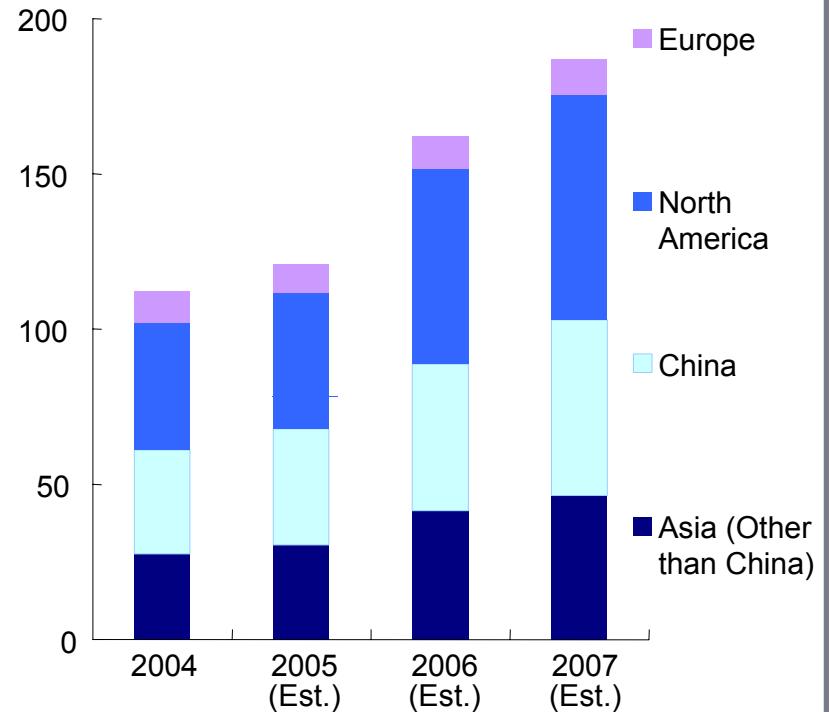


Note: Translated into yen at the telegraphic transfer middle (TTM) rate on the Tokyo Foreign Exchange Market on December 30, 2003

Outlook for the Dentsu Group's Overseas Business

(Billions of yen)

Years ended March 31



Note: Calculated using the combined total of sales to external customers by overseas Group companies

Increase earnings in the rapidly growing Asian market

Increase share of key global markets and expand service line-up

Three Main Pillars of Reform

- Building people: Reform personnel system
- Building infrastructures: Adopt new operational and management accounting infrastructures
- Building an organization: Reinforce Group management