

## CONSOLIDATED BALANCE SHEETS

Dentsu Inc. and Consolidated Subsidiaries

March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 6)	¥ 62,015	¥ 78,412	\$ 525,331
Time deposits over three months	3,927	3,479	33,273
Receivables:			
Trade notes	27,329	26,743	231,507
Trade accounts	488,677	480,698	4,139,581
Other	6,753	2,515	57,205
Marketable securities (Note 4)	2,199	3,448	18,631
Inventories	33,048	60,843	279,953
Advance payment	25,015	35,008	211,906
Deferred tax assets (Note 11)	13,993	14,325	118,542
Prepaid expenses and other current assets	4,713	5,234	39,930
Allowance for doubtful accounts	(3,787)	(2,294)	(32,081)
Total current assets	663,887	708,414	5,623,781
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 5 and 6):</b>			
Land	155,378	156,738	1,316,206
Buildings and structures	150,560	150,051	1,275,398
Other	20,881	20,574	176,887
Total	326,820	327,364	2,768,493
Accumulated depreciation	(74,966)	(68,495)	(635,036)
Net property, plant and equipment	251,854	258,868	2,133,456
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 4 and 6)	112,048	88,697	949,158
Investments in unconsolidated subsidiaries and affiliated companies	149,907	144,212	1,269,867
Goodwill	19,771	17,593	167,480
Intangible assets	23,928	22,899	202,698
Deferred tax assets (Note 11)	20,762	17,549	175,880
Other assets	27,508	20,871	233,020
Allowance for doubtful accounts	(1,369)	(1,140)	(11,603)
Allowance for losses on investment securities and investments in unconsolidated subsidiaries	(248)	(245)	(2,106)
Total investments and other assets	352,307	310,439	2,984,396
<b>TOTAL</b>	<b>¥1,268,049</b>	<b>¥1,277,722</b>	<b>\$10,741,634</b>

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings (Note 6)	¥ 12,001	¥ 15,836	\$ 101,668
Current portion of long-term debt (Note 6)	17,636	23,632	149,395
Payables:			
Trade notes	51,415	50,245	435,537
Trade accounts (Note 6)	374,197	369,312	3,169,820
Other	10,548	5,898	89,357
Income taxes payable	18,282	17,865	154,875
Accrued expenses	31,001	33,945	267,027
Other current liabilities	30,822	73,404	256,685
Total current liabilities	545,906	590,140	4,624,366
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Note 6)	86,651	77,067	734,020
Accrued pension and severance costs (Note 7)	42,217	45,106	357,625
Deferred tax liabilities (Note 11)	253	703	2,145
Deferred tax liabilities on land revaluation difference (Notes 2.j and 11)	10,298	10,860	87,241
Other long-term liabilities	5,676	5,166	48,083
Total long-term liabilities	145,097	138,904	1,229,117
Minority interests	—	27,496	—
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b> (Notes 14, 16 and 17)			
<b>EQUITY</b> (Note 8):			
Common stock,			
authorized, 11,000,000 shares; issued, 2,781,840 shares in 2007 and 2006	58,967	58,967	499,509
Capital surplus	61,474	55,678	520,751
Stock acquisition rights	0	—	2
Retained earnings	433,383	410,812	3,671,187
Unrealized gain on available-for-sale securities	15,336	20,303	129,913
Deferred gain on derivatives under hedge accounting	818	—	6,931
Land revaluation difference (Note 2.j)	(7,179)	(6,370)	(60,818)
Foreign currency translation adjustments	(909)	(3,737)	(7,702)
Treasury stock— at cost, 38,056.69 shares in 2007 and 81,041.28 shares in 2006	(7,130)	(14,472)	(60,405)
Total	554,760	521,180	4,699,367
Minority interests	22,285	—	188,783
Total equity	577,046	521,180	4,888,151
<b>TOTAL</b>	<b>¥1,268,049</b>	<b>¥1,277,722</b>	<b>\$10,741,634</b>



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Dentsu Inc. and Consolidated Subsidiaries

Years Ended March 31, 2007 and 2006

	Millions of Yen												
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Land Revaluation Difference	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
<b>BALANCE, APRIL 1, 2005</b>	2,695,356.64	¥58,967	¥55,358	—	¥383,657	¥12,516	—	¥ 4,535	¥(7,737)	¥(15,443)	¥491,855	—	¥491,855
Net income	—	—	—	—	31,002	—	—	—	—	—	31,002	—	31,002
Cash dividends, ¥2,000 per share	—	—	—	—	(5,392)	—	—	—	—	—	(5,392)	—	(5,392)
Bonuses to directors and corporate auditors	—	—	—	—	(256)	—	—	—	—	—	(256)	—	(256)
Decrease in retained earnings of newly consolidated subsidiaries	—	—	—	—	(18)	—	—	—	—	—	(18)	—	(18)
Decrease in retained earnings of newly affiliated companies	—	—	—	—	(25)	—	—	—	—	—	(25)	—	(25)
Net change in land revaluation difference	—	—	—	—	1,886	—	—	(1,886)	—	—	—	—	—
Valuation allowance for deferred tax assets on land revaluation difference	—	—	—	—	—	—	—	(9,019)	—	—	(9,019)	—	(9,019)
Repurchase of treasury stock	(5.92)	—	—	—	—	—	—	—	—	(1)	(1)	—	(1)
Disposal of treasury stock	5,448.00	—	319	—	—	—	—	—	—	972	1,292	—	1,292
Net increase in unrealized gain on available-for-sale securities	—	—	—	—	—	7,786	—	—	—	—	7,786	—	7,786
Net change in foreign currency translation adjustments	—	—	—	—	—	—	—	—	4,000	—	4,000	—	4,000
Other	—	—	—	—	(43)	—	—	—	—	—	(43)	—	(43)
<b>BALANCE, MARCH 31, 2006</b>	2,700,798.72	58,967	55,678	—	410,812	20,303	—	(6,370)	(3,737)	(14,472)	521,180	—	521,180
Reclassified balance as of March 31, 2006 (Note 2.i)	—	—	—	¥ 5	—	—	—	—	—	—	5	¥27,496	27,502
Net income	—	—	—	—	30,688	—	—	—	—	—	30,688	—	30,688
Cash dividends, ¥3,000 per share	—	—	—	—	(8,163)	—	—	—	—	—	(8,163)	—	(8,163)
Bonuses to directors and corporate auditors	—	—	—	—	(464)	—	—	—	—	—	(464)	—	(464)
Decrease in retained earnings of newly consolidated subsidiaries	—	—	—	—	(223)	—	—	—	—	—	(223)	—	(223)
Decrease in retained earnings of newly affiliated companies	—	—	—	—	(19)	—	—	—	—	—	(19)	—	(19)
Net change in land revaluation difference	—	—	—	—	808	—	—	—	—	—	808	—	808
Net change in share-for-stock exchange	39,235.40	—	5,540	—	—	—	—	—	—	6,661	12,201	—	12,201
Repurchase of treasury stock	(118.67)	—	—	—	—	—	—	—	—	(41)	(41)	—	(41)
Disposal of treasury stock	3,867.86	—	255	—	—	—	—	—	—	722	977	—	977
Other	—	—	—	—	(53)	—	—	—	—	—	(53)	—	(53)
Net change in the year	—	—	—	(5)	(4,967)	¥818	(808)	2,828	—	(2,134)	(5,211)	(7,345)	(7,345)
<b>BALANCE, MARCH 31, 2007</b>	2,743,783.31	¥58,967	¥61,474	¥ 0	¥433,383	¥15,336	¥818	¥(7,179)	¥ (909)	¥ (7,130)	¥554,760	¥22,285	¥577,046

	Thousands of U.S. Dollars (Note 1)												
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Land Revaluation Difference	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity	
<b>BALANCE, MARCH 31, 2006</b>	\$499,509	\$471,653	—	\$3,479,984	\$171,990	—	\$(53,968)	\$(31,659)	\$(122,596)	\$4,414,913	—	\$4,414,913	
Reclassified balance as of March 31, 2006 (Note 2.i)	—	—	\$ 45	—	—	—	—	—	—	45	\$232,926	232,972	
Net income	—	—	—	259,959	—	—	—	—	—	259,959	—	259,959	
Cash dividends, ¥3,000 per share	—	—	—	(69,153)	—	—	—	—	—	(69,153)	—	(69,153)	
Bonuses to directors and corporate auditors	—	—	—	(3,936)	—	—	—	—	—	(3,936)	—	(3,936)	
Decrease in retained earnings of newly consolidated subsidiaries	—	—	—	(1,893)	—	—	—	—	—	(1,893)	—	(1,893)	
Decrease in retained earnings of newly affiliated companies	—	—	—	(165)	—	—	—	—	—	(165)	—	(165)	
Net change in land revaluation difference	—	—	—	6,849	—	—	—	—	—	6,849	—	6,849	
Net change in share-for-stock exchange	—	46,932	—	—	—	—	—	—	56,427	103,360	—	103,360	
Repurchase of treasury stock	—	—	—	—	—	—	—	—	(354)	(354)	—	(354)	
Disposal of treasury stock	—	2,165	—	—	—	—	—	—	6,116	8,281	—	8,281	
Other	—	—	—	(456)	—	—	—	—	—	(456)	—	(456)	
Net change in the year	—	—	(43)	(42,077)	\$6,931	(6,849)	23,956	—	(18,082)	(44,143)	(62,225)	(62,225)	
<b>BALANCE, MARCH 31, 2007</b>	\$499,509	\$520,751	\$ 2	\$3,671,187	\$129,913	\$6,931	\$(60,818)	\$(7,702)	\$(60,405)	\$4,699,367	\$188,783	\$4,888,151	

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Dentsu Inc. and Consolidated Subsidiaries

Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	¥ 60,712	¥ 65,103	\$ 514,292
Adjustments for:			
Income taxes—paid	(27,898)	(30,029)	(236,325)
Depreciation and amortization	15,218	15,642	128,916
Impairment loss	112	952	955
Amortization of goodwill—net	3,575	1,460	30,287
Foreign exchange gain—net	(308)	(274)	(2,616)
Write-down of investment securities	4,922	4,930	41,694
Equity in earnings of affiliated companies	(6,026)	(4,343)	(51,054)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in notes and accounts receivable—trade	(4,487)	(16,826)	(38,012)
Decrease (increase) in inventories	29,291	(4,552)	248,131
Increase in notes and accounts payable—trade	2,080	14,781	17,622
Increase (decrease) in allowance for doubtful accounts	575	(353)	4,873
Decrease in liability for retirement benefits	(3,211)	(9,280)	(27,205)
Decrease (increase) in other current assets	8,521	(1,448)	72,182
(Decrease) increase in other current liabilities	(42,869)	43,104	(363,144)
Other—net	1,755	2,190	14,870
Total adjustments	(18,749)	15,955	(158,824)
Net cash provided by operating activities	41,962	81,058	355,467
<b>INVESTING ACTIVITIES:</b>			
Payments for purchases of marketable securities	(699)	(2,189)	(5,922)
Proceeds from sales of marketable securities	2,771	1,107	23,478
Payments for purchases of property, plant and equipment	(2,643)	(2,670)	(22,393)
Proceeds from sales of property, plant and equipment	2,130	4,225	18,049
Payments for purchases of investment securities	(40,651)	(38,648)	(344,359)
Proceeds from sales of investment securities	1,200	17,295	10,169
Payments for purchases of software	(8,104)	(8,641)	(68,653)
Payments for loans	(864)	(183)	(7,322)
Proceeds from collection of loans	383	382	3,250
Payments for investment in real estate	(4,445)	—	(37,657)
Payments for the purchases of consolidated subsidiaries	(2,592)	(653)	(21,959)
Payments for the purchases of newly consolidated subsidiaries (Note 12.a)	—	(1,893)	—
Proceeds from sales of subsidiaries excluded from consolidation	7	376	64
Other—net	1,503	254	12,732
Net cash used in investing activities	(52,003)	(31,238)	(440,522)
<b>FINANCING ACTIVITIES:</b>			
Decrease in short-term borrowings—net	(5,641)	(11,262)	(47,787)
Proceeds from long-term debt	27,223	6	230,608
Repayments of long-term debt	(23,839)	(27,682)	(201,943)
Proceeds from issuance of subsidiaries' stock to minority shareholders	553	706	4,692
Payments for repurchase of treasury stock	(41)	(1)	(354)
Proceeds from disposal of treasury stock	977	1,292	8,281
Dividends paid to shareholders	(8,163)	(5,392)	(69,153)
Dividends paid to minority shareholders	(697)	(453)	(5,909)
Other—net	(150)	119	(1,278)
Net cash used in financing activities	(9,779)	(42,668)	(82,844)
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	1,849	1,101	15,667
<b>CASH AND CASH EQUIVALENTS INCREASED BY MERGER</b>	—	268	—
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(17,971)	8,521	(152,232)
<b>CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES</b>	1,574	55	13,337
<b>CASH AND CASH EQUIVALENTS OF SUBSIDIARIES EXCLUDED FROM CONSOLIDATION</b>	—	(67)	—
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	78,412	69,901	664,227
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	¥ 62,015	¥ 78,412	\$ 525,331

See notes to consolidated financial statements.