

# **Financial Summary for 1H FY2008**

(from April 1 to September 30, 2008)

## **and Full-term Outlook**

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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 conditions of the Dentsu Group.

Such forward-looking statements, based on information known to the management as of November 14, 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

(Millions of yen)

	1H FY2007	1H FY2008	Change (%)	Against * Forecast
<b>Net sales</b>	<b>997,360</b>	<b>948,621</b>	<b>-4.9 %</b>	<b>-3.2 %</b>
<b>Gross profit</b>	<b>165,875</b>	<b>156,464</b>	<b>-5.7 %</b>	<b>-</b>
Gross profit margin	<b>16.6%</b>	<b>16.5%</b>	<b>-0.1ppts</b>	<b>-</b>
<b>SG&amp;A</b>	<b>142,438</b>	<b>138,668</b>	<b>-2.6 %</b>	<b>-</b>
<b>Operating income</b>	<b>23,437</b>	<b>17,795</b>	<b>-24.1 %</b>	<b>-18.0 %</b>
Operating margin	<b>14.1%</b>	<b>11.4%</b>	<b>-2.7ppts</b>	<b>-</b>
<b>Ordinary income</b>	<b>30,176</b>	<b>22,117</b>	<b>-26.7 %</b>	<b>-18.1 %</b>
Income before income taxes	<b>26,348</b>	<b>15,703</b>	<b>-40.4 %</b>	<b>-</b>
<b>Net income</b>	<b>14,444</b>	<b>8,111</b>	<b>-43.8 %</b>	<b>-36.1 %</b>

\*Comparisons "against forecast" indicate differences from the forecast announced August 12, 2008.

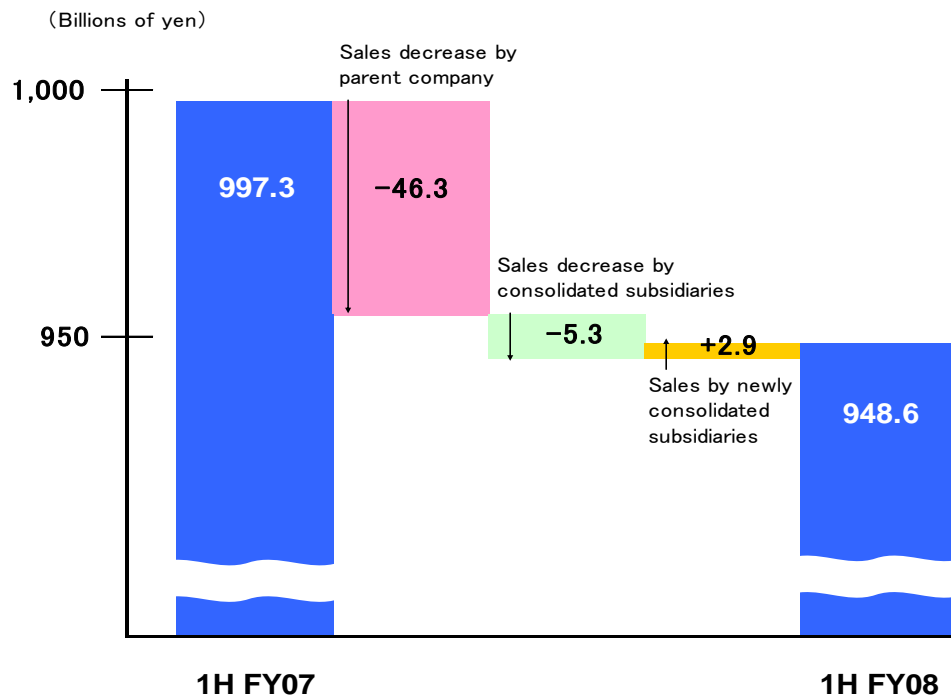
\*Operating margin = operating income / gross profit x 100

# Consolidated Net Sales

(Millions of yen)

	1H FY2007	1H FY2008	Change (%)	Change
Net sales	997,360	948,621	-4.9%	-48,738

## Factors Behind Change in Consolidated Net Sales



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

## Comments

### ■ Principal Group contributions to year-on-year change

#### ▪ Parent

Decrease in Finance/Insurance, Automobiles/Related Products, and Beverages/Cigarettes, etc.

#### ▪ Subsidiaries

Decrease in net sales by domestic advertising subsidiaries

#### ▪ Newly consolidated

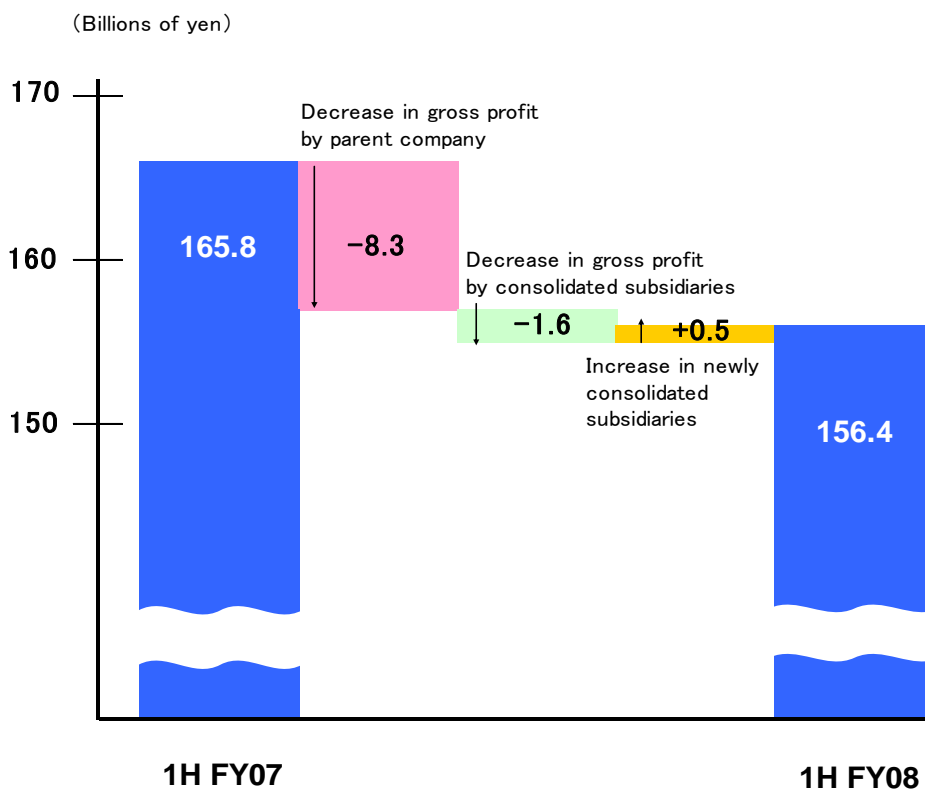
Dentsu Argentina S.A.

# Consolidated Gross Profit

(Millions of yen)

	1H FY2007	1H FY2008	Change (%)	Change
Gross profit	165,875	156,464	-5.7%	-9,411
Gross profit margin	16.6%	16.5%	-0.1 pts	—

## Factors Behind Change in Consolidated Gross Profit



Note: Gross profit of newly consolidated subsidiaries excludes gross profit of some of their subsidiaries.

## Comments

### ■ Principal Group contributions to year-on-year change

#### • Subsidiaries

Decrease in gross profit by domestic advertising subsidiaries

#### • Newly consolidated

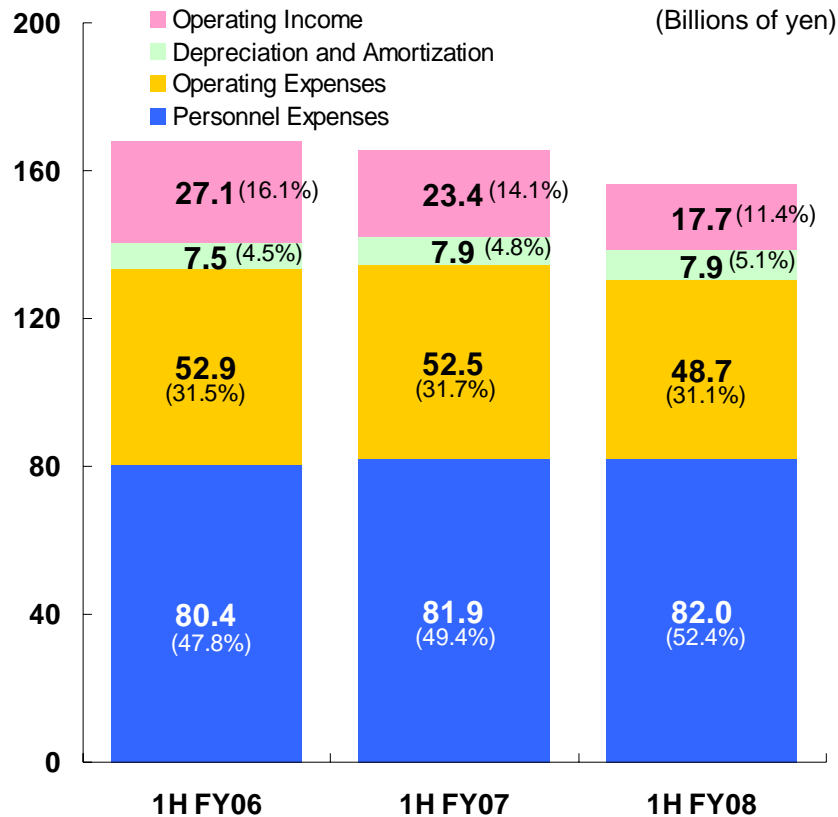
Dentsu Sports Europe, Ltd.

# Consolidated Operating Income

(Millions of yen)

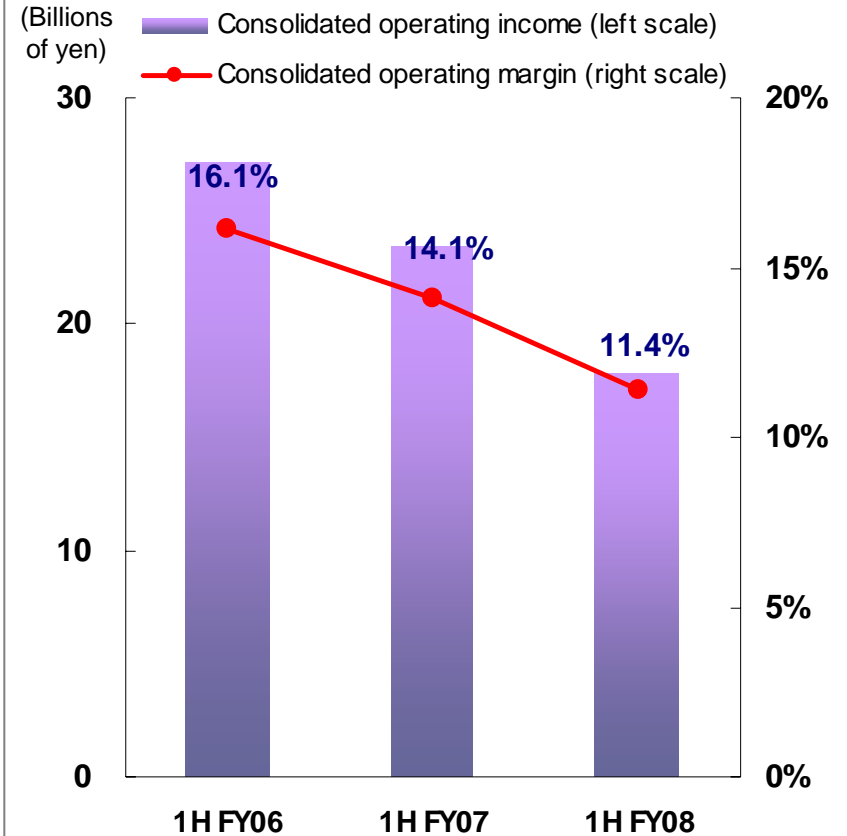
	1H FY2007	1H FY2008	Change (%)	Change
Operating income	23,437	17,795	-24.1%	-5,641
Operating margin	14.1%	11.4%	-2.7 pts	—

## Consolidated Gross Profit Breakdown of Costs



Notes: Depreciation includes amortization of goodwill  
( ) is the composition ratio

## Consolidated Operating Income and Operating Margin



# Consolidated Ordinary Income and Net Income

	(Millions of yen)		
	1H FY2007	1H FY2008	Change (%)
<b>Operating income</b>	<b>23,437</b>	<b>17,795</b>	<b>-24.1%</b>
Non-operating income	8,247	6,187	-25.0%
Non-operating expense	1,508	1,865	+23.7%
Net non-operating income	6,739	4,321	-35.9%
<b>Ordinary income</b>	<b>30,176</b>	<b>22,117</b>	<b>-26.7%</b>
Extraordinary income	8,641	1,269	-85.3%
Extraordinary loss	12,469	7,683	-38.4%
Net extraordinary loss	(3,828)	(6,414)	-
<b>Income before income taxes</b>	<b>26,348</b>	<b>15,703</b>	<b>-40.4%</b>
Income taxes	11,582	7,631	-34.1%
Minority interests	321	(39)	-
<b>Net income</b>	<b>14,444</b>	<b>8,111</b>	<b>-43.8%</b>

## Comments

### ■ Principal non-operating income items

Equity method investment gain:	¥2.6billion
Dividend income:	¥1.4billion
Interest income:	¥0.7billion

### ■ Principal non-operating expense items

Interest expense:	¥1.1billion
Loss from investment in investment association:	¥0.3billion

### ■ Principal extraordinary income items

Profit on sale of investment securities:	¥0.8billion
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### ■ Principal extraordinary loss items

Loss from business restructuring:	¥4.4billion
Loss related to criteria communications:	¥1.8billion

# Consolidated Balance Sheet

(Millions of yen)

	March 31, 2008	September 30, 2008	Change (%)
<b>Current assets</b>	<b>641,002</b>	<b>563,367</b>	<b>-12.1%</b>
<b>Fixed assets</b>	<b>610,909</b>	<b>591,281</b>	<b>-3.2%</b>
<b>Total assets</b>	<b>1,251,912</b>	<b>1,154,648</b>	<b>-7.8%</b>
<b>Current liabilities</b>	<b>527,504</b>	<b>459,324</b>	<b>-12.9%</b>
<b>Long-term liabilities</b>	<b>133,547</b>	<b>170,701</b>	<b>+27.8%</b>
<b>Total liabilities</b>	<b>661,051</b>	<b>630,025</b>	<b>-4.7%</b>
<b>Shareholders' equity</b>	<b>574,243</b>	<b>516,199</b>	<b>-10.1%</b>
Valuation and translation adjustment, etc.	(6,950)	(14,456)	—
<b>Minority interests</b>	<b>23,567</b>	<b>22,879</b>	<b>-2.9%</b>
<b>Total equity</b>	<b>590,861</b>	<b>524,623</b>	<b>-11.2%</b>
<b>Total liabilities and equity</b>	<b>1,251,912</b>	<b>1,154,648</b>	<b>-7.8%</b>

## Comments

### ■ Principal reasons for changes in assets

- Decrease in bills receivable and accounts receivable
- Sale of investment securities

### ■ Principal reasons for changes in liabilities

- Decrease in bills payable and accounts payable
- Increase in long-term debt

### ■ Principal reasons for changes in equity

- Repurchase of own shares

### ■ Financial indicators

	end- Sep 07	end- Mar 08	end- Sep 08
Shareholders' equity ratio	46.2%	45.3%	43.5%
D/E ratio	0.18 times	0.17 times	0.26 times

# Consolidated Cash Flow (1H FY2008)

## Consolidated Cash Flow

**Cash flows from operating activities**  
**+ ¥22.8 billion**

**Cash flows from investing activities**  
**- ¥0.3 billion**

**Cash flows from financing activities**  
**- ¥29.7 billion**

**Change in cash and cash equivalents**  
**- ¥8.6 billion**

\*The change in cash and cash equivalents includes a negative translation adjustment of ¥1.4 billion.

## Comments

Consolidated operating income: +¥17.7 billion  
 Depreciation and amortization: +¥9.7 billion  
 Change in working capital: +¥10.5 billion  
 Income taxes—paid: - ¥13.9 billion

Sale of marketable and investment securities:  
 +¥9.6 billion  
 Purchase of marketable and investment  
 securities : - ¥1.2 billion  
 Purchase of fixed assets: - ¥3.3 billion  
 Purchase of software: - ¥4.1 billion

Dividend payments: - ¥4.8 billion  
 Change in debt (long/short-term): +¥36.0 billion  
 Repurchase of own shares: - ¥60.6 billion

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

# Full-term Consolidated Forecast

(Millions of yen)

	<b>FY2007 Actual</b>	<b>FY2008 Forecast</b>	<b>Change (%)</b>
<b>Net sales</b>	<b>2,057,554</b>	<b>1,946,000</b>	<b>-5.4 %</b>
<b>Gross profit</b>	<b>345,222</b>	<b>326,700</b>	<b>-5.4 %</b>
<b>Operating income</b>	<b>56,126</b>	<b>45,300</b>	<b>-19.3 %</b>
<b>Operating margin</b>	<b>16.3%</b>	<b>13.9%</b>	<b>-2.4 pts</b>
<b>Ordinary income</b>	<b>67,993</b>	<b>54,900</b>	<b>-19.3 %</b>
<b>Income before income taxes</b>	<b>63,610</b>	<b>47,000</b>	<b>-26.1 %</b>
<b>Net income</b>	<b>36,246</b>	<b>25,200</b>	<b>-30.5 %</b>

\* With regard to full-term consolidated financial forecasts, as Publicis Groupe S.A. does not disclose its performance forecasts, our forecast for 2H FY2008 assumes equity in profits from an equity-method affiliate, Publicis Groupe S.A. of ¥4,292 million (after excluding ¥2,262 million for the amortization of goodwill), the equivalent amount recorded for the same term of the previous year.  
The exchange rate used here is 1 euro =¥158.4, the approximate average rate of exchange from January to October 2008, and the same rate used for other affiliated companies.

## Repurchase of Shares

### Repurchase of Shares (Plan announced in May)

<b>【Number of shares to be repurchased】</b>	<b>Up to 300,000 shares</b>
<b>【Aggregate purchase price】</b>	<b>Up to ¥60 billion</b>
<b>【Period of repurchase】</b>	<b>May 13 - Dec 31, 2008</b>

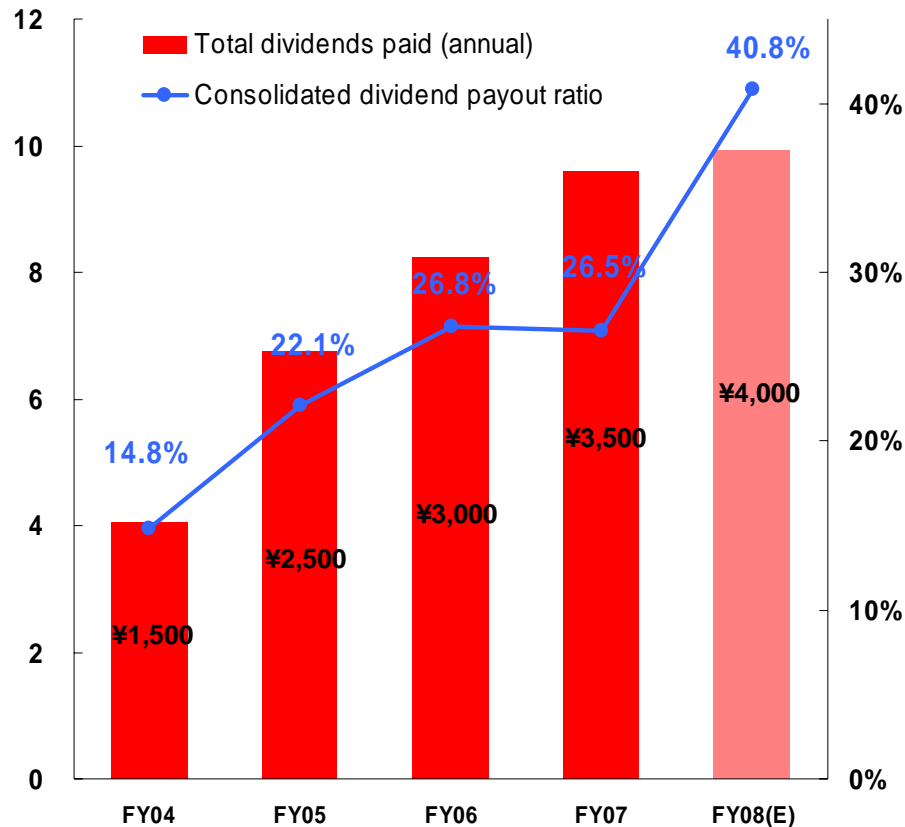
### Results of Tender Offer and Open-Market Share Repurchase

<b>【Number of shares purchased】</b>	<b>260,613 shares</b>
<b>【Aggregate purchase price】</b>	<b>¥59,921 million</b>
<b>【Period of Repurchase】</b>	<b>May 13 - Sep 4, 2008</b>

# Dividend Payments

## Total Dividends and Dividend Payout Ratio (Consolidated)

(Billions of yen)



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

### 【FY2008】

**Estimate of total dividends:**  
**approx. ¥10 billion**

(interim dividend: approx. ¥5 billion)

**Dividend per share: ¥4,000 annually**

(¥2,000 for interim and  
an estimated ¥2,000\* for term-end)

### <Our Policy on Shareholder Return>

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

\* In the event that share splitting is implemented by the end of FY2008, the term-end dividend will be 20 yen per share.