

CONSOLIDATED BALANCE SHEETS

Dentsu Inc. and Consolidated Subsidiaries
March 31, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2004	2004
Assets			
Current assets:			
Cash and cash equivalents	¥ 66,607	¥ 60,202	\$ 555,369
Time deposits	4,532	1,631	15,046
Trade receivables:			
Notes	33,347	29,198	269,354
Accounts	393,416	429,085	3,958,349
Allowance for doubtful accounts	(3,038)	(3,033)	(27,980)
Net trade receivables	423,725	455,250	4,199,723
Marketable securities	8,589	5,158	47,583
Billable production orders in process	17,557	19,889	183,478
Deferred income taxes	12,825	14,625	134,917
Prepaid expenses and other current assets	45,773	35,069	323,515
Total current assets	579,608	591,824	5,459,631
Investments and advances:			
Investments and others	177,858	177,014	1,632,970
Noncurrent receivables	7,609	9,988	92,140
Property, plant and equipment:			
Land	157,841	153,301	1,414,216
Buildings	163,836	164,331	1,515,968
Machinery and equipment	32,407	29,028	267,786
	354,084	346,660	3,197,970
Less: Accumulated depreciation and amortization	(56,181)	(63,023)	(581,393)
Net property, plant and equipment	297,903	283,637	2,616,577
Deferred income taxes	62,474	50,333	464,327
Other assets	42,470	54,341	501,301
Total assets	¥1,167,922	¥1,167,137	\$10,766,946

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2003	2004	2004
Liabilities and stockholders' equity			
Current liabilities:			
Short-term loans	¥ 52,931	¥ 14,675	\$ 135,378
Current installments of long-term debt	8,543	19,474	179,650
Current installments of obligations under capital leases	2,535	2,725	25,138
Trade payables:			
Notes	54,086	45,016	415,277
Accounts	298,529	340,135	3,137,777
Income taxes payable	19,502	12,555	115,821
Accrued expenses	22,424	27,675	255,304
Other current liabilities	35,298	37,395	344,972
Total current liabilities	493,848	499,650	4,609,317
Long-term liabilities:			
Long-term debt, excluding current installments	135,581	116,112	1,071,144
Obligations under capital leases, excluding current installments	3,526	4,322	39,871
Accrued pension and severance cost	118,665	93,283	860,544
Deferred income taxes	11	12	111
Other liabilities	4,958	5,415	49,954
Total long-term liabilities	262,741	219,144	2,021,624
Minority interest	20,028	21,112	194,760
Stockholders' equity:			
Common stock, no par value			
Authorized—5,500,000 shares			
Issued—1,390,920 shares	58,967	58,967	543,976
Additional paid-in capital	61,239	61,239	564,935
Retained earnings	291,288	312,635	2,884,087
Accumulated other comprehensive income (loss)	(8,793)	9,832	90,701
Treasury stock, at cost, 31,803 shares in 2003 and 43,240 shares in 2004	(11,396)	(15,442)	(142,454)
Total stockholders' equity	391,305	427,231	3,941,245
Commitments and contingencies			
Total liabilities and stockholders' equity	¥1,167,922	¥1,167,137	\$10,766,946

CONSOLIDATED STATEMENTS OF INCOME

Dentsu Inc. and Consolidated Subsidiaries
Years Ended March 31, 2002, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2002	2003	2004	2004
Revenue	¥293,920	¥282,676	¥290,480	\$2,679,705
Selling, general and administrative expenses	237,801	252,476	251,024	2,315,720
Operating income	56,119	30,200	39,456	363,985
Other income (expense):				
Interest and dividend income	1,897	1,505	2,243	20,692
Interest expense	(1,874)	(1,352)	(2,608)	(24,059)
Profit on sales of investment securities	1,857	62	3,363	31,024
Loss on sales of investment securities and others	(41)	(21,958)	(6)	(55)
Impairment loss on investment securities and others	(6,733)	(8,186)	(2,381)	(21,965)
Other—net	2,505	616	3,626	33,450
	(2,389)	(29,313)	4,237	39,087
Income before income taxes and minority interests	53,730	887	43,693	403,072
Income taxes	24,700	5,315	19,584	180,664
Income (loss) before minority interests	29,030	(4,428)	24,109	222,408
Minority interests	1,986	190	1,547	14,271
Net income (loss)	¥ 27,044	¥ (4,618)	¥ 22,562	\$ 208,137
		Yen		U.S. dollars (Note 2)
Net income (loss) per share:				
Basic	¥ 9,857	¥ (1,666)	¥ 8,367	\$ 77.19
Diluted	9,856	(1,667)	8,366	77.18

The above information has been adjusted for all periods to reflect the two-for-one stock split that became effective on May 20, 2004.

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Dentsu Inc. and Consolidated Subsidiaries
Years Ended March 31, 2002, 2003 and 2004

	Millions of yen					
	Common stock	Additional paid-in-capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total stockholders' equity
Balance at March 31, 2001	¥54,929	¥55,202	¥271,662	¥ 8,222	¥ —	¥390,015
Issuance of common stock	4,038	5,866				9,904
Comprehensive income:						
Net income			27,044			27,044
Net unrealized change in investment securities, net of tax				(3,085)		(3,085)
Cumulative effect of a change in accounting principle related to derivative instruments, net of tax				107		107
Net unrealized change in derivative instruments, net of tax				41		41
Minimum pension liability adjustments				(354)		(354)
Foreign currency translation adjustments				5,646		5,646
Total comprehensive income						29,399
Dividends declared			(1,365)			(1,365)
Purchase of treasury stock					(1,218)	(1,218)
Other		65	(254)			(189)
Balance at March 31, 2002	58,967	61,133	297,087	10,577	(1,218)	426,546
Comprehensive loss:						
Net loss			(4,618)			(4,618)
Net unrealized change in investment securities, net of tax				(3,599)		(3,599)
Net unrealized change in derivative instruments, net of tax				16		16
Minimum pension liability adjustments				(8,412)		(8,412)
Foreign currency translation adjustments				(7,375)		(7,375)
Total comprehensive loss						(23,988)
Dividends declared			(1,377)			(1,377)
Purchase of treasury stock					(10,178)	(10,178)
Other		106	196			302
Balance at March 31, 2003	58,967	61,239	291,288	(8,793)	(11,396)	391,305
Comprehensive loss:						
Net income			22,562			22,562
Net unrealized change in investment securities, net of tax				7,849		7,849
Net unrealized change in derivative instruments, net of tax				(181)		(181)
Minimum pension liability adjustments				11,934		11,934
Foreign currency translation adjustments				(977)		(977)
Total comprehensive loss						41,187
Dividends declared			(1,353)			(1,353)
Purchase of treasury stock					(4,046)	(4,046)
Other			138			138
Balance at March 31, 2004	¥58,967	¥61,239	¥312,635	¥ 9,832	¥(15,442)	¥427,231

	Thousands of U.S. dollars (Note 2)					
	Common stock	Additional paid-in-capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total stockholders' equity
Balance at March 31, 2003	\$543,976	\$564,935	\$2,687,159	\$(81,116)	\$(105,129)	\$3,609,825
Comprehensive loss:						
Net income			208,137			208,137
Net unrealized change in investment securities, net of tax				72,408		72,408
Net unrealized change in derivative instruments, net of tax				(1,670)		(1,670)
Minimum pension liability adjustments				110,092		110,092
Foreign currency translation adjustments				(9,013)		(9,013)
Total comprehensive loss						379,954
Dividends declared			(12,482)			(12,482)
Purchase of treasury stock					(37,325)	(37,325)
Other			1,273			1,273
Balance at March 31, 2004	\$543,976	\$564,935	\$2,884,087	\$ 90,701	\$(142,454)	\$3,941,245

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dentsu Inc. and Consolidated Subsidiaries
Years Ended March 31, 2002, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2002	2003	2004	2004
Cash flows from operating activities:				
Net income (loss)	¥ 27,044	¥ (4,618)	¥ 22,562	\$ 208,137
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	10,140	16,237	23,655	218,220
Provision for doubtful accounts	(6)	(602)	131	1,208
Loss on sales of investment securities and others	41	21,958	6	55
Impairment loss on investment securities and others	6,733	8,186	2,381	21,965
Undistributed income of affiliates	(777)	(1,425)	(1,201)	(11,079)
Accrued pension costs, less payments	2,385	260	3,503	32,315
Deferred income taxes	(4,961)	(27,478)	(3,127)	(28,847)
Change in assets and liabilities:				
(Increase) decrease in trade receivables	38,627	11,530	(28,802)	(265,701)
(Increase) decrease in billable production orders in process	(5,088)	3,390	(1,454)	(13,413)
(Increase) decrease in other current assets	5,753	(19,840)	(477)	(4,400)
Increase (decrease) in trade payables	(40,114)	768	31,416	289,815
Decrease in other current liabilities	(6,477)	(10,806)	(1,777)	(16,393)
Other—net	(3,062)	1,243	(7,497)	(69,161)
Net cash provided by (used in) operating activities	30,238	(1,197)	39,319	362,721
Cash flows from investing activities:				
Proceeds from sales of marketable securities	51,520	56,646	9,643	88,957
Payments for purchase of marketable securities	(37,771)	(29,425)	(3,889)	(35,876)
Proceeds from sales of investment securities	2,571	17,042	17,170	158,395
Payments for purchase of investment securities	(21,924)	(82,096)	(8,291)	(76,485)
Proceeds from sales of property, plant and equipment	563	1,013	3,786	34,926
Payments for purchase of property, plant and equipment	(44,760)	(35,911)	(3,970)	(36,624)
Payments for purchase of capitalized software	(4,032)	(6,267)	(10,114)	(93,303)
Purchase of subsidiaries' shares	(11,014)	(1,186)	(63)	(581)
Other—net	28,921	2,653	6,689	61,707
Net cash provided by (used in) investing activities	(35,926)	(77,531)	10,961	101,116
Cash flows from financing activities:				
Proceeds from long-term debt	14,232	59,400	12	111
Payments of long-term debt	(21,606)	(11,953)	(8,686)	(80,129)
Payments under capital lease obligations	(2,023)	(2,531)	(3,146)	(29,022)
Increase (decrease) in short-term loans	(19,382)	45,958	(37,625)	(347,094)
Dividends paid	(1,365)	(1,526)	(1,628)	(15,019)
Proceeds from issuance of common stock	9,904	—	—	—
Proceeds from issuance of subsidiaries' common stock to minority shareholders	24	70	9	83
Purchase of treasury stock	(1,218)	(10,178)	(4,127)	(38,072)
Other—net	(379)	(425)	(440)	(4,059)
Net cash provided by (used in) financing activities	(21,813)	78,815	(55,631)	(513,201)
Effect of exchange rate changes on cash and cash equivalents	1,401	(1,171)	(1,054)	(9,723)
Net decrease in cash and cash equivalents	(26,100)	(1,084)	(6,405)	(59,087)
Cash and cash equivalents at beginning of year	93,791	67,691	66,607	614,456
Cash and cash equivalents at end of year	¥ 67,691	¥ 66,607	¥ 60,202	\$ 555,369

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2002	2003	2004	2004
Cash paid during the year for:				
Interest	¥ 4,435	¥ 2,526	¥ 2,450	\$ 22,601
Income tax	35,489	31,057	28,135	259,548

See accompanying Notes to Consolidated Financial Statements.