

# **FY2004 Earnings Announcement**

**(From April 1, 2004 to March 31, 2005)**

**May 20, 2005**  
**Dentsu Inc.**

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# **Financial Summary for FY2004 and Dentsu Group Business Strategies**

**Tateo Mataka  
President & CEO**

## **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 management as of May 20, 2005, are not guarantees of future performance and involve risks and uncertainties, and actual results may differ significantly 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 Performance Overview

# FY2004 Consolidated Financial Results

	FY2003	FY2004	Change	(Millions of yen) Comparison with Projected Results
<b>Net sales</b>	<b>1,749,110</b>	<b>1,910,469</b>	<b>+9.2%</b>	<b>+0.6%</b>
<b>Gross profit</b>	<b>294,044</b>	<b>317,902</b>	<b>+8.1%</b>	<b>+1.6%</b>
<i>Gross profit margin</i>	<b>16.8%</b>	<b>16.6%</b>	<b>-0.2ppts</b>	
<b>Operating income</b>	<b>46,687</b>	<b>57,603</b>	<b>+23.4%</b>	<b>+6.5%</b>
<i>Operating margin</i>	<b>15.9%</b>	<b>18.1%</b>	<b>+2.2ppts</b>	
<b>Ordinary income</b>	<b>47,140</b>	<b>59,265</b>	<b>+25.7%</b>	<b>+9.2%</b>
<b>Net income</b>	<b>30,881</b>	<b>27,532</b>	<b>-10.8%</b>	<b>+3.6%</b>
<i>EPS (¥)</i>	<b>11,341.47</b>	<b>10,110.45</b>		

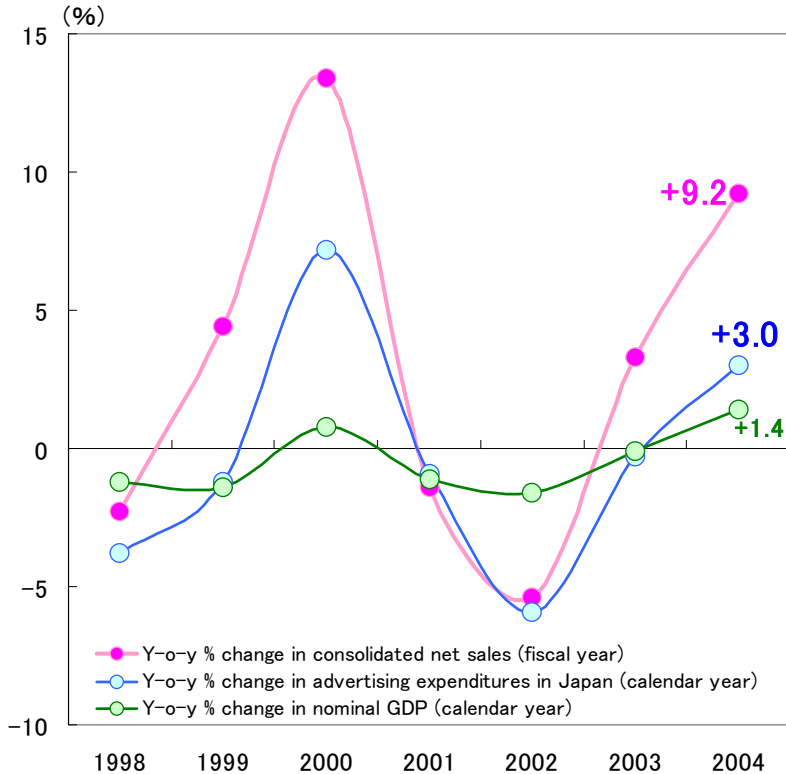
Notes 1: Operating margin = operating income ÷ gross profit x 100

2: "Comparison with projected results" refers to comparison with projections released on November 18, 2004.

3: EPS is calculated based on the number of shares in issue following a two-for-one stock split effective May 20, 2004.

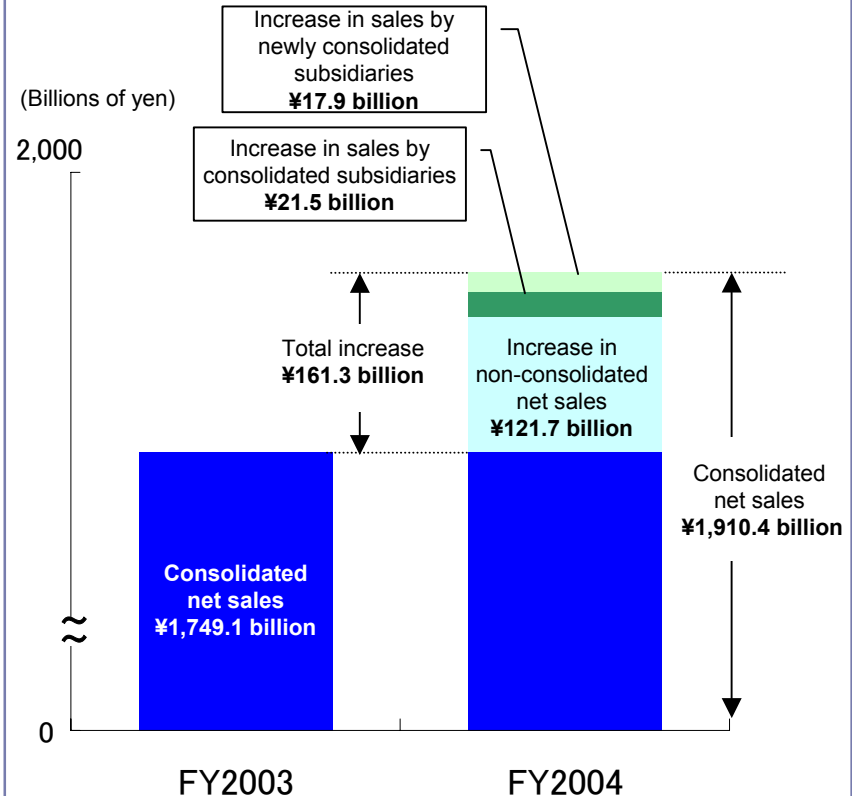
# Growth in Sales Outpaces That of Market

Comparison of Consolidated Net Sales, Advertising Expenditures in Japan and Nominal GDP



Sources: 2004 Advertising Expenditures in Japan (Dentsu); Nominal GDP: Japan Center for Economic Research (March 2005)

Breakdown of the Increase in Consolidated Net Sales

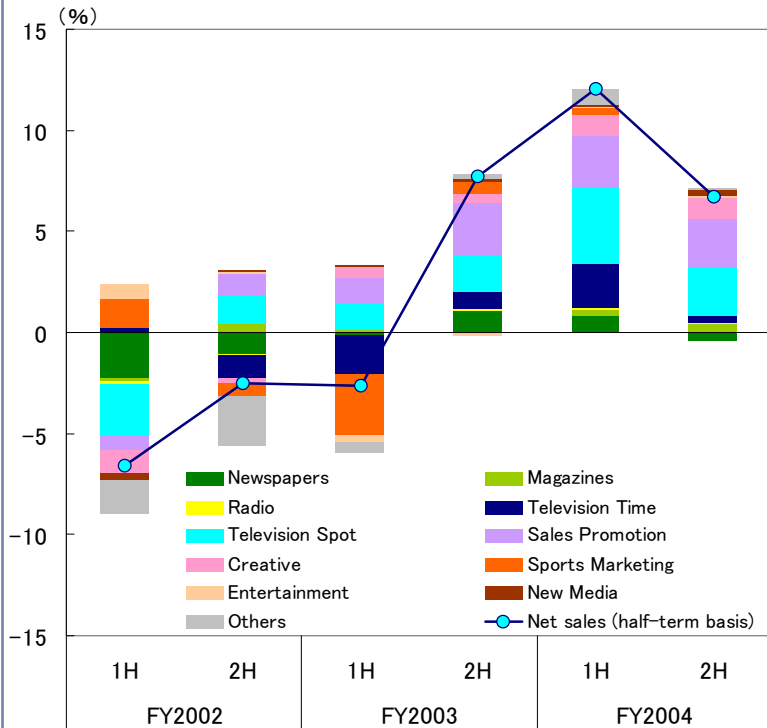


Notes 1: Sales of companies are subsequent to deductions of intersegment transactions.

2: Sales of newly consolidated subsidiaries do not include sales of those companies' subsidiaries.

# Achievements of "4-2-2 Strategy"

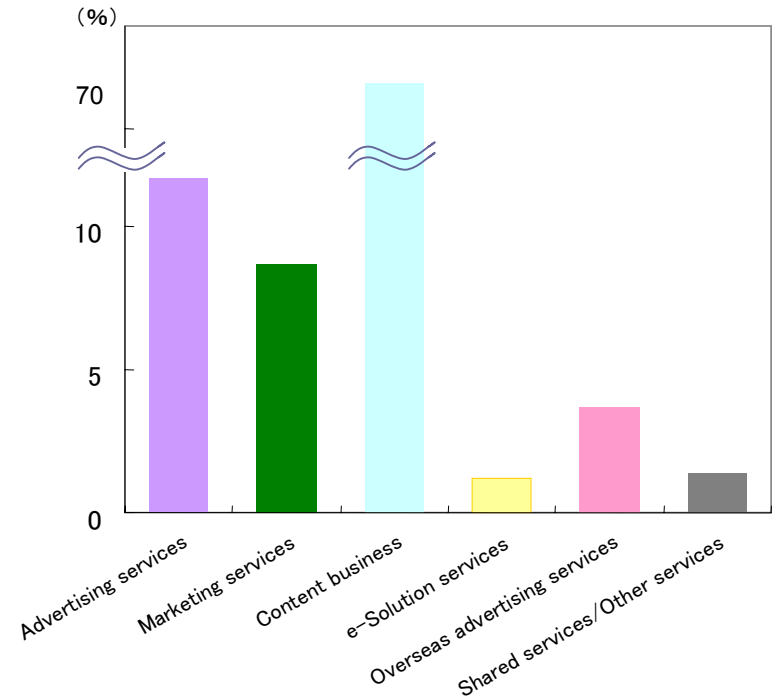
## Contribution by Business Category to Non-Consolidated Net Sales



\*Calculated based on previous breakdown

Note: This chart shows the degree to which each business category positively or negatively impacted non-consolidated net sales. This is calculated using sales in each business category in the current period minus sales in each business category in the same period of the previous year divided by non-consolidated net sales in the same period of the previous year.

## Year-on-Year Change in Sales of Consolidated Subsidiaries by Business



Notes 1: Calculated using the combined total of estimated sales of consolidated subsidiaries to external customers in each business

2: Principal newly consolidated subsidiaries:

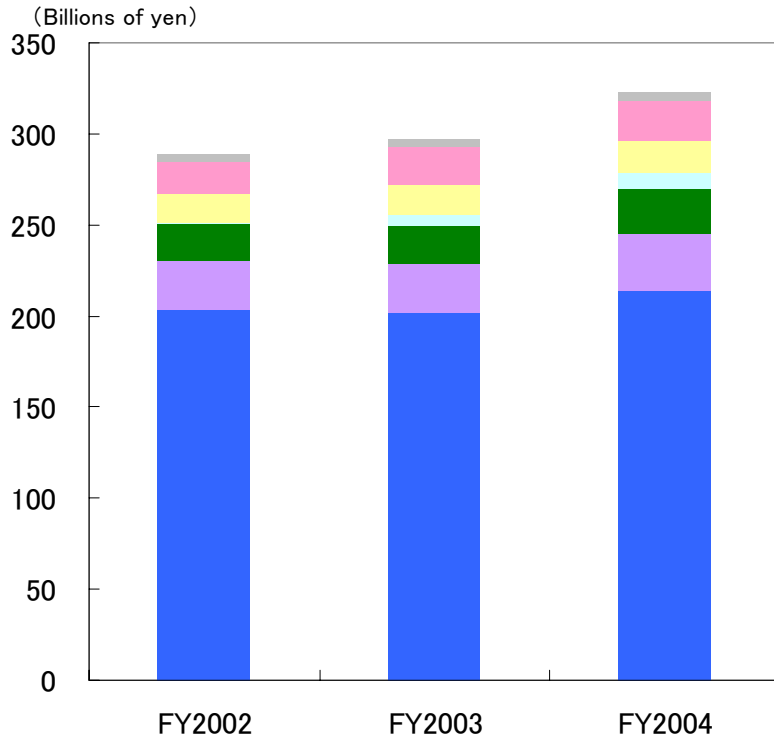
Advertising services: The Goal; Drill; REWIND

Marketing services: DENTSU TABLE MEDIA COMMUNICATIONS; Dentsu Communication Institute; In-Store Communications

Content business: Geneon Entertainment

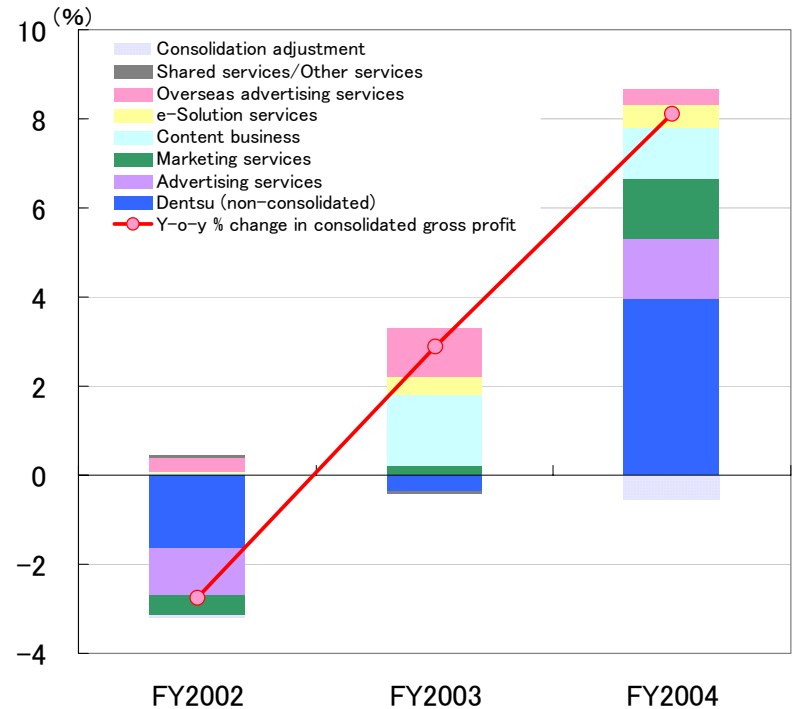
# Growth in Group Gross Profit

## Breakdown of Group Gross Profit by Business



Note: Calculated using the combined total of gross profit of Dentsu Group companies in each business

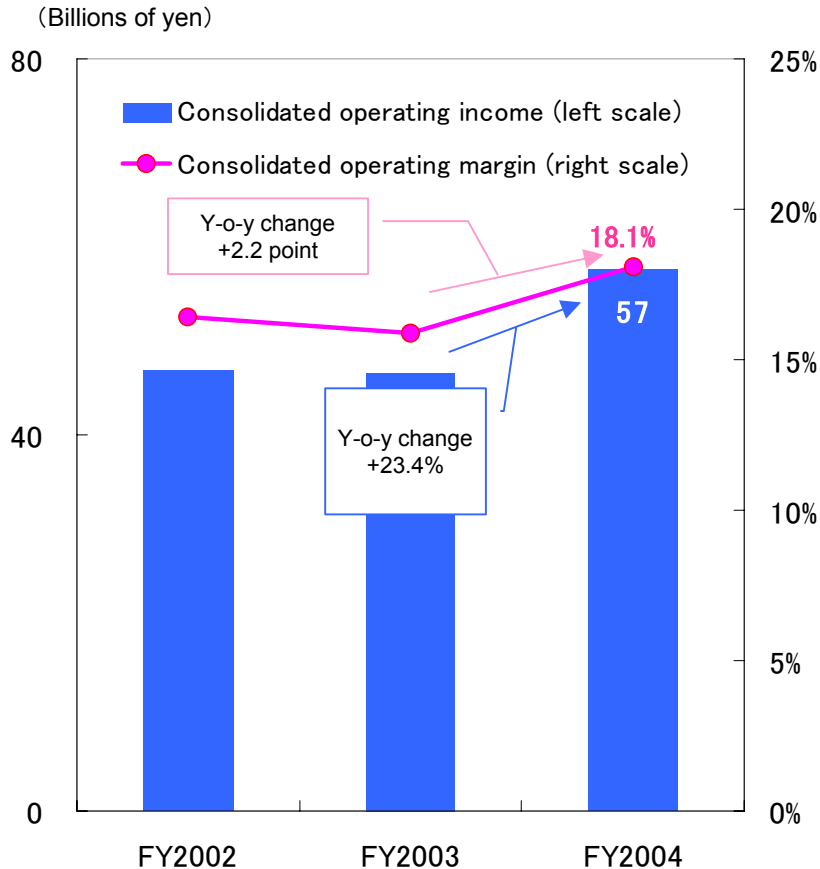
## Contribution by Business to Consolidated Gross Profit



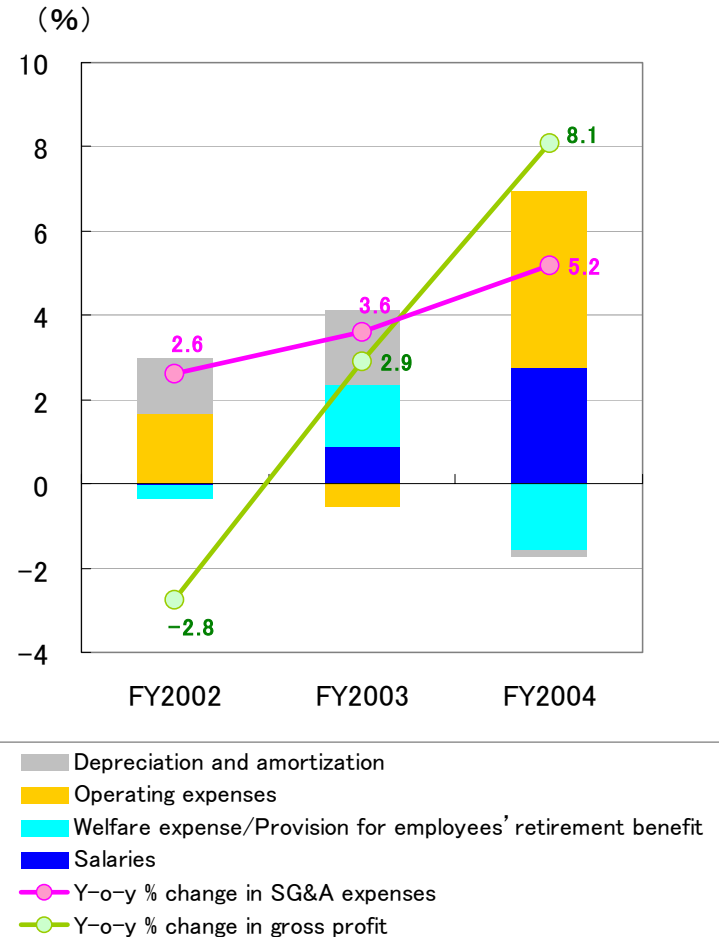
Note: This chart shows the degree to which each business positively or negatively impacted consolidated gross profit. This is calculated using gross profit in each business in the current period minus gross profit in each business in the same period of the previous year divided by consolidated gross profit in the same period of the previous year.

# Improvement in Operating Margin

## Consolidated Operating Income and Operating Margin



## Breakdown of Selling, General and Administrative Expenses



# Reinforcing Business in Four Markets

## FY2004 Actions

### Domestic Advertising Market

- Reinforced strategic planning capabilities to provide integrated solutions
  - Established Integrated Marketing Communication Development Division
- Strengthened creative development capabilities — Established Communication Design Center
- Expanded Internet-related businesses — Equity investment in Action Click Co., Ltd.

### Advertising-Related Markets

- Set up promotion marketing framework — Established Promotion Business Development Division
- Expanded business scope — Established DENTSU TABLE MEDIA COMMUNICATIONS INC.
  - Developed *drams* direct response business support system

### New Markets

- Acquired rights to top-quality content
  - Obtained domestic TV broadcasting rights to the 2010 & 2014 FIFA World Cup™
  - Signed exclusive worldwide marketing agency contract agreement with FINA
- Strengthened media content business in China
  - Established joint venture, SFS-Dentsu Media & Entertainment Co., Ltd.

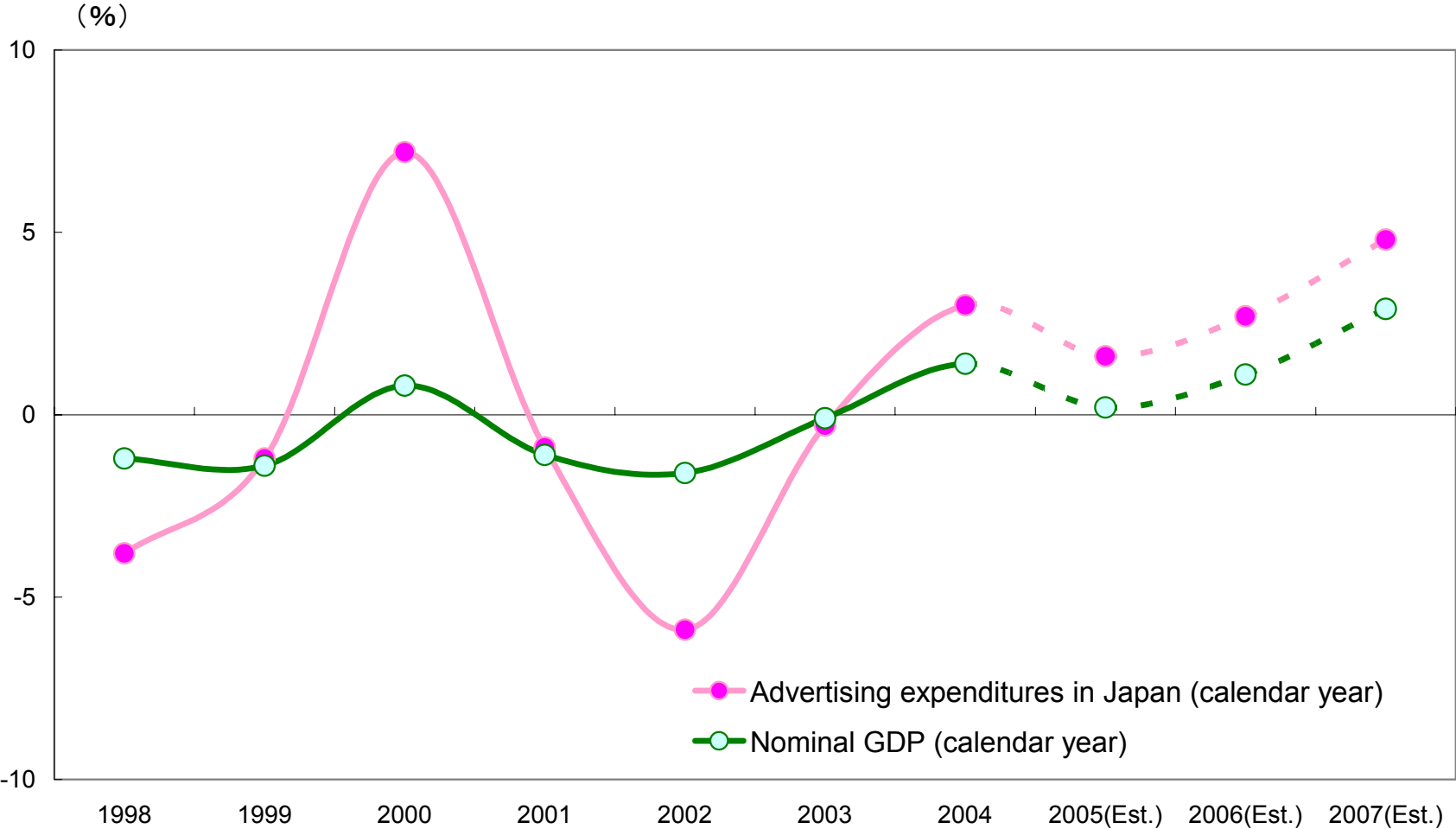
### Overseas Markets

- Reinforced client service organization
  - Transformed South Korean affiliate Dentsu InnovaK Inc. into subsidiary
  - Established Dentsu Cayenne Holdings Ltd., a holding company in Europe
  - Established Dentsu Latin America Propaganda S/A in Brazil

# **Dentsu Group Business Strategies**

# Medium-Term Market Outlook

Forecasts for Year-on-Year Changes in Nominal GDP and Advertising Expenditures in Japan



Sources: 2004 Advertising Expenditures in Japan (Dentsu); Nominal GDP and advertising expenditure forecasts: Japan Center for Economic Research (March 2005)

# Ongoing Implementation of “4-2-2 Strategy”

## Market Opportunities

- Moderate growth in domestic advertising market
- Expansion of advertising-related markets
- Creation of new sources in income in new markets
- Room for growth in overseas markets

## Response to Changing Client Needs

- Provide integrated solutions
- Increase accountability
- Improve cost-efficiency

## The “4-2-2 Strategy”

### Four Markets:

Domestic Advertising Market  
 Advertising-Related Markets  
 New Markets  
 Overseas Markets

### Two Approaches:

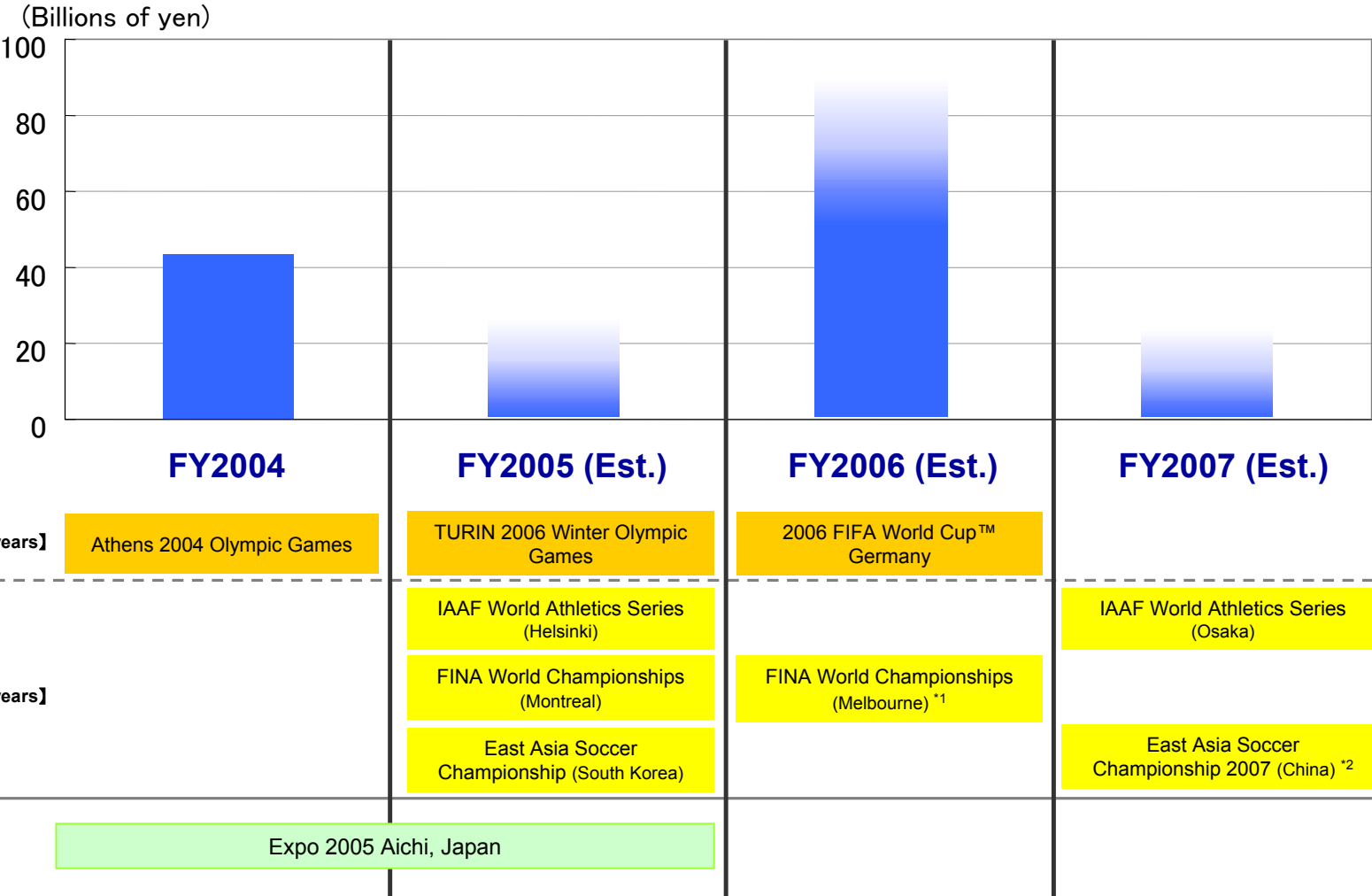
Reinforce existing business models  
 Develop new business models

### Two Assessments:

Capable individuals  
 Strong teamwork

# Content Business: Major Driver of Future Growth

Envisaged Sales from Major Events Involving Dentsu



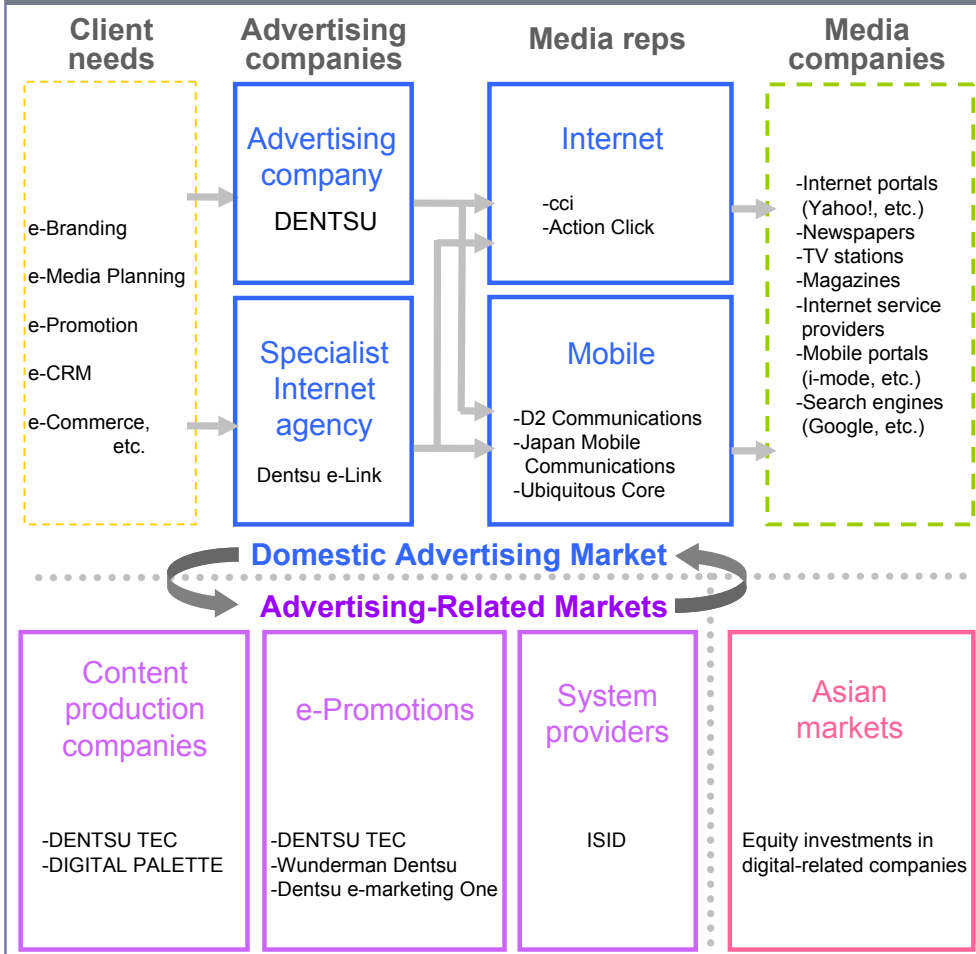
\*1 Scheduled for early 2007

\*2 The location has not yet been finalized.

Note: Envisaged sales refers to non-consolidated sales only, except for FY2006, which also includes sales of iSe.

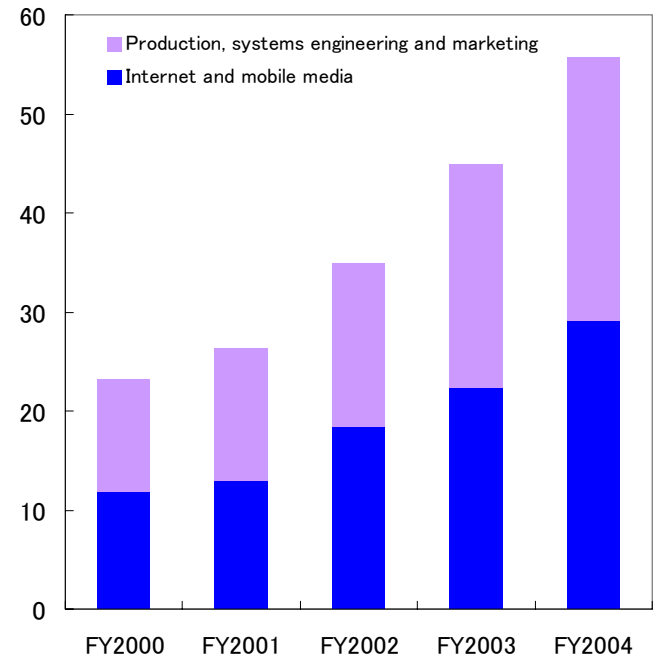
# Strengthening Internet-Related Businesses

## Group Structure for Internet-Related Businesses



## Dentsu Group Sales in Internet-Related Businesses

(Billions of yen)

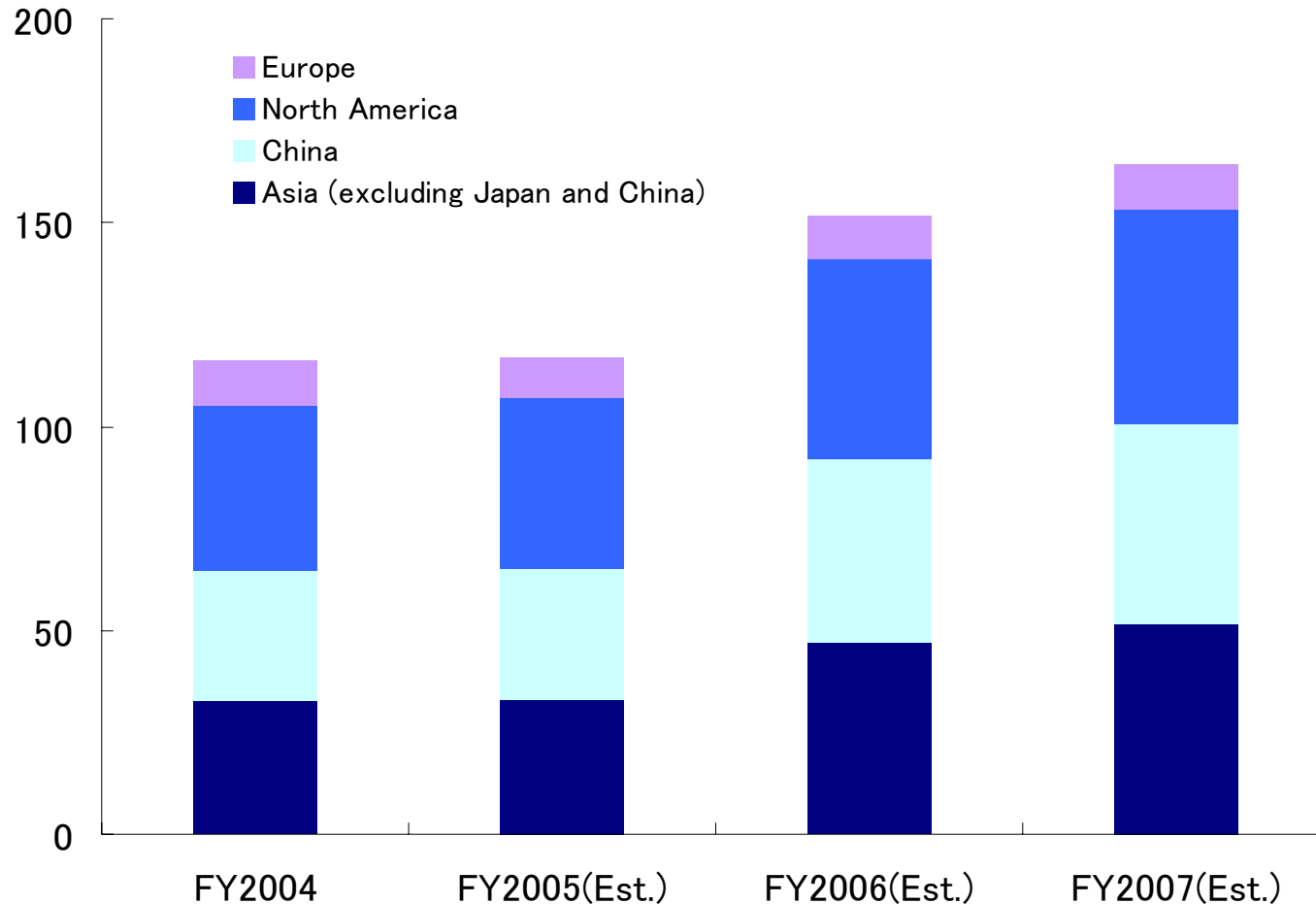


Notes1: Calculated using the combined total of sales of Dentsu's Interactive Communications Division and relevant Dentsu Group companies (including estimates) to external customers  
 2: Internet and mobile media: Dentsu, cyber communications, D2 Communications, etc.  
 Production, systems engineering and marketing: DENTSU TEC, Dentsu e-marketing One, ISID, etc.

# Strengthening Businesses in Overseas Markets

## Outlook for Sales in Overseas Markets

(Billions of yen)



Note: Calculated using the combined total of sales of relevant Dentsu Group companies to external customers

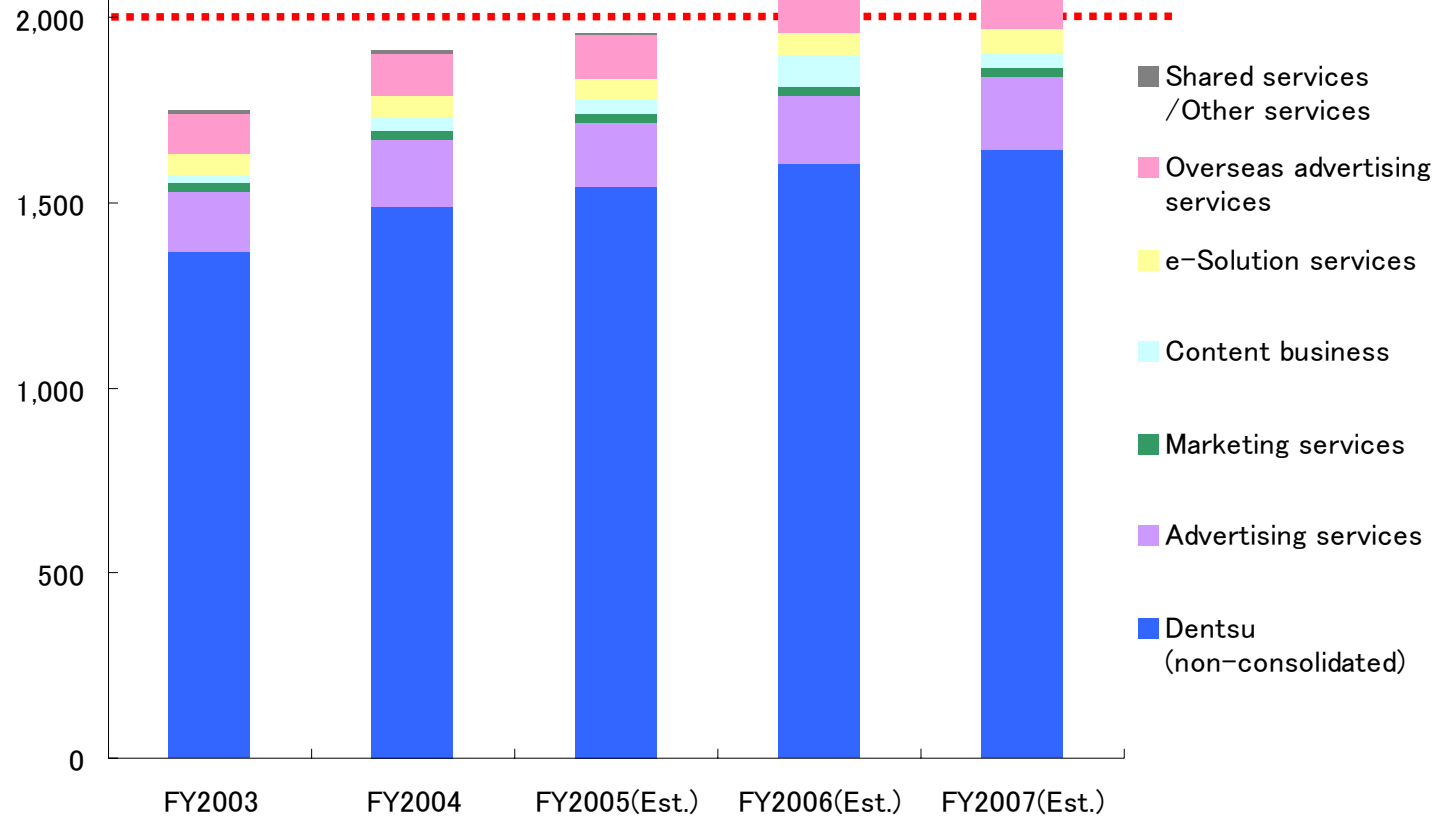
## Establishing a Solid Management Foundation

- **Building people: Reforming personnel systems and mindsets to energize human resources**
- **Building infrastructures: Using decision-making support tools to maximum effect**
- **Building a more effective organization: Further strengthening Groupwide management**

# Targeting Consolidated Net Sales of ¥2 Trillion and Further Growth

## Envisaged Sales by Business (Based on Medium-Term Strategic Plan)

(Billions of yen)



Note: Calculated using the combined total of sales of relevant Dentsu Group companies to external customers

# Allocation of Funds and Increased Shareholder Returns

Equipment investments

Investments in systems, tool/method development and others

Business investments

Invest in top-quality content, Internet-related businesses and others

Repayment of debt

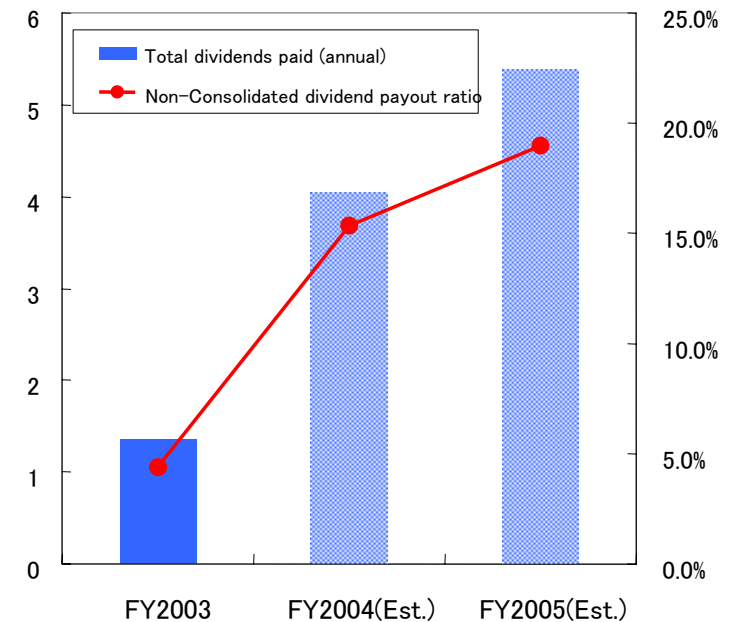
Reduce interest-bearing debt by repaying long-term debt

Returns to shareholders

Steadily enhance returns to shareholders while emphasizing stable dividends

## Total Dividends Paid and Non-Consolidated Dividend Payout Ratio

(Billions of yen)



# Outlook for FY2005 Consolidated Financial Results

(Millions of yen)

	FY2004 (Results)	FY2005 (Est.)	Change
Net sales	1,910,469	1,959,106	+2.5%
Gross profit	317,902	329,341	+3.6%
<i>Gross profit margin</i>	16.6%	16.8%	+0.2ppts
Operating income	57,603	58,876	+2.2%
<i>Operating margin</i>	18.1%	17.9%	-0.2ppts
Ordinary income	59,265	59,299	+0.1%
Net income	27,532	30,724	+11.6%
<i>EPS ( ¥ )</i>	10,110.45	11,398.87	