

## Message from the President



In recent years, socioeconomic factors and other conditions surrounding the Dentsu Group have changed dramatically. Many of our clients are going global, investing heavily and developing their businesses overseas, especially in Asia, where sustained growth is expected. Their needs with respect to advertising services have become more sophisticated and diversified, and they are demanding consistent service quality, along with effectiveness and efficiency. Meanwhile, the media landscape is also changing, owing to the proliferation of mobile and broadband communications and the start of terrestrial digital broadcasting. The result is intensified competition in the advertising industry, prompting participants to reorganize and globalize their operations.

Prompted by these changes, the Dentsu Group has taken the lead in implementing reforms. We are working to increase business opportunities as "A Partner in Creating Value" from the perspective of clients, media-related companies and consumers. We are also striving to earn the trust and acclaim of all stakeholders, including shareholders, clients and employees. In the process, we are maximizing corporate value and fulfilling our corporate social responsibilities.

### Financial Results for the Fiscal Year Ended March 31, 2005

Japan is the Dentsu Group's principal market. In the fiscal year ended March 31, 2005, the Japanese economy continued to move toward recovery, led by private-sector demand, amid dramatic improvements in corporate earnings and signs of a turnaround in the employment situation. This was despite evidence of lingering stagnation in some parts of the economy. Nominal GDP growth for the year was 0.8%, representing the second consecutive year of growth, according to a Cabinet Office report issued June 13, 2005.

The advertising industry benefited from a number of positive factors that boosted demand against the background of economic recovery. These included the ATHENS 2004 Olympic Games and a summer heat wave, which helped boost consumption. As a result, Dentsu estimates that total advertising expenditures in Japan reached ¥5,857.1 billion in calendar 2004, up 3.0% from 2003 and the first rise in four years. In addition to higher expenditures in the four traditional mass media, Internet advertising expenditures rose substantially, thanks to the spread of broadband networks.

March 25, 2005, saw the commencement of the 185-day 2005 World Exposition, Aichi, Japan. The Dentsu Group is united to promote this event, which has already contributed significantly to our performance in the year under review.

For the fiscal year, consolidated revenue amounted to ¥312.2 billion, up 7.5% from the previous term and a record for the Group. Operating income grew 80.9%, to ¥71.4 billion, while net income advanced 70.6%, to ¥38.5 billion.

### Outlook for the Fiscal Year Ending March 31, 2006

According to forecasts released by the Cabinet Office on January 21, 2005, the Japanese economy is expected to continue recovering gradually in the fiscal year ending March 31, 2006, with nominal GDP expected to grow at a rate of 1.3%. Meanwhile, advertising expenditures are predicted to continue growing, with the Japan Center for Economic Research estimating a 1.1% rise (forecast as of March 2005).

### Medium-Term Corporate Vision

The Dentsu Group has targeted growth by focusing on four key markets: the domestic advertising market, advertising-related markets, new markets and overseas markets. In each of these, we will respond to clients' needs and offer innovative services—efforts that have enabled us to reinforce profitability and raise corporate value. Going forward, we will complement this with our “Groupwide and Globally Oriented” strategy, taking advantage of Groupwide resources and strengths to provide integrated solutions that link with other markets and ensure we remain the partner of choice for our clients.

In the domestic advertising market, we have strong relationships with clients and the media, built up over many years. Based on these relationships, we will fulfill our role as “A Partner in Creating Value” in response to the sophisticated needs of clients and diversification of media. In this way, we will boost our growth.

In advertising-related markets, we will utilize promotion methods incorporating the latest advances in information technology, as well as a variety of data aimed at optimizing strategies, thereby enabling us to take advantage of new sales promotion techniques and analytical tools to expand our consulting capabilities.

In new markets, we will adopt a multifaceted approach. This entails becoming more involved in various areas—high-profile sporting events, such as the Olympic Games and FIFA World Cup™, as well as entertainment, such as movies and animation, and other content—and tying these in with advertising and marketing activities.

In overseas markets, we will concentrate our resources in Asia, where sharp market growth is expected. Through our alliance with Publicis Groupe, a leading communications group with a worldwide

presence, we have built a network covering Japan, the Americas and Europe. We are leveraging this network to extend global services to our clients.

To create a foundation that supports our growth strategies in these four markets, we will pursue a three-pronged set of management reforms, focusing on “building people,” “building infrastructures” and “building a more effective organization.” We will also continue reforming our cost structure in response to changing business conditions.

At the Dentsu Group, our competitive edge derives from our people—their creativity, their ideas, their wisdom. Seeking to become a strong group of companies, we will work toward “building people” who can create new levels of value. By “building infrastructures” that support value-creation activities, we will develop and create next-generation information systems that facilitate various decision-making processes. And by “building a more effective organization,” we will reorganize and strengthen the Group’s overall structure with a view to creating a framework conducive to growth on a consolidated basis.

The Dentsu Group is fully conscious of its responsibilities as a corporate citizen. Accordingly, we will continue to undertake a variety of activities aimed at contributing to a better society and stimulating economic activity.

We look forward to your ongoing support in our endeavors.

June 29, 2005



Tateo Mataka  
President & CEO