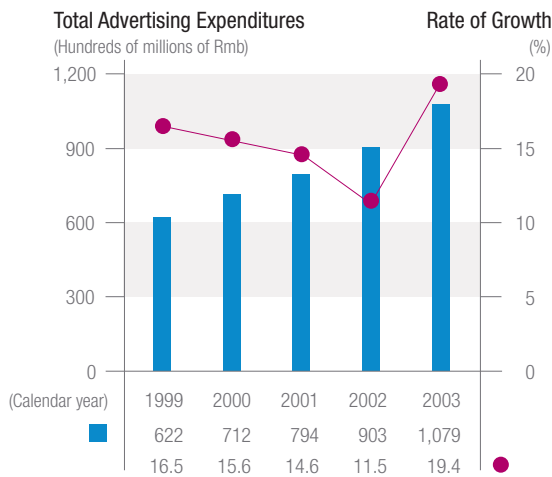


THE DENTSU GROUP'S CHINA STRATEGY

Chinese Advertising Market Now a World Leader

In recent years, the Chinese economy has shown consistent and solid growth. In calendar year 2003, the country's GDP amounted to 11,669.4 billion yuan, up 9.1% from 2002, making China the world's sixth largest economy. Boosted by economic growth and market-oriented economic policies, the advertising market in China has posted double-digit year-on-year growth for more than two decades, with total advertising expenditures reaching 100 billion yuan in 2003. The Chinese advertising market is the fastest growing in the world, and the number of advertising firms has grown steadily, reaching 89,552 companies and employing around 760,000 people at the end of December 2002.

• Total Advertising Expenditures and Rate of Growth in China



Source: Modern Advertising, April 2004

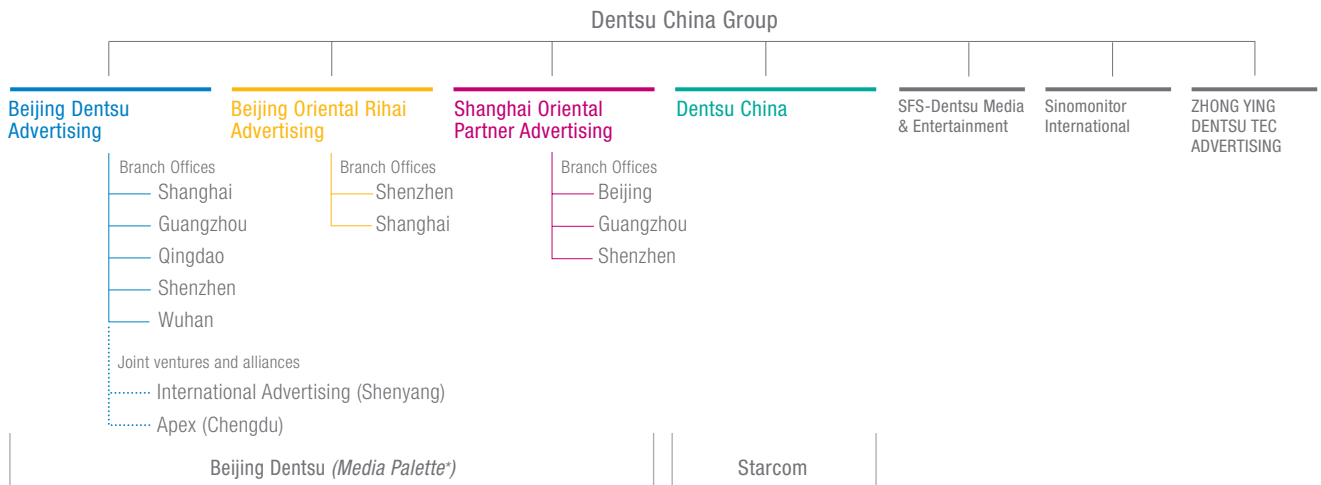
Dentsu China Group Secures Top Industry Position

Positioning China as one of its most important overseas markets, the Dentsu Group has taken the lead in actively exploiting its potential. The "Dentsu China Group," as we call it, includes the advertising companies based in mainland China—Beijing Dentsu Advertising, Beijing Oriental Rihai Advertising and Shanghai Oriental Partner Advertising—and one based in Hong Kong, Dentsu China (which merged with Dentsu Hong Kong on July 1, 2004, and retained its name). The Dentsu China Group also includes Sinomonitor International, a market research company based in Beijing, and ZHONG YING DENTSU TEC ADVERTISING, a company associated with DENTSU TEC. In April 2004, we established a media content firm, SFS-Dentsu Media & Entertainment with the Shanghai Filmgroup Corporation. As of December 2003, the Dentsu China Group had 1,034 employees, including 22 from Japan, providing high-quality Total Communications Services covering the entire spectrum, from advertising to "below the line."

Beijing Dentsu Advertising plays a leading role among our three mainland advertising companies. It undertakes centralized media buying through its media division, Media Palette, and is developing its advertising business in close cooperation with the other two mainland Group companies. Dentsu China, based in Hong Kong, is making effective use of the media-buying capabilities of Publicis Groupe company Starcom MediaVest in its advertising business.

All Dentsu China Group companies have consistently posted year-on-year growth in billings thanks to assertive

• Structure of the Dentsu China Group (As of July 31, 2004)



*Beijing Dentsu's media department

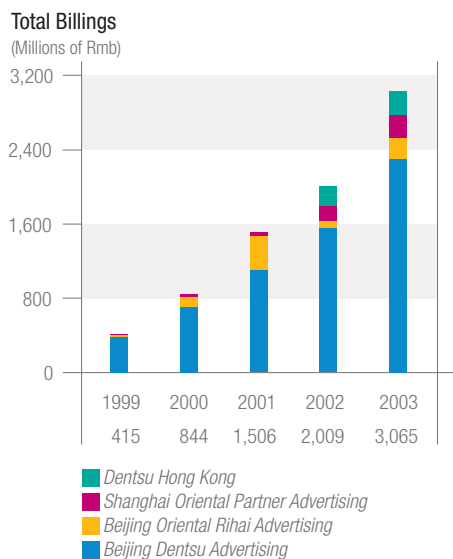
efforts to garner business from local clients. The combined billings in calendar year 2003 of the Group's four advertising firms based in China were ¥43.4 billion, up 142.4% from 2002.

According to rankings for 2003 announced by the China Advertising Association in June 2004, Beijing Dentsu Advertising placed fourth in terms of billings and first in terms of revenue.

Expanding Business by Prioritizing Regional Contribution

In developing its business in China, the Dentsu Group places great importance on contributing to local economic

• Total Billings of the Dentsu China Group



Note: Total billings is the combined billings of the four companies in the Dentsu China Group.

• Ranking of China's Top Ten Advertising Agencies by Revenue in 2003

Company	Revenue in 2003 (Hundreds of millions of Rmb)	Revenue in 2002 (Hundreds of millions of Rmb)	Ranking in 2002	Rate of growth (%)
1. Beijing Dentsu Advertising	3.9	2.3	3	69%
2. Saatchi & Saatchi Great Wall	3.5	2.9	1	20
3. Beijing Weilai Advertising	3.0	1.0	12	200
4. Jiangsu Post Advertising	2.9	2.4	2	20
5. McCann-Erickson Guangming	2.6	1.8	6	44
6. Jiangsu Dahe International Advertising Group	2.4	1.5	8	60
7. J. Walter Thompson-Zhongqiao Advertising	2.2	1.8	5	22
8. Kunming French Media	1.6	1.6	7	—
9. Shanghai Art Design	1.6	1.4	10	14
10. Beijing Public Transport Advertising	1.5	1.5	9	—

Note: Revenue comprises commissions, fees and creative production costs, and is subject to taxation. According to Modern Advertising, the official magazine of the China Advertising Association, revenue is an important factor in evaluating the performance of advertising companies in China.

Source: China Advertising Association

progress and fostering the growth of the local advertising industry. In this regard, we have undertaken a number of initiatives, including the Japan-China Advertising Education Project, established in 1996, and the Japan-China Marketing Study Exchange Project, launched in 2001. We also conduct advertising courses at Chinese universities and have established an overseas study program in which university lecturers come to Dentsu for practical training. In these and other ways, we have worked to benefit society by fostering understanding of the educational and cultural aspects of advertising and marketing. These activities have earned us high acclaim for having made a significant contribution to the local advertising industry. We also actively recruit local employees and provide training.

These activities have helped solidify the Dentsu Group's position in China and underscore the favorable results we now enjoy in that market.

The upcoming Beijing 2008 Olympic Games and Expo 2010 Shanghai are expected to promote economic activity and boost spending on advertising by corporations. In 2007 or 2008, total annual advertising expenditures in China are expected to surpass 200 billion yuan, and the country is expected to overtake the United Kingdom and Germany in the near future to become the world's third largest advertising market. The Dentsu Group will invest to expand its operations network and strengthen relationships with media companies in an effort to further reinforce its position in this important market.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Dentsu's corporate social responsibility (CSR) activities extend beyond legal compliance, workplace safety and hygiene, protection of human rights, social contribution and environmental protection. We believe that CSR also involves undertaking independent initiatives to create value in ways that reflect economic, environmental and social needs and that incorporate the interests of all stakeholders. By fulfilling our CSR commitment, we seek to build a reputation for trustworthiness, raise our competitiveness and achieve sustainable development. In the process, we hope to foster the emergence of a better society and stimulate the economy.

Since 2000, we have worked to institute a compliance-oriented awareness among employees by formulating various related guidelines, including the Dentsu Guidelines for Employee Conduct, Basic Policy for Information Management and Information Management Guidelines. In December 2003, we obtained BS7799 certification for all divisions at our Head Office. BS7799 is a standard specification for information security management systems. We plan to obtain certification for the Chubu and Kansai branches and all Dentsu Group companies in the future.

In February 2004, we formed the Corporate Ethics Committee, a specialized committee consisting primarily of directors. Through this and other measures, we have continued to reinforce our compliance and risk management systems while establishing a framework for integrated CSR initiatives.

Corporate Conduct Charter

Tasks undertaken by the Corporate Ethics Committee include formulating a Corporate Conduct Charter for the parent company and all Group companies. The committee will also reassess current internal regulations related to compliance and identify and address all aspects of risk affecting the Group. The Council of Corporate Ethics Officers, with representatives from various business divisions, has been set up as a subordinate entity to the Corporate Ethics Committee and undertakes educational and monitoring activities.

Internal Reporting and Proposal System

In April 2003, prior to forming the Corporate Ethics Committee, we introduced an internal reporting and proposal system, called D-EAR. This system is designed to help uncover

inappropriate and illegal behavior, while protecting the identity of informants, as well as to help us obtain valuable information that can be used to improve our business processes.

Proactive Environmental Initiatives

On the environmental front, we are engaged in a variety of activities. When constructing our Head Office building, for example, we placed strong emphasis on the concepts of "harmonious coexistence with the earth" and "energy efficiency." The building features state-of-the-art environmental technologies, including computer-controlled blinds that isolate the building from the heat outside. It also employs a cogeneration system and participates in the Shiodome district heating and cooling system. We meticulously separate office waste with the aim of recycling as much as possible, and pursue a green procurement policy with respect to purchasing office equipment and supplies, with priority on using recycled copier paper and products carrying the Eco Mark.

Going forward, in June 2005 we plan to obtain certification under ISO 14001, the international standard for environmental management systems. With this task in mind, in February 2004 we set up a special bureau, which is currently conducting environmental impact assessments and formulating environmental policies.

We believe that environmental issues should be addressed by the advertising industry as a whole, not only on an individual company basis. For this reason, we participate in the Environmental Advertising Subcommittee, set up within the Advertising Issues Research Committee of the Japan Advertising Agencies Association (JAAA) in 1998. The committee provides information and makes and implements various proposals related to the environment. Dentsu helped plan and write a document issued by the JAAA in 2002 called *A Guide to Environmental Communication for Advertising Business*, which provides an explanation of ISO 14021 environmental labels and declarations (Type II). We also conducted a survey to assess the effectiveness of communications activities in encouraging the wider use of environment-friendly products, and planned and produced a report on the survey that was issued in August 2004. In addition, Dentsu participates in the ISO Environmental Labeling Domestic Subcommittee,

which is under the jurisdiction of the Ministry of Economy, Trade and Industry (METI).

Social Contribution through Communications

To ensure consistent business growth and development in the future, the Dentsu Group recognizes the importance not only of being “A Partner in Creating Value” in its business activities but also of striving to be a good partner in terms of acting in harmony with all its stakeholders, including individuals and affiliated entities. We have initiated a broad range of social benefit activities to date, and, in October 2003, we set up the Corporate Philanthropy Committee, headed by the president, following a CSR-oriented assessment of our operations. Having studied how a corporation should act in response to modern requirements, we decided to adopt a social contribution policy based on the philosophy that “Dentsu’s sphere of activity lies wherever communications are needed.” Accordingly, we have set “social contribution through communications” as our mission.

To this end, we established the Corporate Philanthropy Department to focus on social benefit initiatives. The new department has compiled the Principles Defining Dentsu’s Social Contribution, which specify goals, activity policies and behavioral guidelines governing our initiatives in this area.

We have designated the fiscal year ending March 31, 2005 as “Year One of Dentsu’s Social Contribution.” Our aim is to benefit society through activities in which the Dentsu Group excels. Our three main initiatives for the year are summarized below.

UNESCO’s World Terakoya Movement—The National Federation of UNESCO Associations in Japan is currently engaged in the World Terakoya Movement, centering on Asia, aimed at providing learning opportunities to children and illiterate adults who wish to study but do not have the means to do so. Seeking to help with the communication, educational and fund-raising aspects of the campaign, the Dentsu Group has initiated the UNESCO World Terakoya Movement “Kururimpa” project. We have already designed a logo for this project, which we have donated to the National Federation, and, in August 2004, we began holding charity Kururimpa exhibitions and workshops throughout Japan in close cooperation with various UNESCO associations.

Mt. Fuji Environmental Protection Support Project—The area around the base of Mt. Fuji is beset by serious environmental problems caused by destruction of the natural environment and the disposal of industrial waste. To help solve these problems, we are engaged in a project aimed at training 100 Dentsu employee volunteers to serve as “Mt. Fuji Eco Instructors” to teach children about the wonders of nature and the true spirit behind environmental protection. With the cooperation of the Fujisan Club, a nonprofit organization (NPO), 37 Dentsu employees participated in instructor development classes in February and March 2004. We will hold the second series of classes in the future as part of our plan to conduct eco tours headed by our employees.

NPO Communication Support Project—Seeking to provide support for NPOs engaged in ongoing and independent social contribution activities, we joined forces with an NPO support organization and people from economic groups to establish an NPO communications committee, which is working to help NPOs enhance their communications capabilities. The first task of the committee is to compile a handbook detailing information about communications activities that will benefit NPOs.

Contributing to the Development of an Advertising Culture

As a leader in the advertising industry, the Dentsu Group is committed to fostering the advancement of the industry as a whole. Activities to this end include disseminating know-how and nurturing human resources related to advertising. Below are some of our domestic and overseas initiatives aimed at contributing to the evolution of an advertising culture.

- *Joint development course with Keio University*
- *Japan-China Marketing Study Exchange Project*
- *Human rights slogan and poster*
- *External trainee acceptance system for local government entities and agencies*
- *External trainee acceptance system for member nations of the European Union (EU)*
- *Classes on creativity for university students wanting to enter the copywriting and commercial planning fields*
- *Dentsu Advertising Awards*
- *Dentsu Student Advertising Essay Awards*
- *Awards honoring, among others, people who have made outstanding contributions to mass media*

CORPORATE GOVERNANCE

The Dentsu Group places the utmost importance on reinforcing its ability to respond swiftly to changing business conditions, as well as on building frameworks emphasizing legal and ethical compliance. For this reason, we are constantly working to strengthen our corporate governance system. Measures to date include adopting an executive officer system and appointing outside directors and corporate auditors.

Corporate Governance System

In June 1999, Dentsu adopted an executive officer system, with the aim of separating decision-making and oversight functions, thereby clarifying responsibility and authority in the execution of business activities.

The Board of Directors meets once a month, in principle, to resolve important matters and to receive updates on the status of business execution. A meeting of full-time directors is held twice a month, in principle, to decide important matters not covered by the Board of Directors, as well as to deliberate on matters prior to their resolution by the Board. Both groups also appoint members to various committees that have been formed to discuss and make decisions on routine business matters.

The Board of Corporate Auditors meets once a month, in principle, to decide auditing policies and the division of

responsibilities, as well as to examine the performance of the Board of Directors in line with auditing regulations. The Board of Corporate Auditors also makes proposals related to internal supervision systems, compliance, risk management systems and other areas.

To raise the transparency and fairness of management, the Company has appointed outside members to the Board of Directors and Board of Corporate Auditors. In June 2003, we increased the number of outside members on the Board of Corporate Auditors by one. As a consequence, as of June 2004, two of the 16 members of the Board of Directors and three of the five members of Board of Corporate Auditors are outside members.

With the aim of revitalizing business execution, in June 2002 we cut the term of office for executive officers from two years to one. In June 2004, we reduced the term of office for members of the Board of Directors from two years to one, to increase responsiveness to changing business conditions and better clarify the responsibilities of directors.

We are continuing to reinforce Groupwide management. In April 2003, for example, we set up the Group Companies Auditing Office within the Group Business Headquarters. Members of this office serve as auditors of major domestic Group companies to monitor their performance.

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Corporate Governance System

