

# Financial Summary for FY2007 and Outlook for FY2008

**Setsuo Kamai**  
**Managing Director & CFO**

## 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 conditions of the Dentsu Group.

Such forward-looking statements, based on information known to the management as of May 13, 2008, 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 Financial Results for FY2007

(Millions of yen)

	FY 2006	FY 2007	Change (%)	Against forecast
<b>Net sales</b>	<b>2,093,976</b>	<b>2,057,554</b>	<b>-1.7 %</b>	<b>-0.4 %</b>
<b>Gross profit</b>	<b>348,391</b>	<b>345,222</b>	<b>-0.9 %</b>	<b>-1.4 %</b>
<b>Gross profit margin</b>	<b>16.6%</b>	<b>16.8%</b>	<b>+0.2 pts</b>	<b>-0.1 pts</b>
<b>SG&amp;A expenses</b>	<b>285,556</b>	<b>289,095</b>	<b>+1.2 %</b>	<b>-0.6 %</b>
<b>Operating income</b>	<b>62,834</b>	<b>56,126</b>	<b>-10.7 %</b>	<b>-5.3 %</b>
<b>Operating margin</b>	<b>18.0%</b>	<b>16.3%</b>	<b>-1.7 pts</b>	<b>-0.6 pts</b>
<b>Ordinary income</b>	<b>70,044</b>	<b>67,993</b>	<b>-2.9 %</b>	<b>-4.9 %</b>
<b>Income before income taxes</b>	<b>60,712</b>	<b>63,610</b>	<b>+4.8 %</b>	<b>-6.4 %</b>
<b>Net income</b>	<b>30,688</b>	<b>36,246</b>	<b>+18.1 %</b>	<b>-3.6 %</b>

\*Comparisons "against forecast" indicate differences from the forecast announced November 9, 2007.

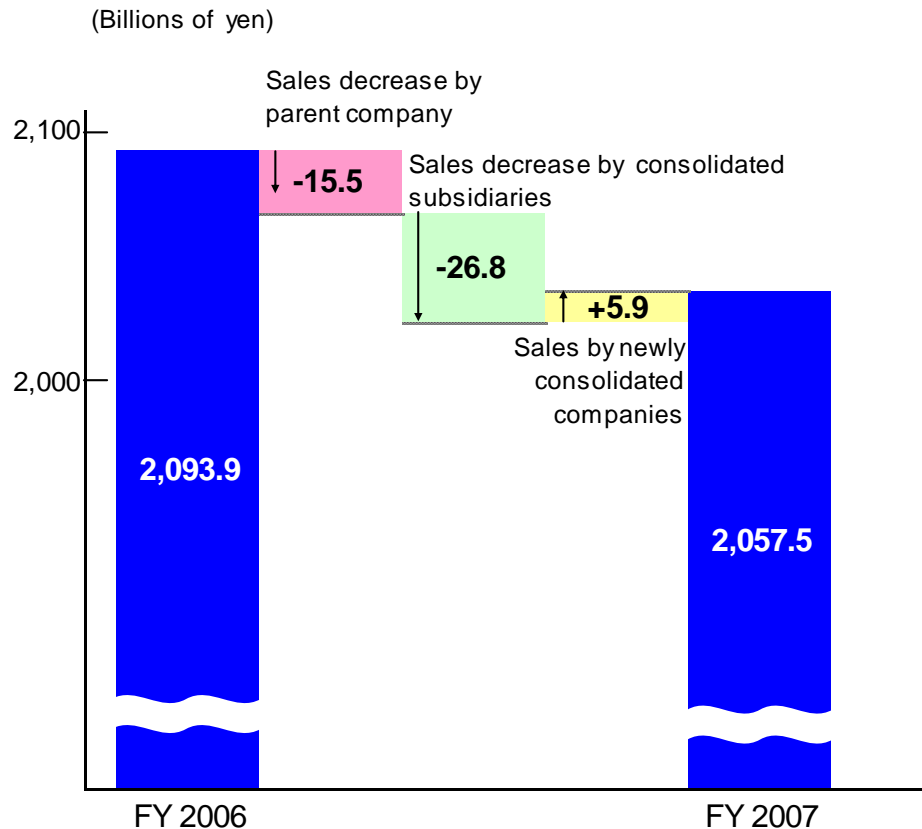
\*Operating margin = operating income / gross profit x 100

# Consolidated Net Sales

(Millions of yen)

	FY2006	FY2007	Change (%)	Change
Net sales	2,093,976	2,057,554	-1.7%	-36,422

## Factors Behind Change in Consolidated Net Sales



\*Figures used for the sales decrease of the parent company, the sales decrease of consolidated subsidiaries, and sales of newly consolidated companies exclude internal transactions. Also, sales of newly consolidated companies exclude sales of some of their subsidiaries.

## Comments

### ■ Principal Group companies contributing to year-on-year change

#### • Parent

Backlash from FIFA World Cup last year

#### • Subsidiaries

Decrease from previous year sales by iSe (FIFA World Cup)

Increase from Beijing Dentsu Advertising, ISID, Dentsu InnovaK, and Dentsu Holdings U.S.A., etc.

#### • Newly consolidated

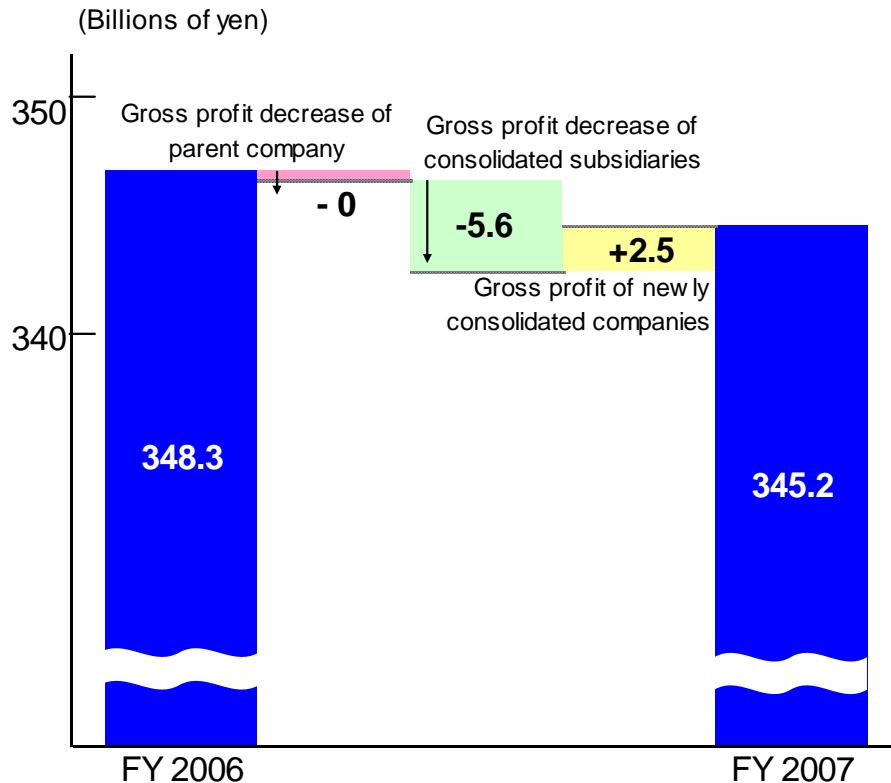
Shanghai Oriental Partner Advertising, Dentsu Argentina, etc.

# Consolidated Gross Profit

	FY 2006	FY 2007	Change (%)	Change
Gross profit	348,391	345,222	-0.9%	-3,169
Gross profit margin	16.6%	16.8%	+0.2 ppts	—

(Millions of yen)

## Factors Behind Change in Consolidated Gross Profit



\*Gross profit of newly consolidated subsidiaries excludes gross profit of some of their subsidiaries

## Comments

- **Principal Group companies contributing to year-on-year change**
- **Subsidiaries**
  - Decrease from iSe (FIFA World Cup) over the previous year
  - Increase from ISID, Beijing Dentsu, Dentsu Holdings U.S.A., CCI, Dentsu InnovaK, etc.
- **Newly consolidated**
  - Dentsu Customer Access Center, Shanghai Oriental Partner Advertising, etc.

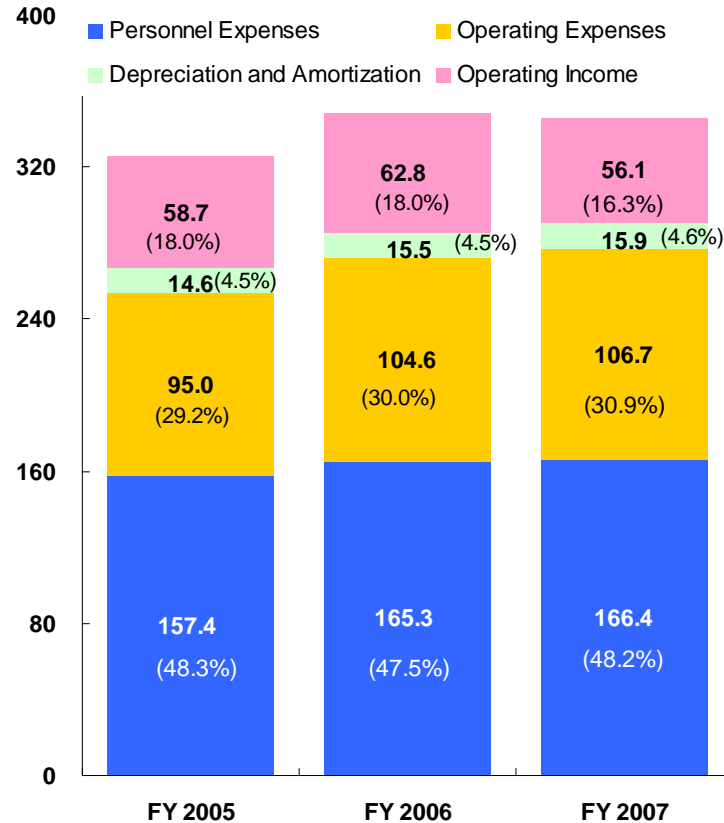
# Consolidated Operating Income

(Millions of yen)

	FY2006	FY2007	Change (%)	Change
Operating income	62,834	56,126	-10.7%	-6,707
Operating margin	18.0%	16.3%	-1.7 pts	—

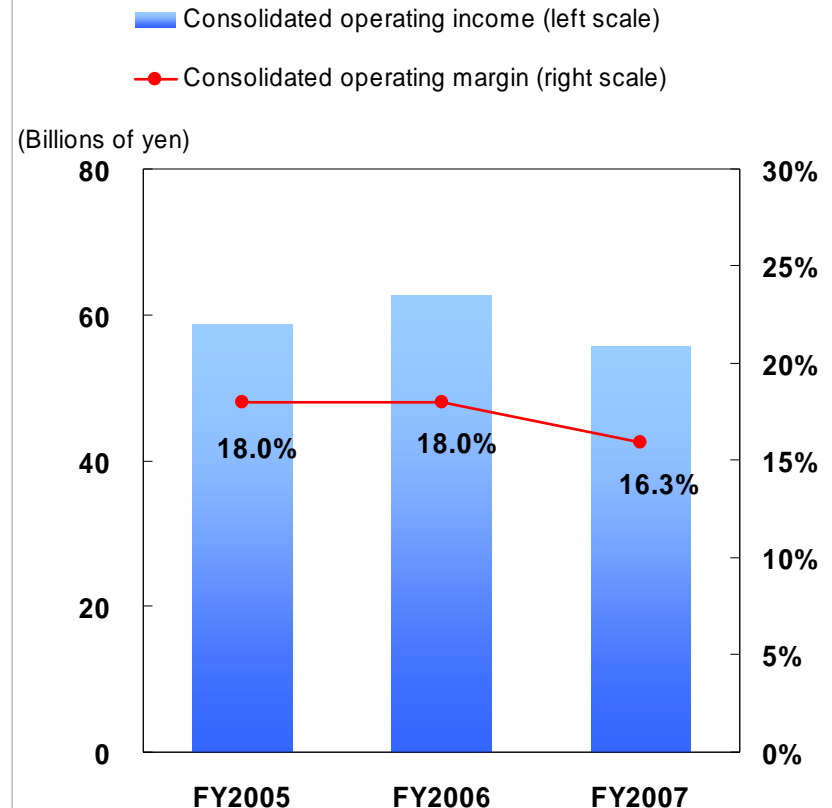
## Consolidated Gross Profit Breakdown of Costs

(Billions of yen) \*( ) is a breakdown ratio.



\*Depreciation includes amount of goodwill amortization.

## Consolidated Operating Income and Operating Margin



# Consolidated Ordinary Income and Net Income

	(Millions of yen)		
	FY2006	FY2007	Change (%)
<b>Operating income</b>	62,834	56,126	-10.7%
Other income	10,401	15,057	+44.8%
Other expense	3,192	3,190	-0.0%
<b>Total</b>	7,209	11,867	+64.6%
<b>Ordinary income</b>	70,044	67,993	-2.9%
Extraordinary income	2,247	9,953	+342.8%
Extraordinary loss	11,579	14,336	+23.8%
<b>Total</b>	(9,331)	(4,382)	—
<b>Income before income taxes</b>	60,712	63,610	+4.8%
Income taxes	27,425	25,637	-6.5%
Minority interests	2,598	1,726	-33.5%
<b>Net income</b>	30,688	36,246	+18.1%

## Comments

### ■ Principal other income items

Equity method investment gain:	¥8.4 billion
Dividend income:	¥1.8 billion
Interest income:	¥1.5 billion
Gains from investment in investment association:	¥0.8 billion

### ■ Principal other expense items

Interest expense:	¥2.5 billion
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### ■ Principal extraordinary income items

Gains on contribution of securities to the employee retirement benefit trust:	¥7.3 billion
Profit on sales of investment securities:	¥1.9 billion

### ■ Principal extraordinary loss items

D&T Partnership (loss on write-down of inventories):	¥7.1 billion
Geneon USA (loss from business restructuring):	¥2.9 billion
Geneon (goodwill amortization):	¥0.8 billion
Loss on disposal of fixed assets:	¥0.5 billion

# Consolidated Balance Sheets

(Millions of yen)

	March 31, 2007	March 31, 2008	Change (%)
<b>Current assets</b>	663,887	641,002	-3.4%
<b>Fixed assets</b>	604,162	610,909	+1.1%
<b>Total assets</b>	1,268,049	1,251,912	-1.3%
<b>Current liabilities</b>	545,906	527,504	-3.4%
<b>Long-term liabilities</b>	145,097	133,547	-8.0%
<b>Total liabilities</b>	691,003	661,051	-4.3%
<b>Shareholders' equity</b>	546,694	574,243	+5.0%
Valuation and translation adjustment, etc.	8,065	(6,950)	—
<b>Minority interests</b>	22,285	23,567	+5.8%
<b>Total equity</b>	577,046	590,861	+2.4%
<b>Total liabilities and equity</b>	1,268,049	1,251,912	-1.3%

## Comments

### ■ Principal reasons for changes in assets

- Decrease in bills receivable and accounts receivable
- Acquisition of shares of Opt Inc.
- Contribution of stocks to employee retirement benefit trust

### ■ Principal reasons for changes in liabilities

- Decrease in interest-bearing debt
- Decrease in reserve for retirement benefits for employees

### ■ Principal reasons for changes in equity

- Increase in retained earnings

### ■ Financial indicators

Capital to asset ratio      45.3% (43.7%)

D/E ratio                      0.17 times (0.21 times)

ROE                              6.5% (5.7%)

\*Figures in ( ) are as of the end of March 2007.

# Consolidated Cash Flows

## Consolidated Cash Flow

**Cash flows from operating activities  
+ ¥56.0 billion**

**Cash flows from investing activities  
- ¥18.0 billion**

**Cash flows from financing activities  
- ¥30.7 billion**

**Change in cash and cash equivalents  
+ ¥7.4 billion**

\*The change in cash and cash equivalents includes translations of ¥0.1 billion.

## Comments

Consolidated operating income + ¥56.1 billion  
 Depreciation and amortization + ¥20.2 billion  
 Increase in working capital + ¥12.8 billion  
 Income taxes—paid - ¥30.2 billion

Sale of marketable securities + ¥17.9 billion  
 Purchase of marketable securities - ¥23.8 billion  
 Purchase of software - ¥7.5 billion

Dividend payments - ¥8.9 billion  
 Change in debt  
 (Long-term, short-term) - ¥21.6 billion

\*Cash inflow is indicated by +, cash outflow by –.

# Consolidated Performance Forecast for FY2008

(Millions of yen)

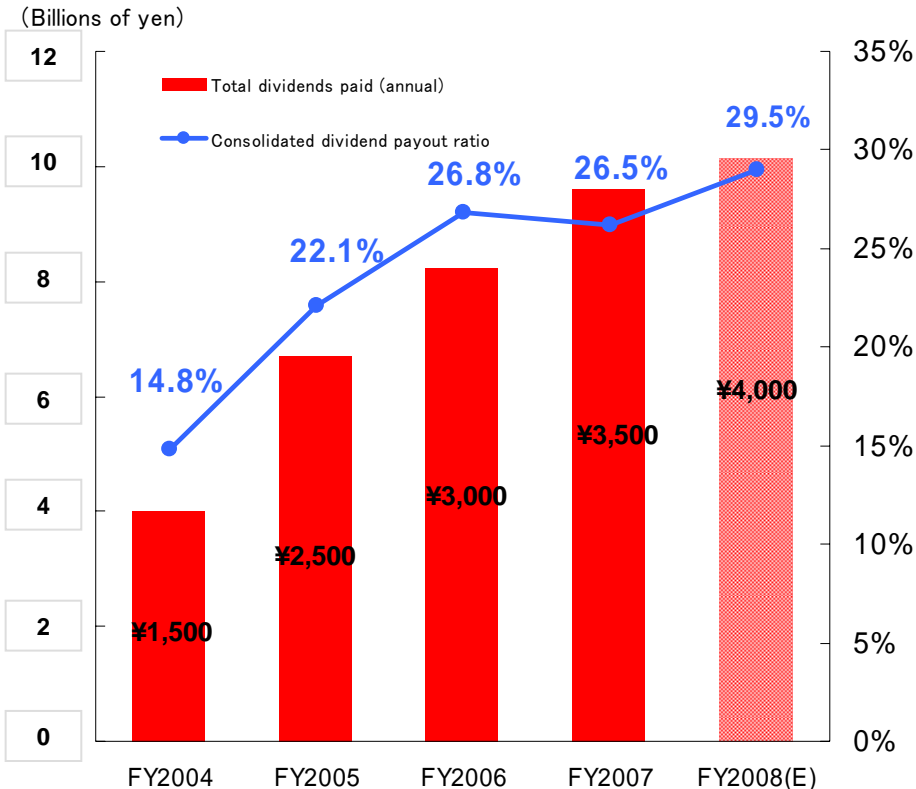
	FY 2007 Actual	FY 2008 Forecast	Change (%)
<b>Net sales</b>	<b>2,057,554</b>	<b>2,083,000</b>	<b>+1.2 %</b>
<b>Gross profit</b>	<b>345,222</b>	<b>352,400</b>	<b>+2.1%</b>
<b>Operating profit</b>	<b>56,126</b>	<b>58,400</b>	<b>+4.1%</b>
<b>Operating margin</b>	<b>16.3%</b>	<b>16.6%</b>	<b>+0.3 pts</b>
<b>Ordinary income</b>	<b>67,993</b>	<b>68,700</b>	<b>+1.0%</b>
<b>Income before income taxes</b>	<b>63,610</b>	<b>65,700</b>	<b>+3.3%</b>
<b>Net income</b>	<b>36,246</b>	<b>35,500</b>	<b>-2.1%</b>

\*With regard to forecasts, our forecast assumes equity in profits from an equity-method affiliate, Publicis Groupe S.A. of ¥7,183 million (after excluding ¥4,382 million for the amortization of goodwill), the equivalent amount recorded for the previous year, as Publicis Groupe S.A. does not disclose its performance forecasts for the fiscal year ending December 31, 2008.

The exchange rate used here is 1 euro = ¥158, the approximate average rate of exchange from January to March, 2008.

# Dividend Payments

## Total Dividends and Dividend Payout Ratio (Consolidated)



\*The amount within the bar graph is the dividend per share.

### [FY 2007]

Total dividend: Approx. ¥9.6 billion annually

Dividend per share: ¥3,500 annually

(¥1,750 for interim period and ¥1,750 for year end)

### [FY 2008]

Total dividend: Approx. ¥10 billion annually

Dividend per share: ¥4,000 annually

(¥2,000 for interim period and ¥2,000 for year end)

### <Fundamental Policy on Shareholder Return>

- Sustained growth in corporate value through expansion of operations
- Positive dividend payments
- Flexible repurchases of shares

\*Estimated Figures of FY2008 are calculated on the assumption that all the shares are repurchased at the TOB price.

# Repurchase of Shares and Tender Offer for Own Shares

## Repurchase of Shares

【Number of Shares to be Repurchased】

Up to 300,000 shares (10.8% of shares in issue)

【Aggregate Purchase Price of Shares】

Up to ¥ 60 billion

【Period for Repurchase】

From May 13, 2008 to December 31, 2008

## Outline of Tender Offer

【Tender Offer Period】 From May 13, 2008 to June 10, 2008

【Publication Date of Commencement of Tender Offer】 May 13, 2008

【Purchase Price】 ¥ 239,000 per share

【Number of Shares Planned to be Purchased】 251,000 shares

【Settlement Commencement Date】 June 17, 2008