

# Financial Summary until FY2006 and Growth Strategies

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## **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 14, 2007, 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.

## Dentsu Group's Medium-Term Targets (FY2002 – FY2006)

### Growth Strategy

### "4-2-2 Strategy"

**1. Achieve Consolidated Net Sales of  
¥2 trillion (FY2006)**

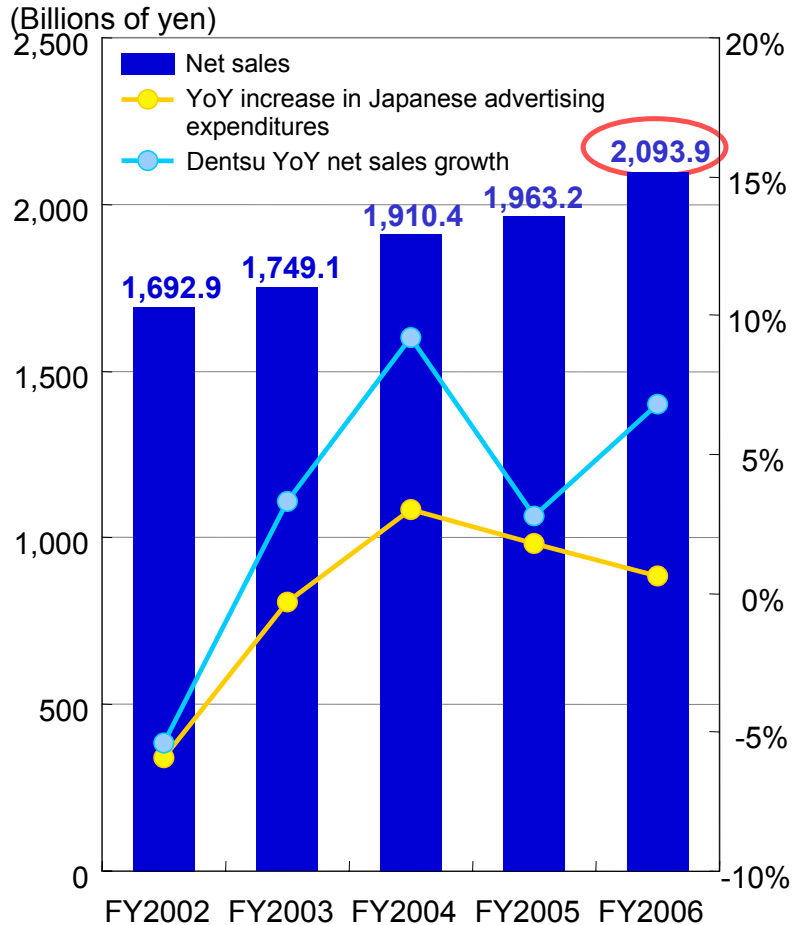
**2. Steadily Increase Gross Profit**

**3. Consistently Raise Operating Income**

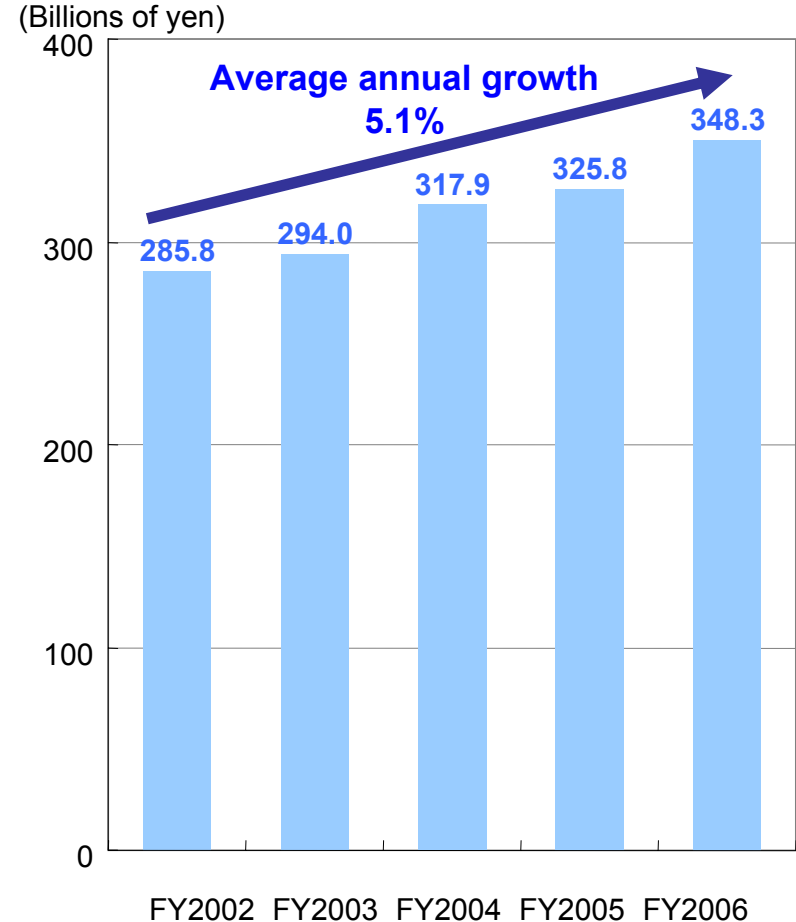
## Review until FY2006 (Net Sales, Gross Profit)

- Achieved consolidated net sales of ¥2 trillion, steadily increased consolidated gross profit

### Consolidated Net Sales



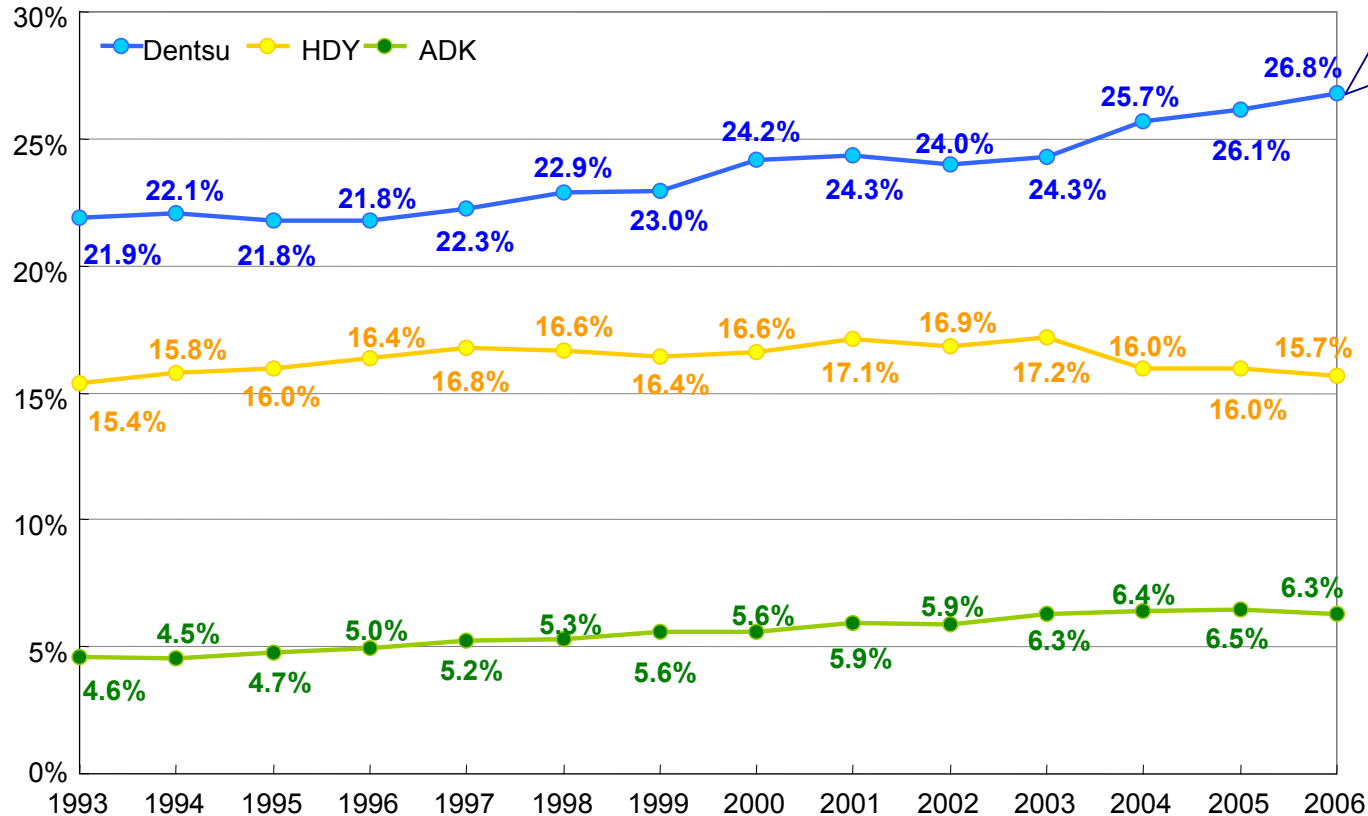
### Consolidated Gross Profit



# Advertising Market Share until 2006

- Our share increased steadily amid limited growth in the advertising market

## Dentsu's Share of Advertising Expenditures in Japan



Increase of 5 percentage points over past 10 years

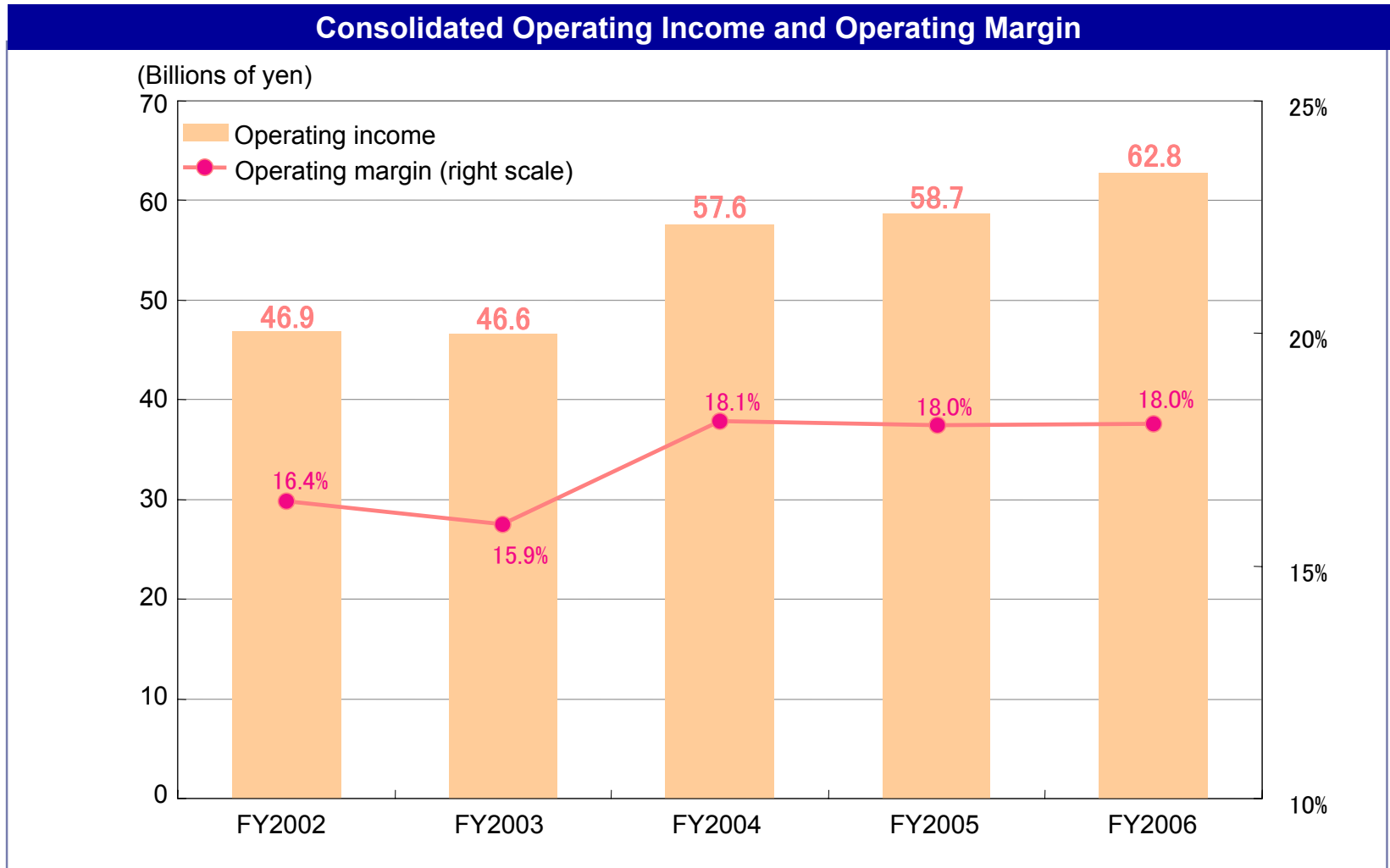
Sources: "Current Situation of Japanese Advertising Agencies," "Advertising and Economy and Advertising Expenditures in Japan"

(Note: "HDY" is the simple total of the non-consolidated net sales of Hakuholdo Co., Ltd., Daiko Advertising Inc., and Yomiko Advertising Inc.)

1. Individual companies' net sales figures differ somewhat from those listed in "Advertising Expenditures in Japan." Percentages given in "Advertising Expenditures in Japan" are indicated for reference.
2. Hakuholdo (April 2003 and April 2005) and Daiko (April 2003) set up separate regional subsidiaries. However, net sales figures have not been retroactively adjusted.
3. Hakuholdo, Daiko and Yomiko spun off and consolidated their media content organizations in December 2003. However, net sales figures have not been retroactively adjusted.

## Review until FY 2006 (Operating Income, Operating Margin)

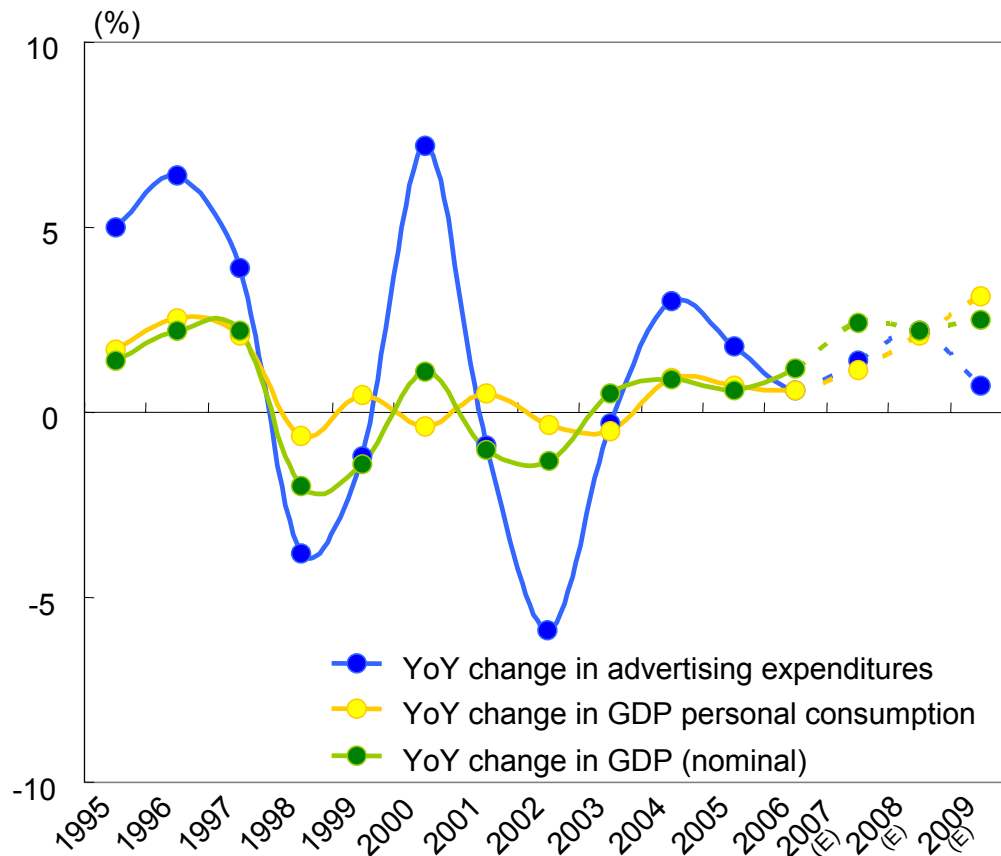
- Consolidated operating income has grown consistently



# “Domestic Advertising Expenditure Trends” and “Advertising Expenditures in Japan”

- Advertising expenditures in Japan expected to increase gradually, in line with a recovery in personal consumption

## Annual Changes in Advertising Expenditures in Japan, Nominal GDP and Private Final Consumption Expenditure



Sources: Dentsu “2006 Advertising Expenditures in Japan,” February 2007;  
Forecasts from the Japan Center for Economic Research, March 2007

### Reasons for Lackluster Growth in 2006

- Growth in personal consumption slight
- Uncertainty about the U.S. and Chinese economies



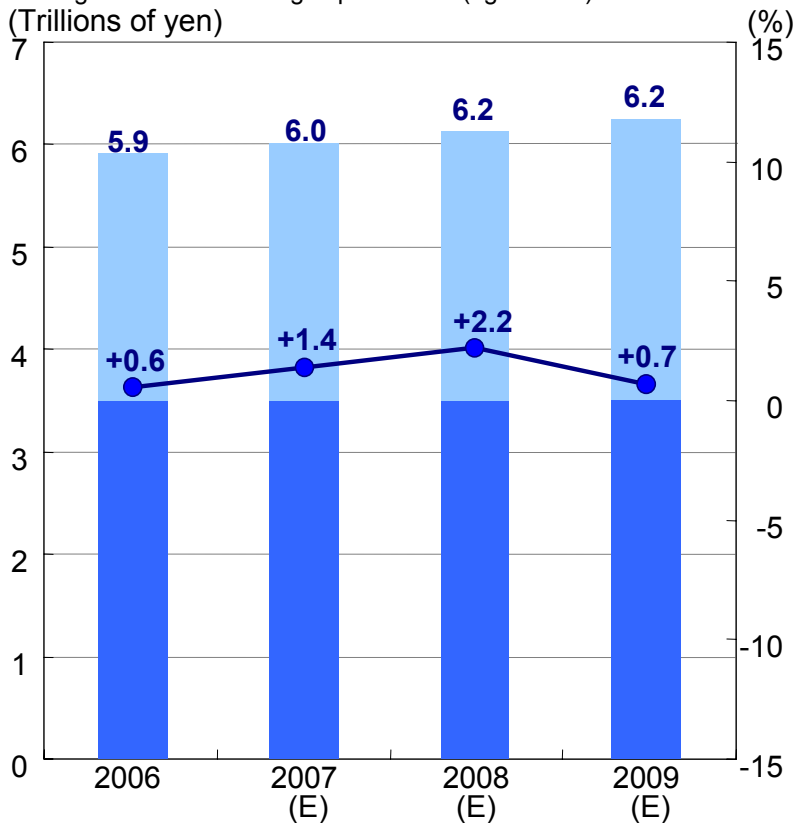
- ◆ Advertisers cautious with advertising expenses

# “Medium-Term Forecast for Advertising Expenditures” and “Forecast for Internet Advertising Expenditures”

• Internet and Sales Promotion growth to continue

## Medium-Term Forecast for Advertising Expenditures in Japan

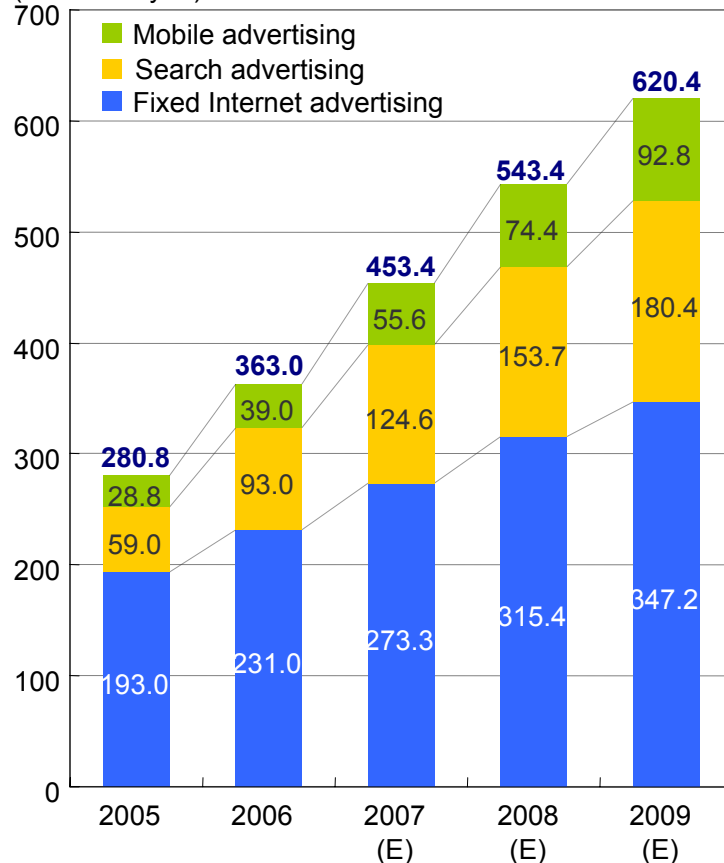
■ Advertising expenditures other than on the four mass media (left scale)  
■ Advertising expenditures in the four mass media (left scale)  
● YoY growth in advertising expenditures (right scale)  
 (Trillions of yen)



Sources: Dentsu “2006 Advertising Expenditures in Japan,” February 2007; advertising expenditures forecast in Japan from the Japan Center for Economic Research, March 2007

## Forecast for Internet Advertising Expenditures

(Billions of yen)

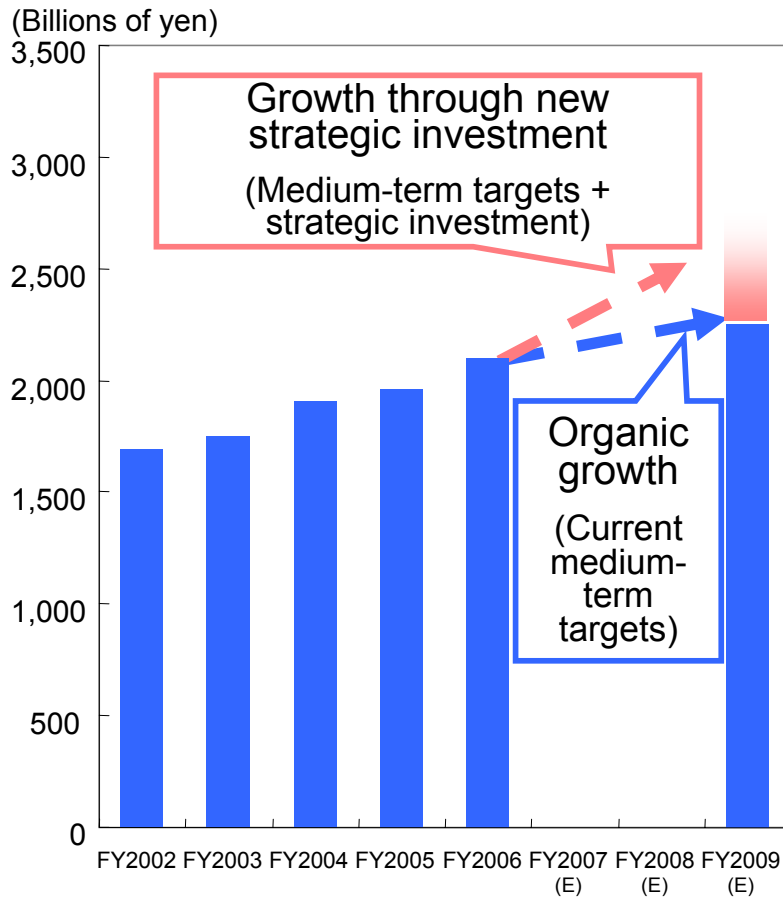


Source: Dentsu Communication Institute, April 2007

# Through New Strategic Investment, Aim to Outpace the Market Rate of Growth

- Further accelerate the "4-2-2 Strategy" through "strategic business investment"

## Dentsu Group Growth Concept



### [Future Focus Measures]

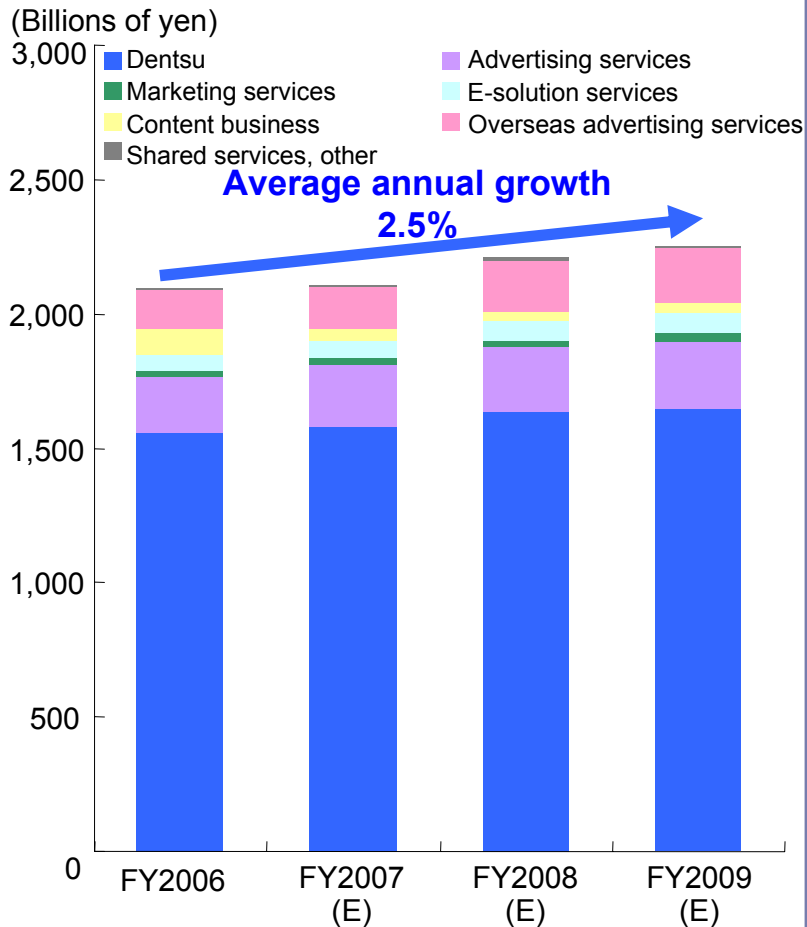
- Further expand Internet and advertising-related business
- Grow and expand in overseas markets especially BRICs markets, where high levels of growth are anticipated
- Raise value of four mass media by expanding cross-media proposals

1. Further promote the "4-2-2 Strategy"
2. Grow through new strategic investment

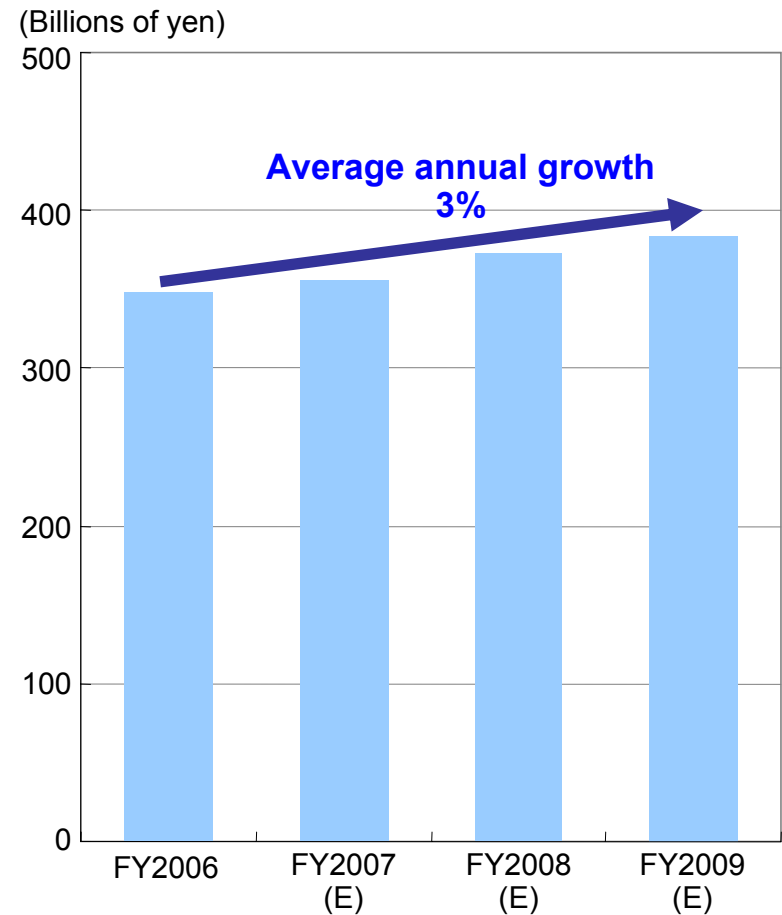
## Organic Growth Targets by FY2009 (Net Sales, Gross Profit)

- FY2009 targets: Net sales of ¥2.25 trillion or more, gross profit of ¥380 billion or more

### Medium-Term Plan for Consolidated Net Sales



### Medium-Term Plan for Consolidated Gross Profit

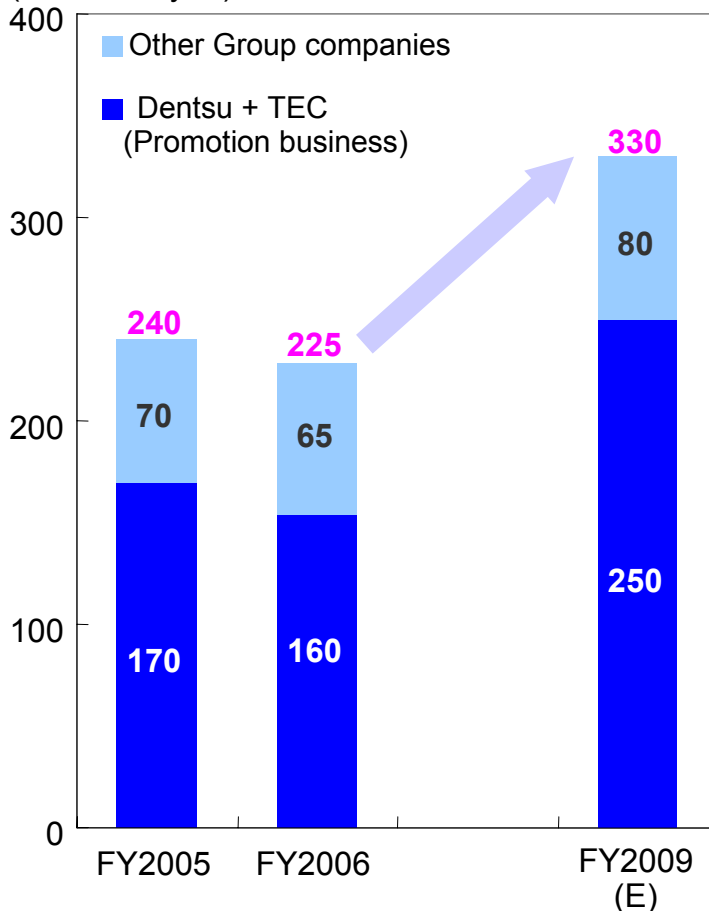


## Progress in the Advertising-Related Business

- Aim for FY2009 groupwide sales of ¥330 billion (including M&A investment considerations)

### Group Net Sales Growth Concept

(Billions of yen)



### Measures to Expand the Advertising-Related Business

#### [Focus Fields]

■ Promotion business

■ Public Relations business

■ Marketing research business

#### [Major Activities in FY2006]

Converted "DENTSU TEC" to wholly-owned subsidiary

Established "Dentsu Retail Marketing" as a specialized in-store marketing company

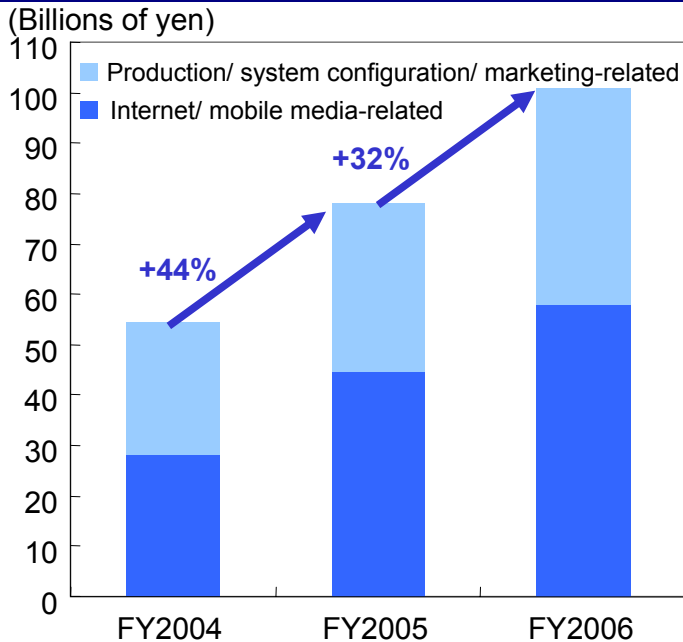
Established "Dentsu Operations Development"

Joined RECRUIT in establishment of "DRUM," a JV to develop sales promotion for FeliCa IC technology

## Progress in the Interactive Business

- Aiming for a 20% share of the Internet advertising market by FY2009

### Group Sales in the Interactive Business



Notes: 1. Figures are simple totals of net sales to external customers of Dentsu Interactive Communication Division and Group companies.  
2. Year-on-year changes are rates of growth of combined sales.

### [Concept of our share\* of the Internet advertising market]

<2005> 15% → <2006> 15% → <2009> 20%

Note: Dentsu Group Internet, mobile media related sales are calculated from "2006 Advertising Expenditures in Japan" and "Estimates for Internet Advertising Expenditures (Dentsu Communication Institute, April 2007)."

### Focus Measures to Achieve Group Growth in Internet Advertising

#### [Focus Measures]

- Promote cross-media proposals
- Take advantage of new Internet communication opportunities
- Create an efficient and effective operating structure

#### [Major Activities in FY2006]

Established "Dentsu Avenue A | Razorfish"

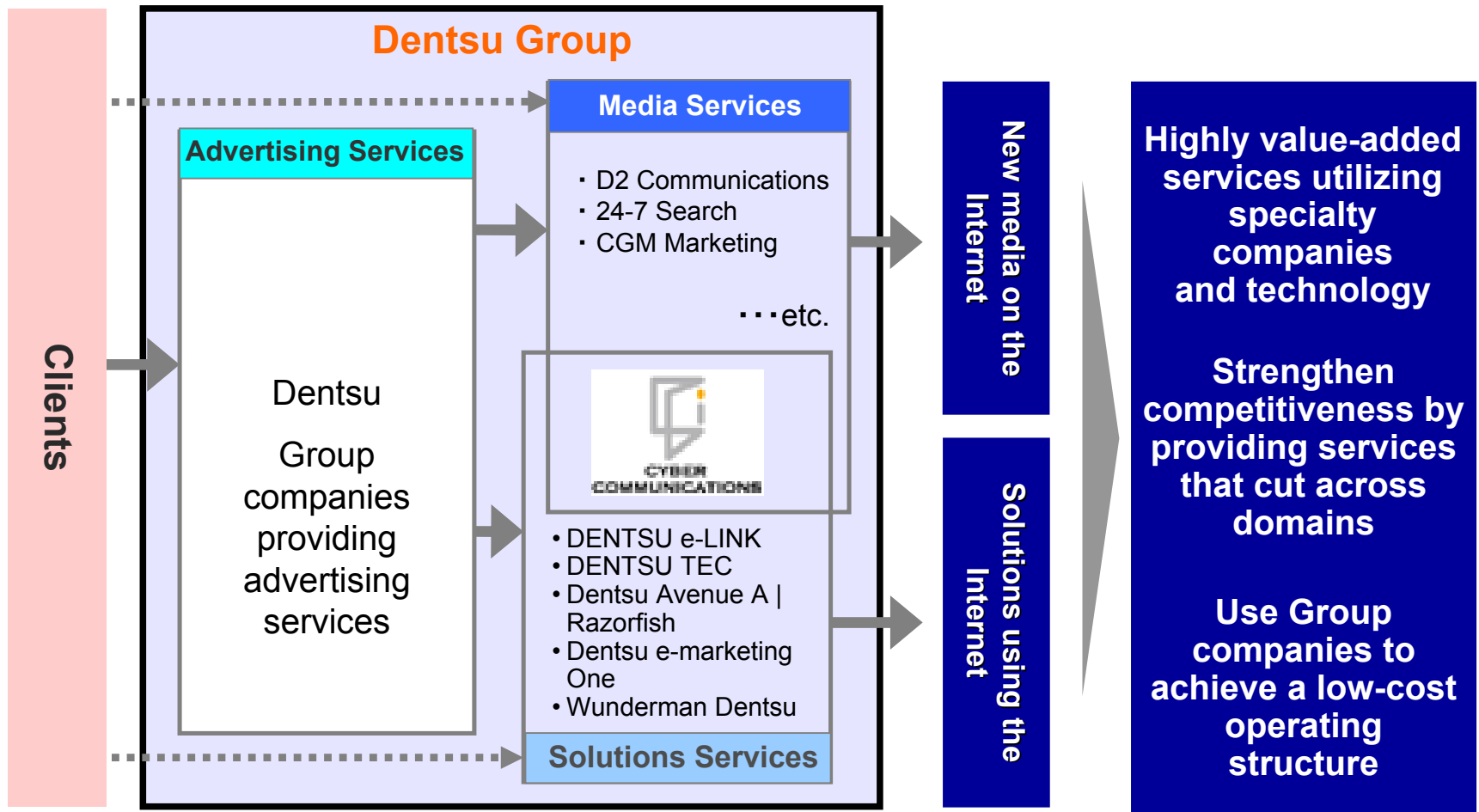
Established "CGM Marketing" (for creating a CGM advertisement distribution networks)

With CCI, established "CROSS WIND" (cross-media content production)

Jointly developed "Mobile Marketplace" with OPT

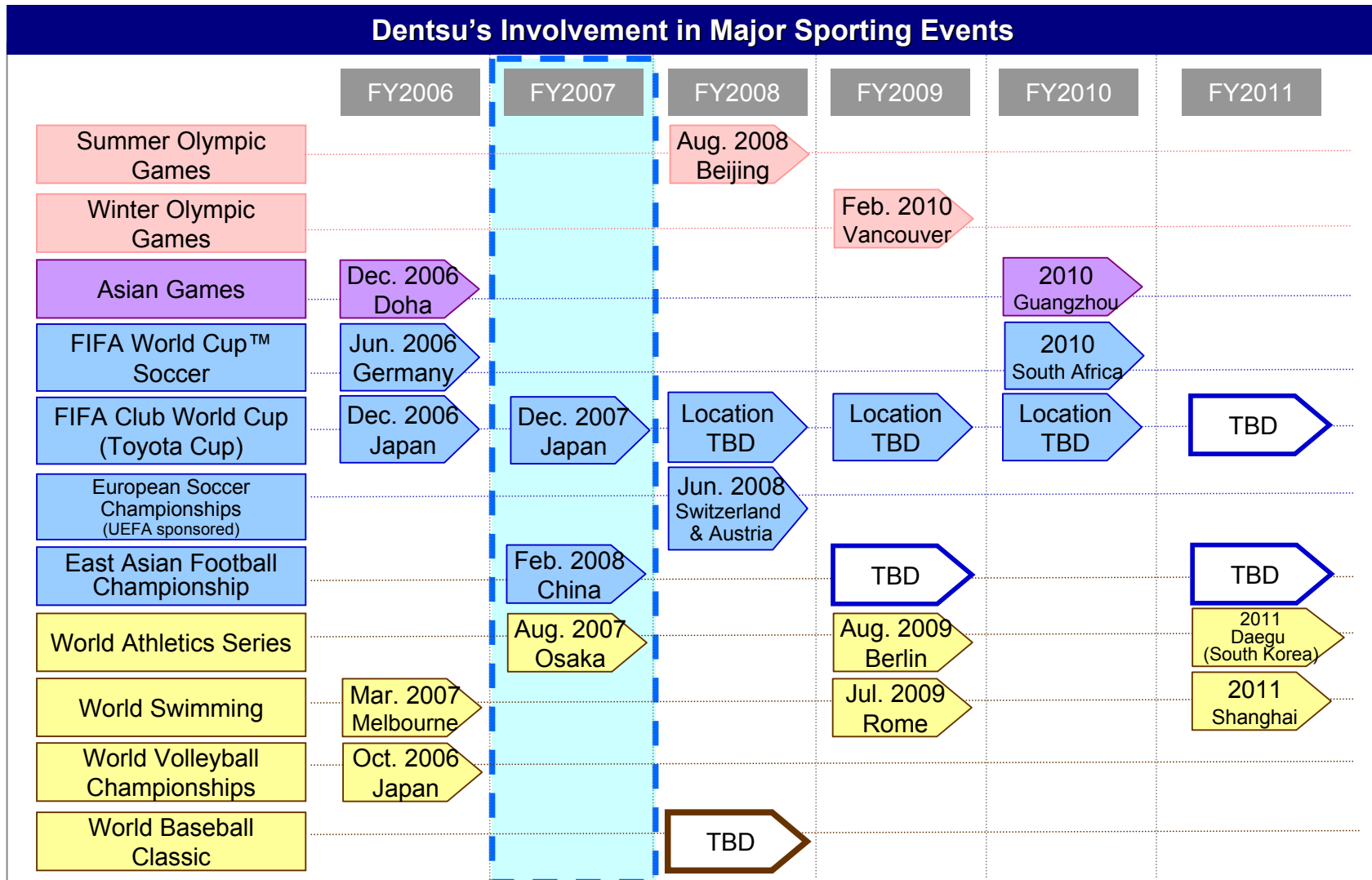
# Dentsu Group Interactive Business Enables High Profits

## Dentsu Group's Revenue Structure in the Interactive Business



# Creating Demand through Sports Marketing

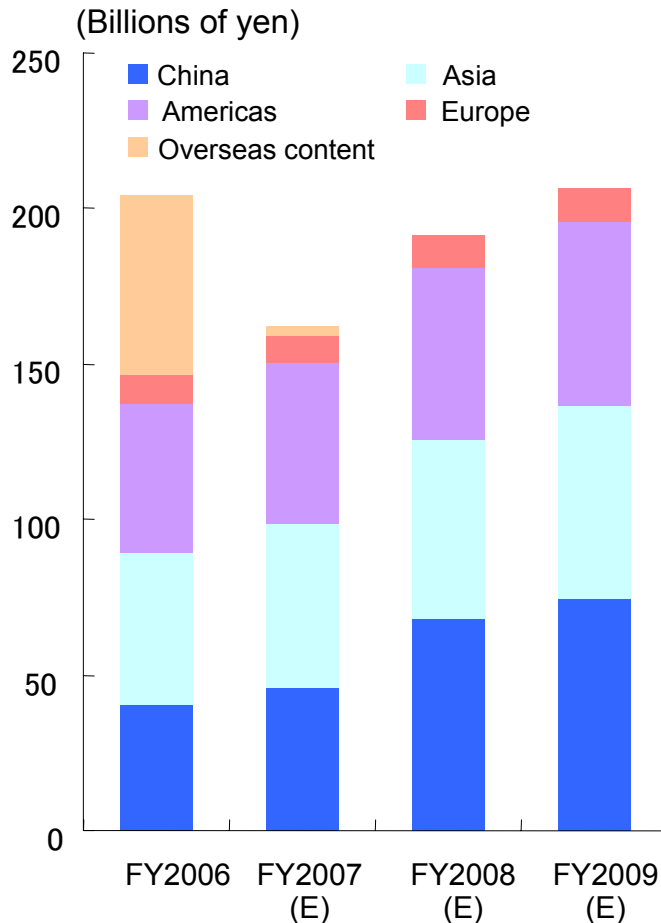
- Leveraging superior content to generate steady marketing opportunities



## Strengthening and Expanding Overseas Business

- Steadily expand business with Japanese clients by extending our global networks

### Overseas Business Sales Forecasts and Strategies



Note: These figures are simple totals of sales to external customers of Dentsu Group companies.

#### Europe

- Core restructuring to acquire Japanese clients
- Responding to expanding client needs in Russia

#### Americas

- Reconfiguring and strengthening sales network to increase handling of priority Japanese clients
- Expanding business in high-growth Brazil and other South American countries

#### Asia (excl. Japan and China)

- Strengthening alliance structure to enable handling of competing clients
- Enhancing media services
- Increasing accounts in high-growth Indian market

#### China

- Reconfiguring our overall business and reexamining our management structure
- Regional expansion (from coastal regions into inland areas)
- Expanding service domains

## Basic Policy on SG&A Expenses

- Aim to achieve a consolidated operating margin of 20%

### ■ Personnel Policies and HR Expenses

- Control HR expenses by maintaining the performance-linked remuneration system
- Utilize middle-aged and older employees as well as employees within Group companies

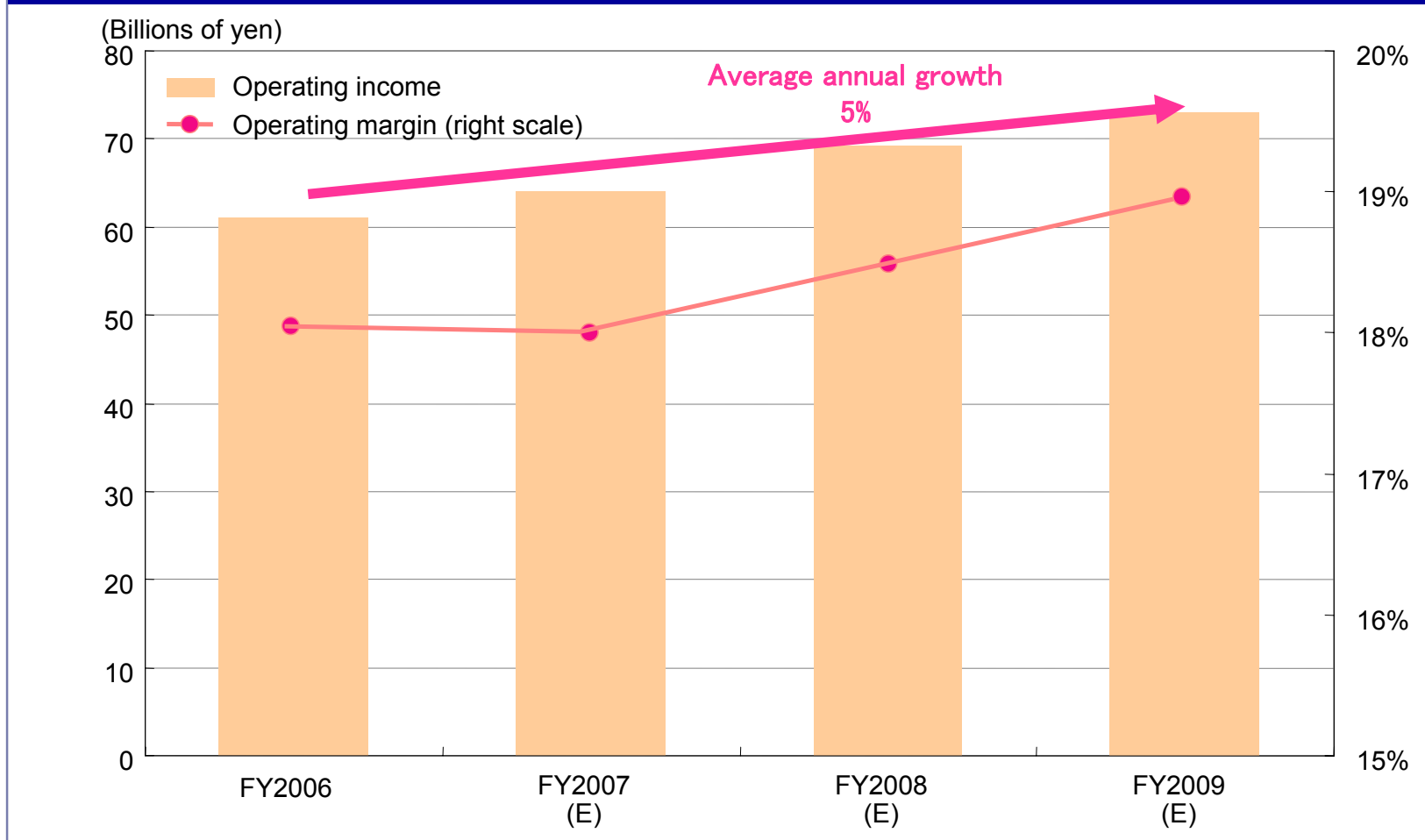
### ■ Operating Expenses, Depreciation Expenses

- Contain operating expenses of the Parent Company
- Control framework of investment in information systems and rationalize/ contain maintenance expenses

# Organic Growth (Operating Income) Targets to Achieve by FY2009

- FY2009 target: Operating income of ¥73.0 billion

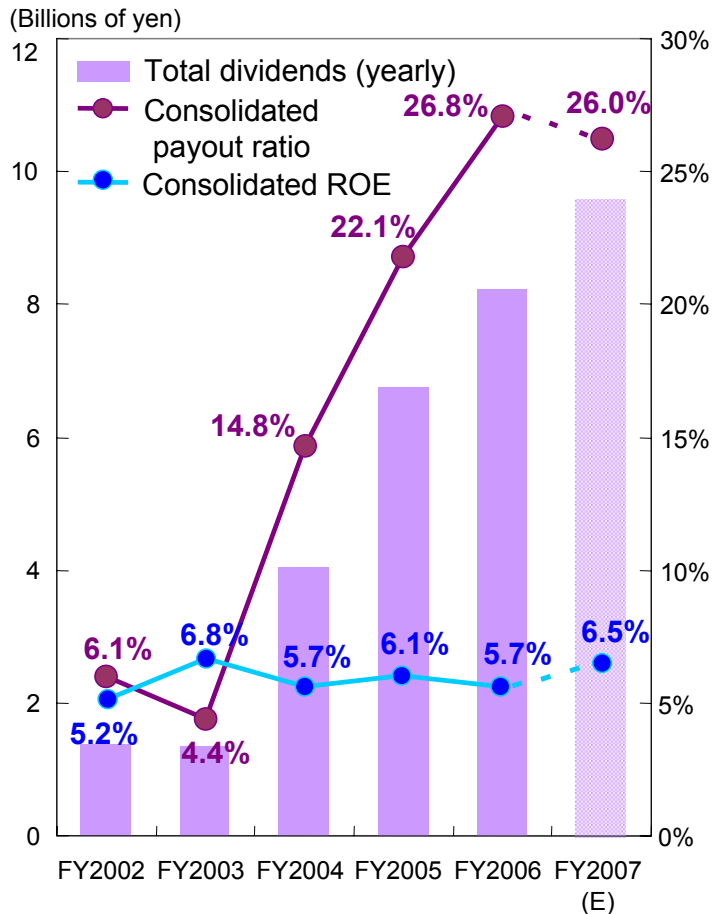
## Medium-Term Targets for Consolidated Operating Income and Operating Margin



## Basic Policy on Increasing Shareholder Value

- Steady improvement toward achieving consolidated ROE of 8%

### Total Dividends, Payout Ratio and Consolidated ROE



### ■ Increase Net Income

- Increase revenue and contain costs to raise net income

### ■ Optimize Shareholders' Equity

- Increase shareholder return by increasing dividends and purchasing treasury stock
- Avoid excessive accumulation of shareholders' equity