

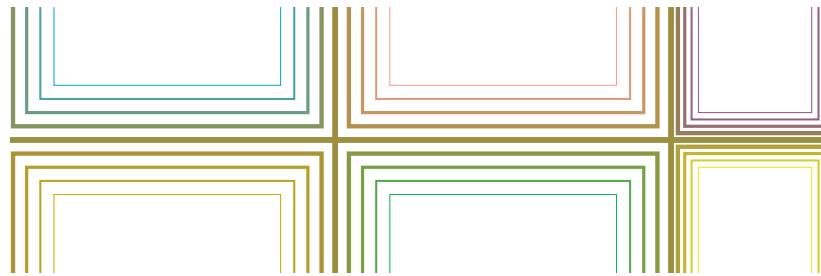
Increases in Corporate Value

To be “A Partner in Creating Value” for our stakeholders, we are mounting a range of initiatives to raise corporate value.

Sustained Medium- to Long-Term Growth with the “4-2-2 Strategy”

Japan’s advertising industry environment has changed dramatically over the past few years. Our clients’ needs are also shifting amid media diversification and evolving consumer tastes. We must remain abreast of these changes through constant innovation to remain “A Partner in Creating Value” for our clients. We regard changes in the business environment as opportunities to expand our operations.

The Dentsu Group currently defines four strategic markets for future growth: the domestic advertising market, advertising-related markets, new markets and overseas markets. Our “4-2-2 Strategy,” promoted throughout the Group, is a vital element of our commitment to creating value. The “4” refers to the four strategically defined markets. The first “2” indicates our dual approaches in these four markets: activities to further reinforce our existing business models and innovation-based activities aimed at developing new business models. The second “2” represents our two key policies in the area of human resources: nurturing and developing individual capabilities, and promoting strong teamwork.



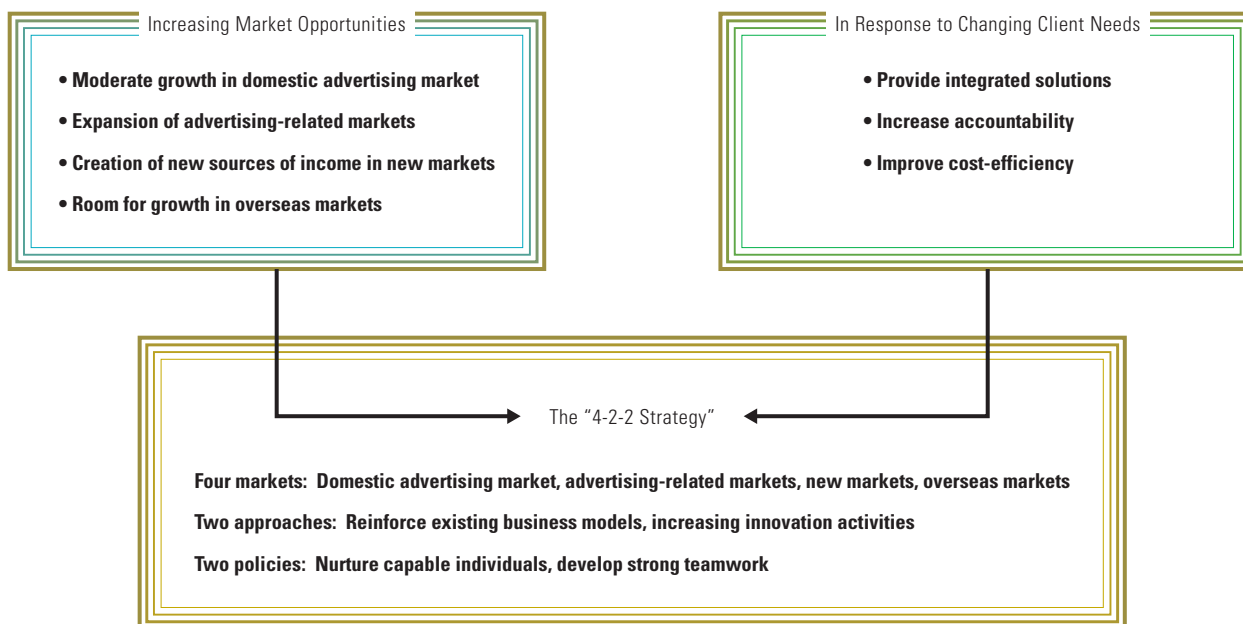
Our “4-2-2 Strategy,” therefore, describes four markets, two approaches and two policies. By steadily developing our operations according to the “4-2-2 Strategy,” we strive to achieve sustained growth over the medium to long term.

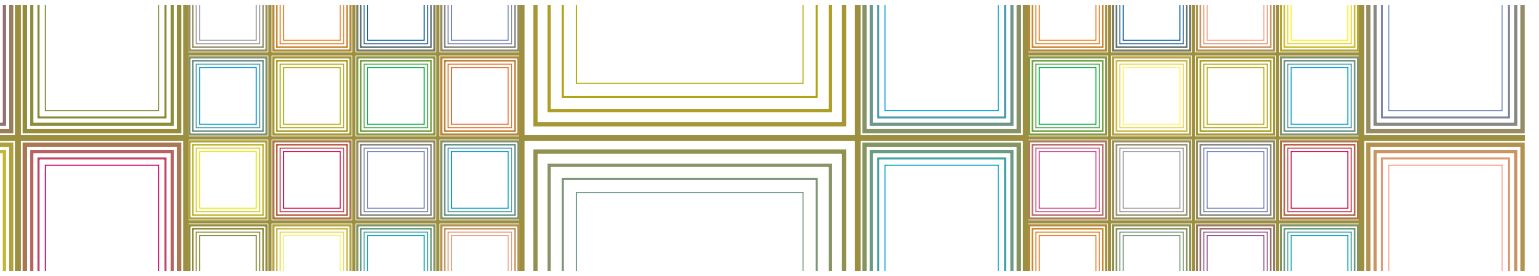
Driving Management Reforms

To build a foundation that supports our growth strategies, we are pursuing a three-pronged set of management reforms that involves “nurturing people,” “building infrastructures” and “building a more effective organization.” We are also reforming our cost structure to ensure timely response to changes in the business environment. In terms of “nurturing people,” we are expanding our personnel. In October 2005, we established the Human Capital Development Center to foster value creation through planned human resource development.

To encourage speedy and appropriate decision-making, we are enhancing the implementation of backbone information systems. Such efforts should heighten our responsiveness to changes in the business environment.

Ongoing Implementation of the “4-2-2 Strategy”





Shareholder Returns and Uses of Cash Flows

Dentsu considers returning profits to its shareholders one of its highest priorities. By responding effectively to changes in our operating environment, we seek to expand our operations and raise corporate value over the long term, providing stable dividends and expeditiously acquiring treasury stock. In the fiscal year ended March 31, 2006, upon careful consideration of our operating performance, prospects for the medium to long term and our cash situation, we elected to award common shareholder dividends of ¥2,500 per share for the year, including a ¥1,000 interim dividend. This dividend level represents a ¥1,000 per-share increase from the preceding term. In the fiscal year ending March 31, 2007, we intend to raise dividend levels a further ¥500 per share, to ¥3,000.

Uses of upcoming cash flows include developing systems, investing in various tools and methods, and investing in Group businesses that support our long-term goals in such areas as potentially lucrative content, Internet businesses and Asian markets. Depending on our cash situation after making these investments, we plan to acquire additional treasury stock—thereby enhancing

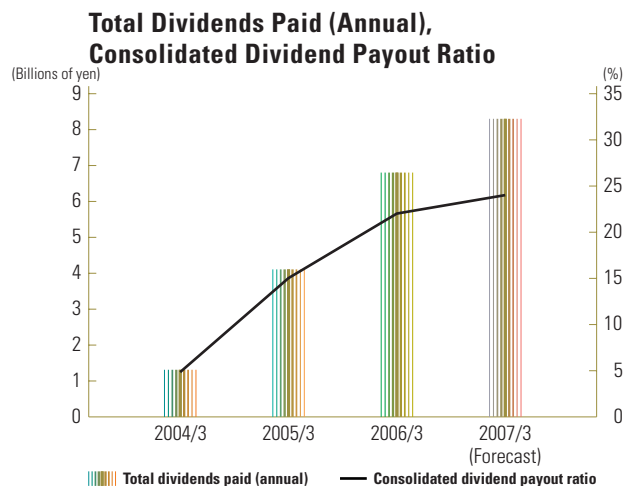
future shareholder return—and pay down long-term debt.

Dentsu maintains a strong financial position, as evidenced by its high ratings. Standard & Poor’s accords our long-term debt an AA–rating and ranks our short-term debt A–1+. Rating and Investment Information, Inc. (R&I), has similarly assigned a rating of AA to Dentsu’s long-term debt and a rating of a–1+ to its short-term debt.

Uses of Cash Flows

Capital Investment	Investment in systems, development of tools, methods, etc.
Operational Investment	Investment in excellent content, Internet business, Asian markets, etc.
Shareholder Return	Prioritizing dividend stability, expeditious acquisition of treasury stock, etc.

Total Dividends and Payout Ratio (Consolidated Basis)

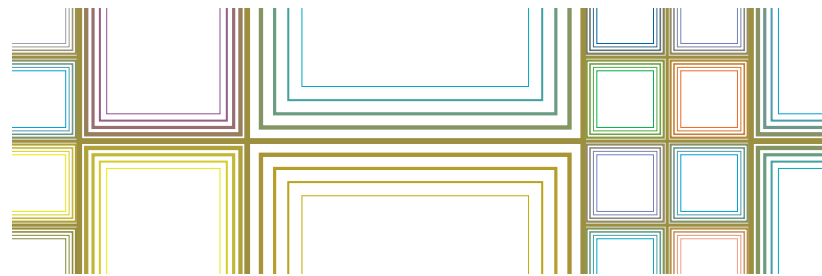


Digitization Changing the Consumer Purchasing Process: From AIDMA to AISAS®

Responding to New Consumption Patterns

The proliferation of digital media is causing major shifts in consumption behavior. In the advertising industry, purchasing behavior has traditionally been defined by the acronym AIDMA, for “attention, interest, desire, memory and action.” As everyday use of the Internet has become more commonplace in recent years, consumers have come to examine pricing and other product information more carefully prior to making purchases. As a natural progression, corporate interest in Internet advertising has grown in tandem with these consumer shifts. In calendar year 2005, Japanese advertising expenditures in the four traditional mass media decreased slightly, compared with the preceding year, whereas spending on Internet advertising surged 54.8%. The Dentsu Group developed the AISAS® model to define the new purchasing process that has resulted from the proliferation of Internet and mobile phone usage.

Behavior is changing even among consumers who do not use the Internet. As the youth market spends more time away from home, out-of-home (OOH) media advertising has increased for products that target this audience. The number of effective consumer contact points outside the four traditional mass media has also increased,

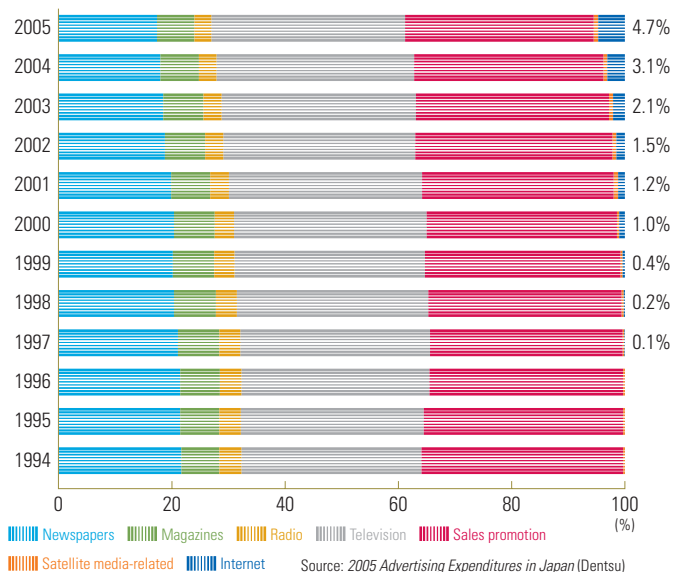


necessitating the development of marketing messages that clearly resonate with the target consumer. Using Dentsu’s proprietary ContactPoint Management™ tool to determine effective points of contact between a consumer and a product or service brand, we can identify the optimal media mix, placement period and method, resulting in highly effective advertising strategies. Adding interactive media to the list of potential choices has substantially expanded the scope of planning in the new media environment.

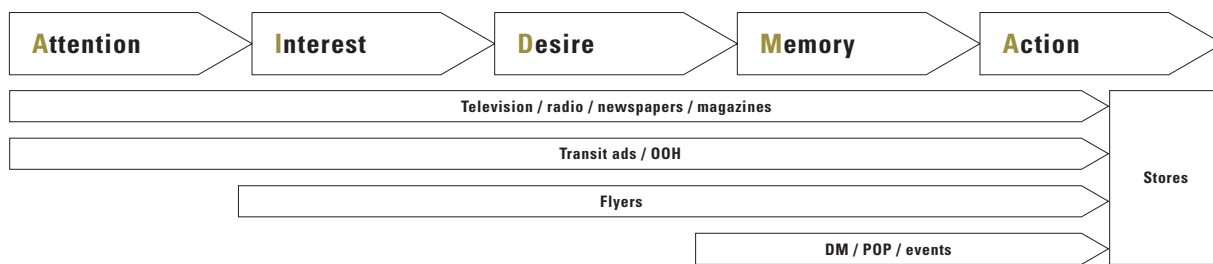
During the past several years, the Dentsu Group has responded to changes in consumer behavior by creating a new cross-media advertising business model in tandem with sales promotion and marketing activities. In addition to advertising in the traditional mass media—television, newspapers, magazines and radio—this model employs three-dimensional advertising strategies using mobile phones, OOH advertising and consumer sites to explain product characteristics in detail. Changing the media mix improves responsiveness to consumer behavior shifts, while providing detailed information on the Internet helps promote product understanding and drive purchase decisions. Furthermore, data gathered from visitors to a website is accumulated and analyzed, ultimately resulting in more efficient media planning.

Breakdown of Advertising Expenditures in Japan by Media

(% indicates Internet advertising's percentage of total expenditure)



Traditional Purchasing Process: AIDMA



New Purchasing Process: AISAS®

