

Business Developments in Four Key Markets

The Dentsu Group has identified four distinct markets for development: the domestic advertising market, advertising-related markets, new markets and overseas markets. We are taking steps to provide comprehensive solutions to client needs and integrate services in all four markets, ensuring we remain the advertising company of choice for clients.

Domestic Advertising Market

In Japan, in addition to the four traditional mass media—television, newspapers, magazines and radio—we plan, propose and create advertising for Internet, outdoor, transit and satellite broadcast media. We also plan and sell ad space in each type of media.

Advertising-Related Markets

In advertising-related markets, we provide various marketing services, including promotion, market research, public relations and event space services. Furthermore, we offer such e-solution services as e-business consulting and customer relationship management (CRM).

New Markets

In new markets, we are active in sports content marketing involving the Olympic Games, the FIFA World Cup™ and other events, as well as planning, producing and licensing entertainment-related content for the movie and music industries.

Overseas Markets

The Dentsu Group provides a complete range of quality communications services to overseas Japanese and local clients. Our wide-ranging overseas network extends from China and other parts of Asia to Europe and North America.

The Dentsu Group comprises companies that specialize in each of these markets. One of the Dentsu Group's strengths is its ability to provide "one-stop" solutions that combine services in each market.

Over the next several pages, we review the Dentsu Group's business developments in each of these markets during the fiscal year ended March 31, 2006, and introduce its future prospects.

Domestic Advertising Market

We aim to achieve further growth by forging stronger links between traditional mass media and the Internet.

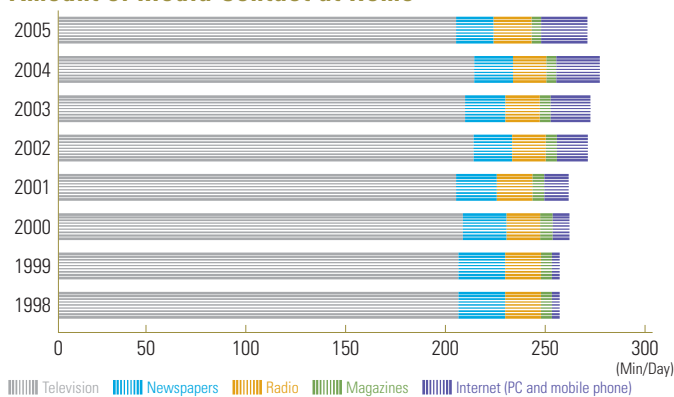
Responding to Changes in the Media Environment

Dentsu estimates that advertising expenditures in Japan grew 1.8% in calendar year 2005, supported by an upturn in the Japanese economy midway through the year, and a recovery in corporate earnings. Although expenditures in the four traditional mass media declined slightly from 2004 levels, Internet advertising surged 54.8%. According to a study by Video Research Ltd., the Internet became the second most impactful at-home media, following television in terms of contact time.

Such changes in the media environment are prompting demand from advertisers for more advanced media planning that effectively and efficiently combines mass media and the Internet, and for advertising that delivers measurable impact. To respond to such client needs in a timely manner, the Dentsu Group strives to provide high-value-added cross-media campaigns.

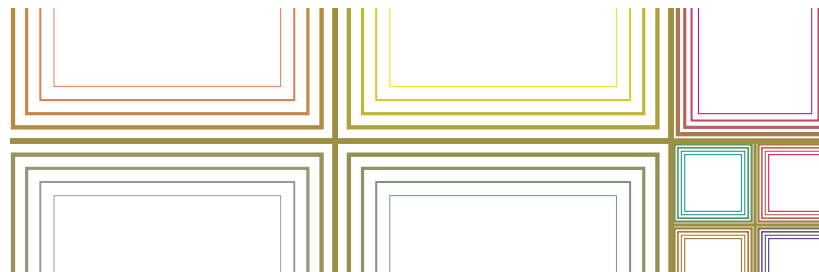
The Dentsu Group is taking advantage of such changes in the media environment to advance its information technologies. We are quickly establishing specialist companies within the Group and actively investing in interactive businesses that enable us to provide additional services to leading advertisers. Furthermore, we are proactively pursuing capital investment and strategic partnerships with companies that specialize in the Internet.

Amount of Media Contact at Home



Strengthening Business in the Interactive Domain

During the fiscal year ended March 31, 2006, the Dentsu Group enjoyed robust growth in Internet media sales, which rose 58% from the preceding term. Total sales from interactive businesses, including



marketing-related solutions, also posted strong growth, of 44%.

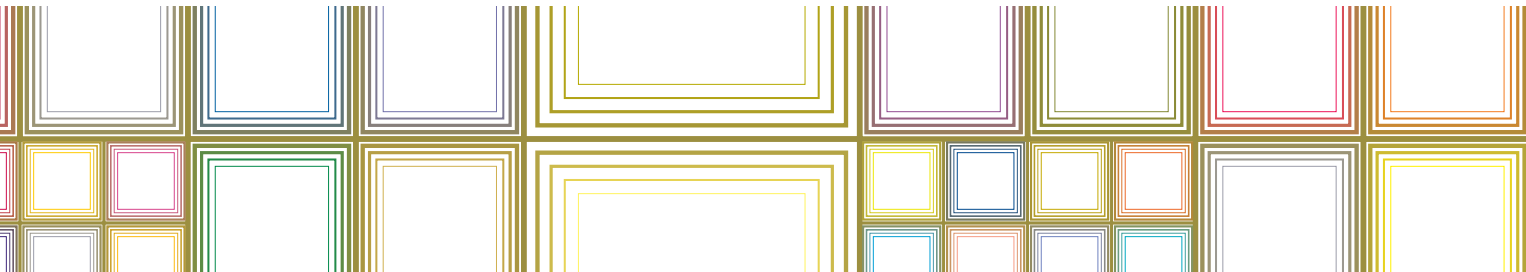
A number of major trends in the interactive business domain prompted this growth. These included greater demand for maximizing campaign effectiveness through links with traditional mass media, more expressive and sophisticated marketing through broadband and other technical advances, and increased search engine marketing (SEM) and long-tail business activity.

To expand its business in the interactive domain, the Dentsu Group focused on four primary initiatives.

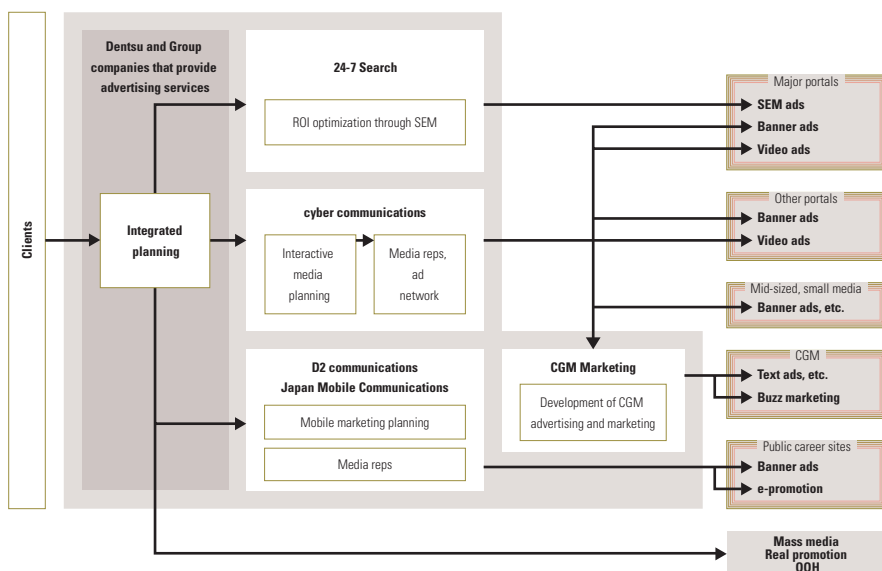
- Promoting new media business through cross-media services
- Strengthening interactive creative services and cultivating the data management business
- Becoming more competitive in interactive media through mobile and SEM businesses
- Expanding operations in e-commerce and long-tail businesses

In the area of cross-media services, we established Media Shakers jointly with RECRUIT CO., LTD. In addition, we created specialized departments within our newspaper and television divisions to handle digital businesses and reorganized our structure for digital business initiatives targeting newspaper publishers and television broadcasters. We also formed a department specializing in interactive creative services. As evidence of its interactive creative excellence, this department won a Gold Lion in the Cyber Lion category of the globally renowned Cannes International Advertising Festival in 2006, marking the second consecutive year the Group has won awards in this category. We also stepped up our competitiveness in the media business through the establishment of 24-7 Search, a joint venture with 24/7 Real Media, Inc., of the United States. This company has earned a solid global reputation for its SEM optimization systems.

To respond to the needs of small and medium-sized clients and provide small-scale media in the long-tail business arena, we entered into a capital and operational partnership with OPT Inc., which has earned an enviable reputation as a specialized Internet advertiser. Furthermore, to enhance our ability to propose solutions for consumer-generated media (CGM), we joined Digital Garage, Inc., cyber communications inc. and ASATSU-DK INC. in establishing CGM Marketing, Inc.



Flow of Activity in the Interactive Media Business



Dentsu Group Net Sales from Interactive Businesses



Development of Planning Tools

As the relationship between consumers and the media continues to change, we are developing various planning tools to offer optimal media plans to advertisers.

In a radically changing media environment, we created the ContactPoint™ planning tool. This name refers to the points of interface between a consumer and a brand, which are becoming more complex. In April 2006, we introduced MC ver. 2.0™, a next-generation communications planning system that anticipates advances in consumer purchasing behaviors and shifts in the corporate competitive environment. In May, we also launched “d-engine,” a planning support portal to accumulate and integrate various internal and external planning

information. We will continue to respond to shifting consumer behavior by developing integrated communications solutions that meet the needs of existing clients and also attract new clients.

Delivering Preeminent Creative Services in All Media

One of the Dentsu Group’s greatest assets is the prowess of its creative services. Numerous domestic and overseas advertising awards attest to our creative abilities.

The Gunn Report, published in November each year, gives an account of advertising industry creative performance based on the winners’ lists from the world’s most important award competitions. *The Gunn Report 2005* ranked Dentsu third in the Most Awarded Agency category.

Promoting Video Content Search Portal Business in Cooperation with Broadcasters

On April 3, 2006, Dentsu joined five commercial broadcasters—Nippon Television Network Corporation, Tokyo Broadcasting System, Inc., Fuji Television Network, Inc., TV Asahi Corporation and TV TOKYO Corporation—and three other advertising agencies to establish Presentcast, to commence video content search portal services. In June, the newly formed company launched the DOGATCH pre-service site to distribute coverage of FIFA World Cup Germany™ matches.

Advertising-Related Markets

We are expanding our business by “creating mechanisms that sell.”

Growth Markets

Advertising-related markets encompass a host of services, including promotional services, public relations, market research, direct marketing, e-solutions and consulting. We estimate that the domestic advertising market and advertising-related markets have a combined value of around ¥10 trillion. Amid growing competition, advertisers have begun placing greater importance on promotional activities that translate directly to sales of products.

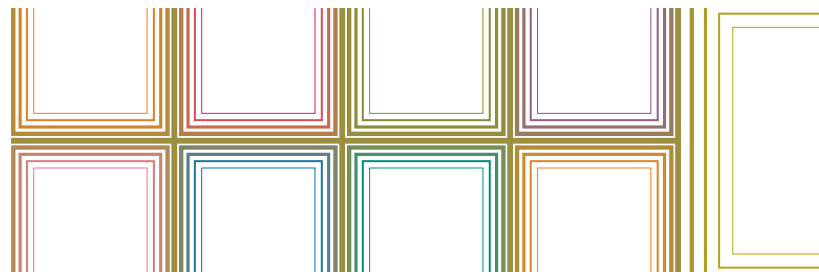
Historically, the promotional services market has been highly segmented and served by numerous specialized companies. Lately, however, rising demand for greater efficiency has led large agency networks to provide these services to some clients. At the same time, advances in Internet, database and other digital technologies have prompted dramatic changes in promotion methods, forcing a conflation of advertising and promotion, and integration with other communications services.

Viewing this trend as an opportunity, the Dentsu Group has turned existing promotional activities into high-value-added propositions by employing various networks through centralized management. At the same time, we continue to expand business in this area by improving our ability to provide integrated services through digitization, employing digital promotion and direct business support.

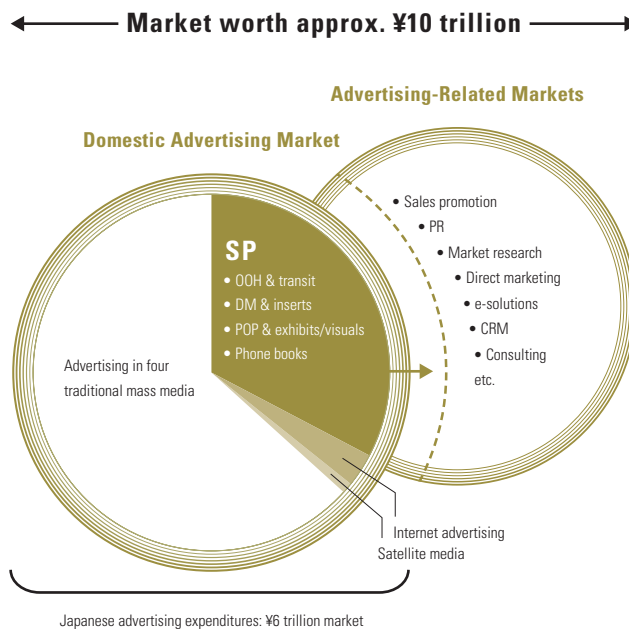
Principal Business Expansion Activities

During the fiscal year ended March 31, 2006, Dentsu posted a 7.4% increase in sales from marketing and promotional activities. Major contributors included the 2005 World Exposition, Aichi, Japan, and the 39th Tokyo Motor Show. We also saw an increase in orders from major clients for corporate identity work.

To enhance Group operations further, we converted Dentsu Tec to a wholly owned subsidiary on April 1, 2006, in a bid to boost competitiveness in promotional services. Through a stronger coalition between Dentsu and Dentsu Tec, we plan to offer more seamless marketing services and heighten Group



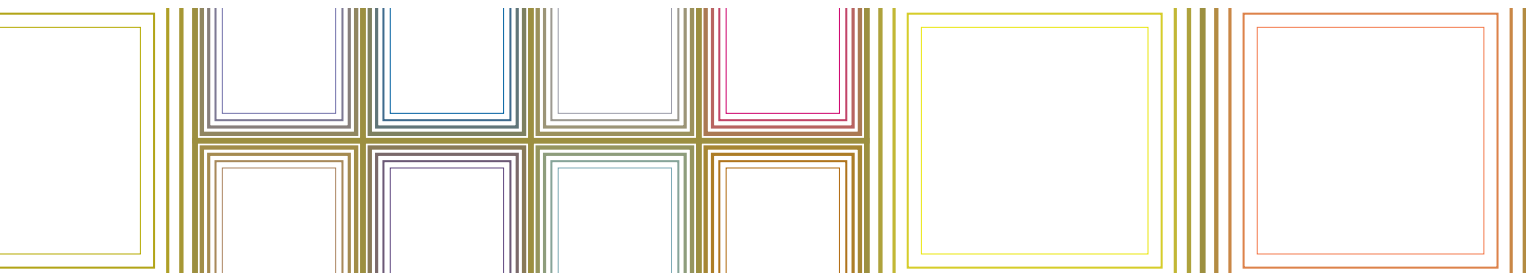
Size of the Domestic Advertising and Advertising-Related Markets



Sources: 2005 Advertising Expenditures in Japan ;
Dentsu statistics on sales promotion and promotion-related markets

profitability. Furthermore, to enhance client services in sales promotion and transit advertising, on March 31, 2006, we acquired a 50% stake in Meitetsu Agency Inc., converting the company to a consolidated subsidiary. To enhance the promotional services extended to major retail clients, we established Dentsu Table Media Communications in 2004 as a company specializing in advertising inserts. By boosting efficiencies through digital technology, we saw marked growth in profitability during the year.

In response to the rapidly growing direct-to-consumer market in such areas as finance, insurance and health foods, Dentsu developed “drams” (Dentsu Response Advertising Management



System), a proprietary planning system that analyzes target response, among other services. In June 2006, Dentsu, Dentsu Tec and BELLSYSTEM24 Inc. jointly established the drams Center. In addition to conventional business services, the new center provides such direct-response business functions as order-taking, distribution and settlement. By creating systems to perform effective and efficient management operations for direct-response businesses in this manner, we continue to expand our integrated service structure.

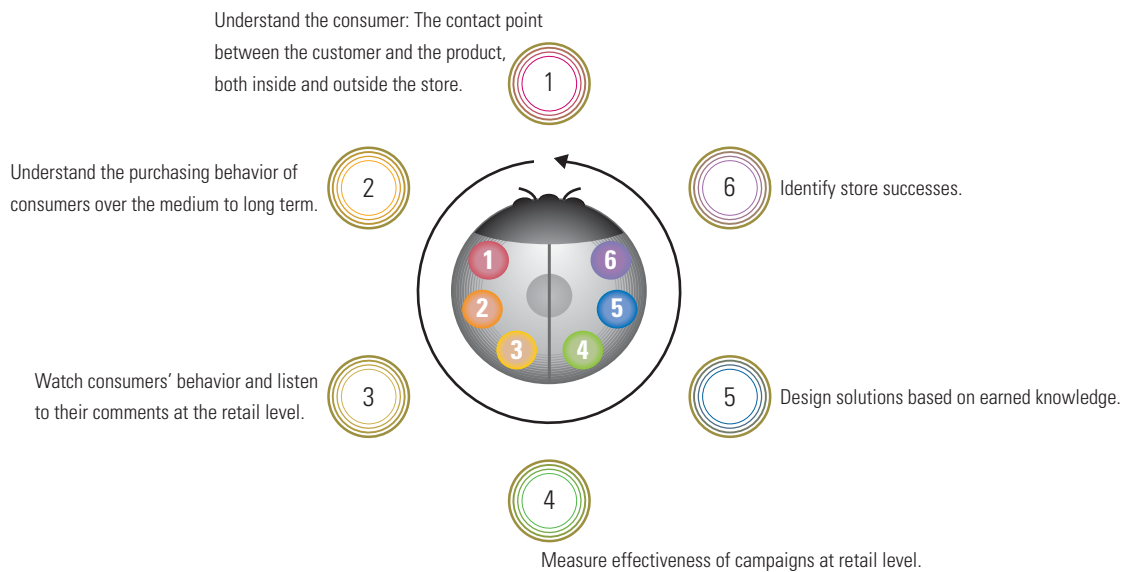
To tackle the rapid expansion of e-commerce over the Internet and mobile platforms, we entered into capital and operational partnership with CAMobile, Ltd.—a subsidiary of

CyberAgent Inc. with extensive experience and expertise in mobile marketing—and netprice, Ltd., which specializes in Internet mail-order sales. We also invested in Ecash Corp., which offers a variety of e-commerce solution services with a focus on e-commerce settlements. To round out our service structure in database marketing, we converted Interlogics, which offers advanced CRM know-how, to a subsidiary.

Dentsu will continue to enhance its offering of specialized services from Group companies, applying the latest digital technologies and most advanced promotional techniques to deliver comprehensive integrated marketing services and cost competitiveness, raising Group profitability overall.

Developing Support Tools to Address In-Store Issues

To meet the growing demand for campaigns that translate clearly to sales, the Dentsu Group has developed Uri Value®. Based on consumer insight, this total support tool helps clients to resolve issues at the retail level by providing them with a seamless stream of information. This information helps clients understand consumer touch-points both inside and outside the store, provides insights into consumer attitudes and behavior, and makes recommendations that can be implemented at the retail level with measurable results.



New Markets

We are creating new marketing opportunities by acquiring sought-after content.

Building Synergies through Content Business

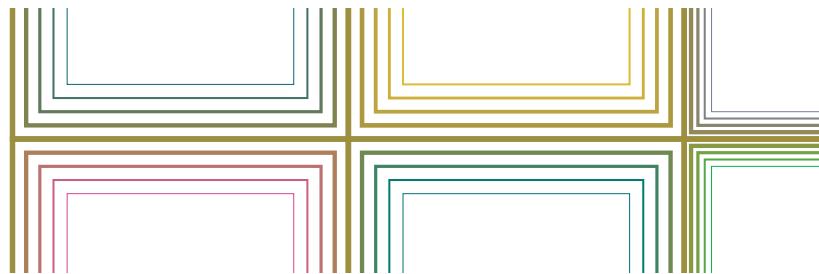
The Dentsu Group classifies sports marketing, entertainment and other content-related fields as new markets. The business model, which Dentsu pioneered, links content creators and content rights holders with clients, the media and the public at large. We have earned particular acclaim for leading many international sporting events to success.

The content business is relatively impervious to economic conditions and provides synergistic benefits with advertising and related activities. It therefore has the potential to become a major source of income. We have positioned this business as a key driver of future growth for the Group and are investing heavily in obtaining and developing attractive content to foster new marketing opportunities.

Content Activities during the Year

In the sports marketing arena, the Dentsu Group exclusively sold advertising spots and sponsorship rights to Japanese companies for domestic television programming of the TORINO 2006 Olympic Winter Games in February 2006. For the 2006 World Baseball Classic™ in March, we handled the sales of broadcasting and official sponsorship rights in Japan and Taiwan, and held exclusive television program advertising spot sales rights, which helped make the tournament successful in its inaugural year. We also sold sponsorship rights, broadcasting rights and television program advertising spots for the International Association of Athletics Federations (IAAF) World Track and Field Championships and La Fédération Internationale de Natation (FINA) World Swimming Championships. Involvement in these sporting events contributed substantially to our revenues in the fiscal year ended March 31, 2006.

In the entertainment business, the Dentsu Group was involved in the production of several movies. In addition to *Semi Shigure*, in which Dentsu had significant production involvement, *Bokoku no Aegis* and *ALWAYS Sanchome no Yuhi* enjoyed great theatrical success.



Strengthening Content Business for Future Growth

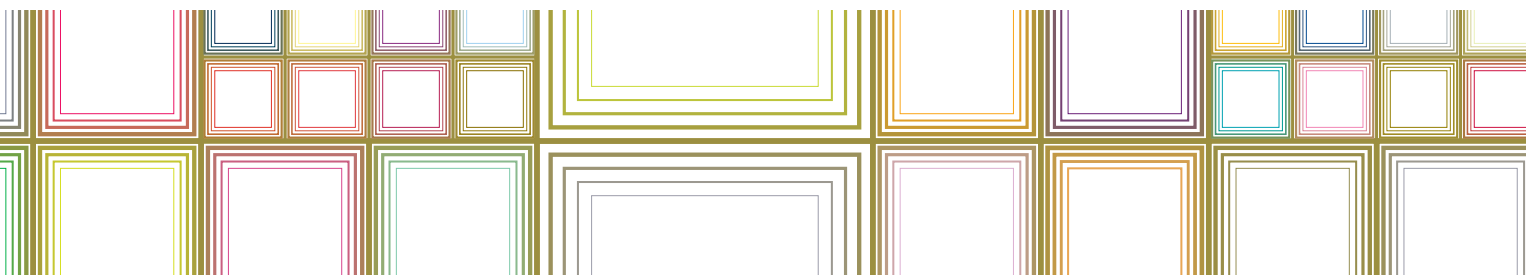
For the FIFA World Cup Germany™, which commenced in June 2006, the Dentsu Group handled sales of broadcast and sponsorship rights, while iSe, the international sports marketing company, exclusively handled hospitality program operations and sales. Such activities should bolster revenues substantially in the fiscal year ending March 31, 2007.

The Dentsu Group has obtained domestic and Asian broadcast rights for events hosted by the Fédération Internationale de Football Association (FIFA) between 2007 and 2014 (Asian rights outside of Japan were obtained in collaboration with Infront Sports & Media AG), and we have long-term contracts for the sale of rights for numerous other global sporting events hosted by such international sporting organizations as IAAF and FINA. In the future, we aim to close additional long-term marketing deals with other international sporting organizations. We will also strengthen our involvement in this business in Asia and other overseas locations, creating a structure that will enable the content business to evolve into a steady driver of revenue growth for the Dentsu Group.

As the number of sporting events in Japan continues to grow, we are becoming increasingly involved in the operation of such events. To meet the needs of various sporting organizations with a more extensive range of services, we have established Dentsu Sports Partners as a specialized sports marketing company.

In the entertainment business, we have joined our subsidiary, Geneon Entertainment, and Mitsubishi Corporation subsidiary d-rights Inc. to establish a collaborative investment fund. The fund will support the full-fledged development of a structure to jointly produce Japanese animation programs overseas and promote sales and rights management on a global scale.

We expect the development of popular content to grow increasingly important. To that end, we are forging capital and operational tie-ups with Fuji Television Network, Tokyo Broadcasting System and Toho Co., Ltd., to drive cooperation in content, as well as the development of new Internet-related businesses.



Dentsu Group's Involvement in Major Sporting Events

	2006/3	2007/3	2008/3	2009/3
Every four years	<p>Olympic Winter Games (Turin)</p> <p>2006 World Baseball Classic™ (United States, etc.)</p>	<p>2006 FIFA World Cup™ (Germany)</p> <p>Asian Games (Doha)</p> <p>Men's/Women's World Volleyball Championships (Japan)</p>		<p>Olympic Summer Games (Beijing)</p> <p>European Soccer Championships (Switzerland and Austria)</p> <p>World Baseball Classic™ (TBD)</p>
Every two years	<p>IAAF World Championships in Athletics (Helsinki)</p> <p>FINA World Championships (Montreal)</p> <p>East Asian Football Championship (South Korea)</p>		<p>IAAF World Championships in Athletics (Osaka)</p> <p>FINA World Championships (Melbourne)</p> <p>East Asian Football Championship (China)</p>	
Every year	<p>Asia Series Baseball (Japan)</p> <p>FIFA Club World Championship TOYOTA Cup (Japan)</p> <p>Major League Baseball</p>	<p>Asia Series Baseball (Japan)</p> <p>FIFA Club World Cup Japan 2006 presented by TOYOTA (Japan)</p> <p>Major League Baseball</p>	<p>Asia Series Baseball (TBD)</p> <p>FIFA Club World Cup (presented by TOYOTA) (TBD)</p> <p>Major League Baseball</p>	<p>Asia Series Baseball (TBD)</p> <p>FIFA Club World Cup (presented by TOYOTA) (TBD)</p> <p>Major League Baseball</p>



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Overseas Markets

We are expanding our services globally, concentrating specifically on China and other parts of Asia.

Focusing on Expansion in Asian and BRIC Markets

According to a June 2006 report by ZenithOptimedia, advertising expenditures during calendar year 2005 rose 3.0% in North America and 3.9% in Europe, compared with 2004 levels. Growth in Asia was especially strong, at 5.5%. Particularly robust were the annual rates of growth in the so-called BRIC countries—39.6% in Brazil, 28.1% in Russia, 20.9% in India and 14.5% in China.

The Dentsu Group is aggressively developing its operations in China, which continues to exhibit pronounced economic growth, as well as in other parts of Asia. Keeping pace with expansion in these markets, we are increasing our number of offices and networks, as well as the scope of services we offer locally. We will strengthen and expand our operations in these markets by transferring the expertise that the Dentsu Group has cultivated in Japan.

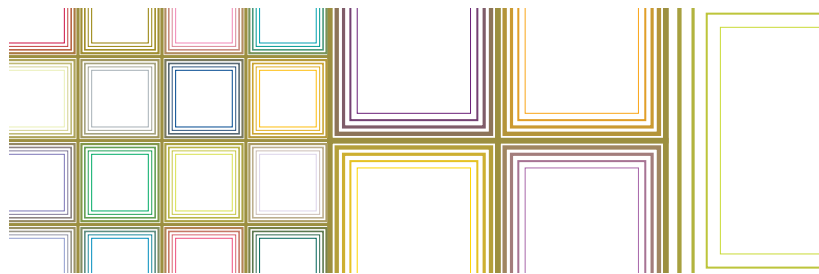
In recent years, Japanese companies have begun to expand their operations significantly in Brazil and Russia. The Dentsu Group is responding to this trend by strengthening its business to meet client needs in these areas, as well.

Expanding Our Network Further

During the fiscal year ended March 31, 2006, overseas business generated ¥133.7 billion in sales for the Dentsu Group. This represented a 5.0% increase from the preceding term and constituted 6.8% of net sales.

According to the rankings for 2005 reported by the China Advertising Association, Beijing Dentsu Advertising placed first in terms of revenue for the third consecutive year. Our presence in Taiwan also remained strong in 2005. Dentsu (Taiwan) was ranked third in that country by *Brain*, a local advertising trade magazine.

Expansion during the fiscal year ended March 31, 2006, included developments in India, whose rate of growth in advertising expenditures outpaced China's. Our existing agencies in India, Dentsu Communications and Dentsu Marcom, raised operating performance levels by expanding services to their major clients. Dentsu Creative Impact, a boutique creative services provider that we established during the year, expanded its service structure further. To support the marketing activities of domestic Indian



advertisers in neighboring regions, we also established Dentsu Marcom Middle East (Dubai), in the United Arab Emirates—a market demonstrating substantial economic expansion.

Activity among Japanese advertisers is picking up in Russia, as well. To serve this market, we reopened the Dentsu Moscow office in August 2005.

Strengthening Our Alliance with the Publicis Groupe

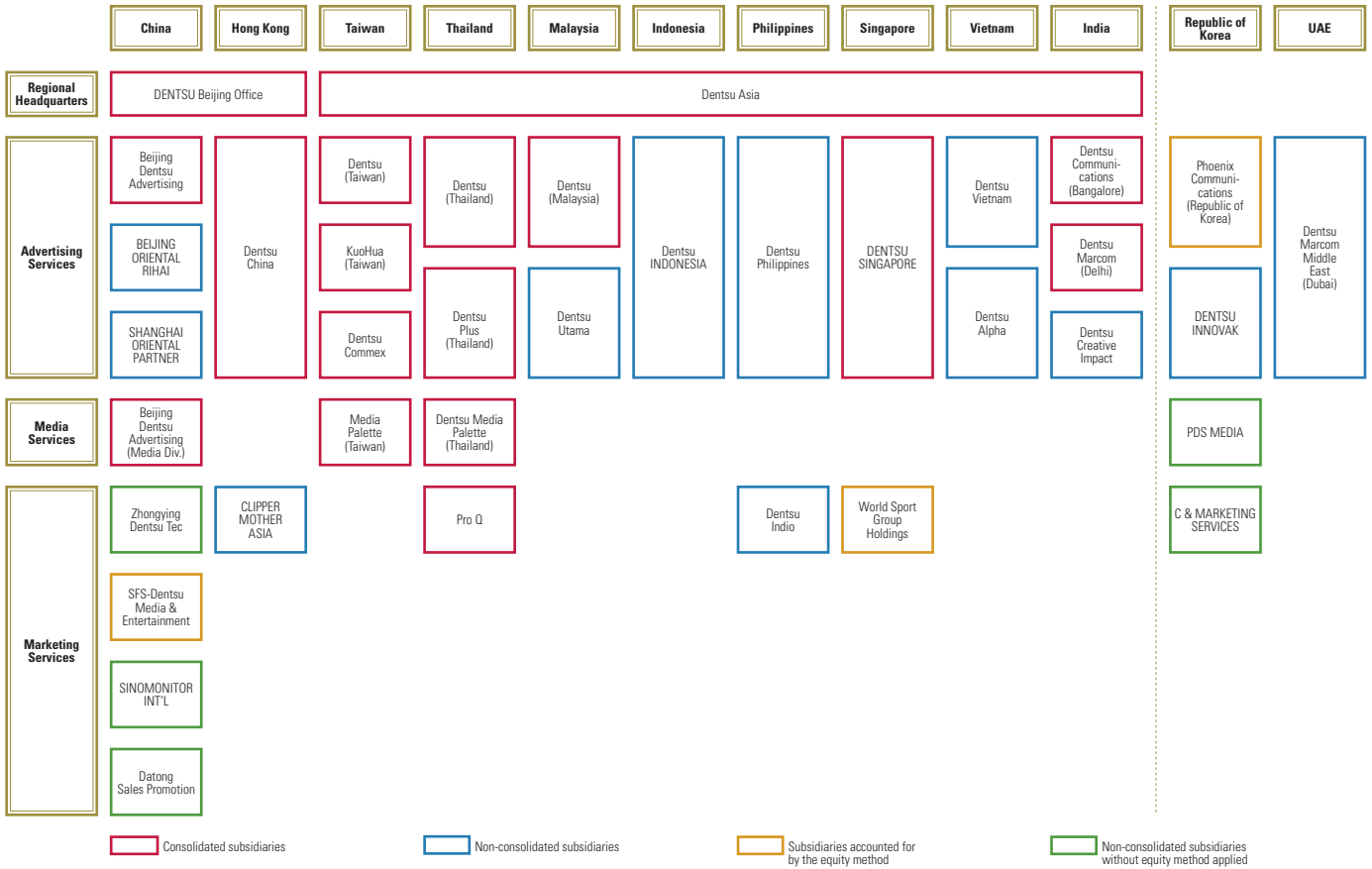
In Europe and the United States, we are expanding our own network and strengthening our alliances with the Publicis Groupe to handle increased business from clients in these regions. As part of our efforts to serve Japanese advertisers better in Europe through a more robust service structure, in February 2006 we entered into partnerships with Paname, a Publicis Groupe advertising agency in France, as well as BMZ+more in Germany.

Furthermore, iSe, the international sports marketing company we established as a joint venture with the Publicis Groupe, exclusively handled hospitality program operations and sales for FIFA World Cup Germany™, held in June 2006.

Breakdown by Geographic Segment

	2005/3	2006/3	Change
The Americas	46,342	43,667	-5.8%
Europe	12,656	15,878	+25.5%
China	35,251	35,510	+0.7%
Asia (excluding Japan and China)	33,334	39,079	+17.2%
Eliminations	(199)	(344)	—
Total overseas sales	127,385	133,790	+5.0%

Dentsu's Network in Asia (as of March 31, 2006)



Net Sales Forecast for Overseas Operations

