NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dentsu Inc. and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law, and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statements of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statements of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the consolidated statements of changes in equity" in the current fiscal year.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2006 financial statements to conform to the classifications used in 2007.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Dentsu Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥118.05 to $1, the approximate rate of exchange at March 31, 2007. Such translations should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Certain reclassifications have been made in the 2006 financial statements to conform to the classifications used in 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation **—** The consolidated financial statements as of March 31, 2007 include the accounts of the Company and its 120 (111 in 2006) significant subsidiaries (together, the "Group").

Investments in 1 (0 in 2006) unconsolidated subsidiary and 26 (21 in 2006) affiliated companies are accounted for by the equity method.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The differences of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition are amortized over an estimated effective period, from 3 to 20 years, or if immaterial, are charged to income when incurred. The amortization of goodwill for the years ended March 31, 2007 and 2006 was ¥2,310 million ($19,572 thousand) and ¥1,460 million, respectively.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Business Combination **—** In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Separations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Separations." These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

c. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

d. Inventories — Inventories are stated at cost substantially determined by the specific identification method for production, work-in-process and supplies, and by the average method for merchandise.

e. Marketable and Investment Securities — Marketable and investment securities are classified and accounted for, depending on management's intent, as either (1) held-to-maturity debt securities, which management has the positive intent and ability to hold to maturity and are reported at amortized cost or (2) available-for-sale securities, which are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined mainly by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. Allowance for Doubtful Accounts — The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the past credit loss experience and an evaluation of potential losses in the receivables outstanding.

g. Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998, and most property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 3 to 65 years for buildings and structures and from 2 to 20 years for furniture and fixtures.

h. Long-lived assets — In August 2002, the BAC issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the ASBJ issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004. The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Presentation of Equity — On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

j. Land Revaluation — Under the "Law of Land Revaluation," the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2001. The resulting increase in land revaluation represents unrealized appreciation of land and is stated, net of applicable taxes, as a component of equity. There was no effect on the consolidated statements of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation difference account and related deferred tax liabilities.

k. Intangible Assets — Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method.

Software for sale to the market is amortized in proportion to the actual sales of the software during the current year to the estimated total sales over the estimated salable years of the software or at the amount to be amortized by the straight-line method over the estimated salable years, within 3 years.

Software for internal use is amortized by the straight-line method over the estimated useful lives, principally over 5 years.

l. Stock Issue Costs — Stock issue costs are charged to income as incurred.

m. Allowance for Losses on Investment Securities and Investments in Unconsolidated Subsidiaries — The allowance for losses on investment securities and investments in unconsolidated subsidiaries is stated in amounts considered to be appropriate based on the estimated losses on non-marketable investment securities to be incurred in future. The Group accounted for this allowance since 2005 in terms of financial soundness and future uncertainties.

n. Accrued Pension and Severance Costs — The Company and certain consolidated subsidiaries have defined benefit pension plans for employees. Some consolidated subsidiaries have defined contribution pension plans.

The Group accounts for the liability for employees' retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Retirement benefits for directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

o. Leases — Leases are accounted for mainly as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

p. Bonuses to Directors and Corporate Auditors — Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders' meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Company adopted the new accounting standard for bonuses to directors and corporate auditors in the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥520 million ($4,410 thousand).

q. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

r. Appropriations of Retained Earnings — Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

s. Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statements to the extent that they are not hedged by forward exchange contracts.

t. Foreign Currency Financial Statements — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

u. Derivatives and Hedging Activities — The Group uses derivative financial instruments, such as foreign exchange forward contracts, currency option contracts and interest swap transactions to manage its exposures to fluctuations in foreign currency exchange risks and interest rate risk. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (a) all derivatives (except for those described below as (b)) are recognized as either assets or liabilities and measured at fair value, with gains and losses recognized in the income statement and (b) if derivatives qualify for hedge accounting, because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts and currency option contracts utilized by the Company and certain consolidated subsidiaries are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until the underlying transactions or settlements are completed. Some consolidated subsidiaries translate receivables and payables denominated in foreign currencies at the contracted rate if the forward contracts qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

v. Per Share Information — Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full or partial exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

w. New Accounting Pronouncements

Measurement of Inventories

Under generally accepted accounting principles in Japan ("Japanese GAAP"), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting

On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries, which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions, for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008, with early adoption permitted.

3. BUSINESS COMBINATION

1. Companies subject to business combination, legal form of business combination, company name following business combination and overview of transaction, including objective of transaction:

(1) Companies subject to business combination

Absorbing company	DENTSU INC.
Absorbed company	DENTSU TEC INC.

(2) Legal form of business combination

Business combination by simple exchange of shares, as provided by Article 358 of the former Commercial Code of Japan

(3) Name following business combination

Following business combination	DENTSU INC.

(4) Overview of transaction, including objective of transaction

The Dentsu Group is currently focusing on four markets for new growth in the 21st century: the domestic advertising market, advertising-related markets, new markets and overseas markets. Of these, in advertising-related markets, and particularly in the promotion domain, the competitive direction of the company submitting consolidated financial statements and DENTSU TEC INC. has become an important issue. In particular, further Group unification and seamless value-creation activities are essential to respond to increasingly sophisticated client needs for the Group's integrated services.

It was determined that forming a wholly owned subsidiary through an exchange of shares between the company submitting consolidated financial statements and DENTSU TEC INC., which is the Group's core company in the promotion domain and creative production business, with more sophisticated joint activities involving advertising and marketing services, and reinforcement of services of advertising-related markets, would result in contribution to the mutual optimization of corporate value.

2. Overview of accounting procedures implemented:

Procedures for "transactions with minority shareholders" were applied, based on the Accounting Standards for Business Combinations in Japan (Business Accounting Council, October 31, 2003) and the Implementation Guideline on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standards Board of Japan Guidance No. 10, December 22, 2006).

3. Items related to the additional acquisition of subsidiary's shares:

(1) Acquisition cost and details

Consideration

DENTSU INC. shares (the Company's treasury stock)	¥12,374 million
Direct payments required for acquisition	
Advisory fees, etc.	¥ 76 million
Acquisition cost	¥12,451 million

(2) Exchange ratio by class of shares, number of shares delivered and method of calculating exchange ratio

a. Class of shares, exchange ratio, number of shares delivered and their appraised value

Shares were exchanged at the ratio of one share of common stock in DENTSU TEC INC. per 0.0132 share of common stock in the company submitting consolidated financial statements. However, no share exchange was made for the 7,162,880 shares of common stock in DENTSU TEC INC. owned by the company submitting consolidated financial statements.

Rather than issuing new shares, the exchange was made using treasury stock owned by the company submitting consolidated financial statements (42,729.98 shares of common stock, having an appraised value of ¥13,169 million). Of this amount, 3,494.58 shares were exchanged with the consolidated subsidiaries.

b. Method of calculating exchange ratio

The company submitting consolidated financial statements commissioned Nomura Securities Co., Ltd., and DENTSU TEC INC. commissioned KPMG FAS Co., Ltd., to compute a share exchange ratio for each company. An agreement was reached through discussion between the two companies by referencing the results of these calculations.

(3) Amount of goodwill generated, its method of amortization and amortization period

a. Amount of goodwill:	¥4,048 million
b. Reason generated:	A difference between the above-stated acquisition cost and the decrease in minority interest in earnings resulting from the additional acquisition
c. Method of amortization and amortization period:	Amortized over 20 years using the straight-line method

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Current:			
Debt securities	**¥ 526**	¥ 2,181	**$ 4,460**
Other	**1,672**	1,267	**14,171**
Total	**¥ 2,199**	¥ 3,448	**$ 18,631**
Non-current:			
Equity securities	**¥110,379**	¥85,603	**$935,021**
Debt securities	**61**	440	**517**
Other	**1,607**	2,653	**13,620**
Total	**¥112,048**	¥88,697	**$949,158**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
	2007			
March 31	Cost	Unrealized Gains	Unrealized Loss	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥29,204**	**¥26,366**	**¥(251)**	**¥55,318**
Debt securities	**169**	**0**	**(0)**	**169**
Other	**1,188**	**—**	**(6)**	**1,181**
Held-to-maturity—Debt securities	**260**	**0**	**0**	**260**

	Millions of Yen			
	2006			
March 31	Cost	Unrealized Gains	Unrealized Loss	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥25,367	¥34,684	¥(191)	¥59,860
Debt securities	169	0	(8)	161
Other	1,983	164	(23)	2,124
Held-to-maturity—Debt securities	263	0	—	264

	Thousands of U.S. Dollars			
	2007			
March 31	Cost	Unrealized Gains	Unrealized Loss	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$247,390**	**$223,347**	**$(2,134)**	**$468,602**
Debt securities	**1,438**	**0**	**(2)**	**1,436**
Other	**10,067**	**—**	**(55)**	**10,011**
Held-to-maturity—Debt securities	**2,210**	**0**	**(3)**	**2,206**

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were mainly as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
	Carrying Amount		
Available-for-sale:			
Equity securities	**¥55,050**	¥25,743	**$466,333**
Other	**1,007**	1,006	**8,538**
Total	**¥56,058**	¥26,749	**$474,872**
Held-to-maturity:			
Corporate bonds	**¥100**	—	**$847**
Commercial papers	**—**	¥1,999	**—**
Total	**¥100**	¥1,999	**$847**

Proceeds, gross realized gains and losses on sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Proceeds	**¥768**	¥10,683	**$6,512**
Gross realized gains	**556**	2,054	**4,718**
Gross realized losses	**15**	10	**128**

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	**¥ 536**	**$ 4,544**
Due after one year through five years	**1,119**	**9,484**
Due after five years through ten years	**5**	**42**
Total	**¥1,661**	**$14,071**

5. LONG-LIVED ASSETS

In the year ended March 31, 2007, the Group reviewed its long-lived assets for impairment, and as a result, recognized an impairment loss of ¥112 million ($955 thousand) as other expense for assets for business property. Those assets were considered to have no recovery value. In the year ended March 31, 2006, the Group reviewed its long-lived assets for impairment, and as a result recognized an impairment loss of ¥952 million as other expense for assets for rent and unused assets. The recoverable amount of those assets was measured at their net selling price determined by road rates.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings consisted of loans from banks and other financial institutions. The weighted-average interest rates applicable to the short-term bank loans at March 31, 2007 and 2006 were 5.04% and 4.53%, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Loans from banks and other financial institutions, maturing in installments through 2022 bearing weighted-average interest of 2.05% (2007) and 2.04% (2006)			
Collateralized	**¥ 7**	¥ 8	**$ 65**
Unsecured	**104,279**	100,691	**883,351**
Total	**104,287**	100,699	**883,416**
Less current portion	**(17,636)**	(23,632)	**(149,395)**
Long-term debt, less current portion	**¥ 86,651**	¥ 77,067	**$ 734,020**

Annual maturities of long-term debt at March 31, 2007, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 17,636	$149,395
2009	5,137	43,522
2010	5,114	43,329
2011	18,613	157,672
2012	18,611	157,661
2013 and thereafter	39,173	331,835
Total	¥104,287	$883,416

The carrying amounts of assets pledged as collateral for long-term debt of ¥7 million ($65 thousand) and trade accounts payable of ¥324 million ($2,749 thousand) at March 31, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Vehicles and machineries—net of accumulated depreciation	**¥ 3**	**$ 30**
Cash and cash equivalents	**59**	**504**
Investment securities	**7**	**59**
Total	**¥70**	**$594**

As is customary in Japan, both short-term and long-term bank loans are made under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due the bank. As of March 31, 2007, the Company is not in default of its obligations and none of the cash deposits with banks were offset against any recorded obligations.

7. ACCRUED PENSION AND SEVERANCE COSTS

The Company and certain consolidated subsidiaries have defined benefit pension plans covering substantially all employees after three years of service. Some consolidated subsidiaries have defined contribution pension plans.

The Company has offered an early retirement program to its employees. The program provides additional benefit payments for employees who elect early retirement benefits before the mandatory retirement age of 60. Related expenses for the years ended March 31, 2007 and 2006, which are recognized when the employees accept the offer and the amount can be reasonably estimated, were ¥1,852 million ($15,695 thousand) and ¥1,939 million, respectively.

The liability for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Projected benefit obligation	**¥ 153,413**	¥ 155,565	**$ 1,299,559**
Fair value of plan assets	**(143,147)**	(130,089)	**(1,212,599)**
Unrecognized prior service benefits	**14,061**	15,016	**119,110**
Unrecognized actuarial loss	**7,981**	(3,441)	**67,610**
Net liability	**32,308**	37,051	**273,681**
Prepaid pension cost	**6,251**	4,698	**52,960**
The liability for employees' retirement benefits	**¥ 38,560**	¥ 41,750	**$ 326,641**

The components of net periodic benefit costs and relevant gains and losses for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Service cost	**¥ 7,240**	¥ 7,359	**$61,334**
Interest cost	**2,999**	3,075	**25,406**
Expected return on plan assets	**(1,420)**	(1,296)	**(12,028)**
Recognized actuarial loss	**512**	1,517	**4,337**
Amortization of prior service benefits	**(991)**	(815)	**(8,402)**
Contributions for defined contribution pension plans	**401**	164	**3,399**
Net periodic benefit costs	**8,741**	10,005	**74,046**
Loss on transfer to defined contribution pension plans	**62**	159	**529**
Gain on abolition of defined contribution pension plans	**(9)**	—	**(76)**
Expenses for early retirement program	**1,852**	1,939	**15,695**
Total	**¥10,647**	¥12,104	**$90,195**

Assumptions used for the years ended March 31, 2007 and 2006 were set forth as follows:

	2007	2006
Discount rate	**2.0 to 2.5%**	2.0 to 2.5%
Expected rate of return on plan assets	**1.0 to 2.8%**	1.0 to 3.0%
Recognition period of actuarial gain/loss	**5 to 18 years**	5 to 20 years
Amortization period of prior service benefits	**10 to 18 years**	10 to 20 years

The liability for retirement benefits at March 31, 2007 and 2006 for directors and corporate auditors was ¥3,657 million ($30,983 thousand) and ¥3,356 million, respectively, which was included in the liability for retirement benefits on the consolidated balance sheets. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

8. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. STOCK OPTIONS

The stock options outstanding as of March 31, 2007 are as follows:

DENTSU INC.

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2001 Stock Option	12 directors 20 employees	6,400 shares	June 28, 2001	¥281,440	From July 1, 2003 to June 30, 2007
2003 Stock Option	12 directors 104 employees 19 directors in subsidiaries	11,380 shares	July 8, 2003	¥228,500	From July 8, 2005 to July 7, 2009

Cyber Communications INC.

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2000 Stock Option	8 directors 34 employees	22,640 shares	July 8, 2000	¥27,500	From July 1 2002 to June 26, 2010
2001 Stock Option	6 directors 94 employees	2,752 shares	July 25, 2001	¥211,595	From June 1, 2003 to June 26, 2011
2003 Stock Option	9 directors 2 auditors 10 employees 3 others	2,800 shares	July 30, 2003	¥60,500	From June 21, 2004 to June 20, 2013
2004 Stock Option	3 directors 3 executive officers 62 employees 2 others	3,400 shares	August 4, 2004	¥113,048	From June 29, 2005 to June 28, 2014
2005 Stock Option	3 directors 7 executive officers 116 employees 7 others	4,400 shares	September 21, 2005	¥242,005	From June 29, 2006 to June 28, 2015

Information Services International—Dentsu INC.

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2001 Stock Option	9 directors 4 employees	100,000 shares	September 6, 2001	¥5,843	From July 1, 2003 to June 28, 2011
2002 Stock Option	10 directors 3 employees 6 others	116,000 shares	November 20, 2002	¥1,700	From June 26, 2004 to June 25, 2012

Criteria Communications INC.

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2005 Stock Option	2 directors 1 auditor 10 employees 34 others	6,050 shares	February 1, 2005	¥20,000	From listed day to January 31, 2010
2005 Stock Option	2 directors 1 auditor 9 employees 1 other	2,000 shares	July 26, 2005	¥20,000	From listed day to June 24, 2010
2005 Stock Option	1 affiliated company	22,500 shares	January 31, 2006	¥20,000	From listed day to August 25, 2015
2005 Stock Option	3 directors 3 employees 21 others	1,750 shares	March 28, 2006	¥20,000	From listed day to August 25, 2010

DENTSU e-LINK INC.

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2006 Stock Option	3 directors 31 employees 1 other	2,000 shares	August 23, 2006	¥44,000	From August 12, 2008 to August 11, 2016

The stock option activity is as follows:

DENTSU INC.

For the year ended March 31, 2007	2001 Stock Option	2003 Stock Option
Non-vested		
March 31, 2006—Outstanding	—	—
Granted	—	—
Canceled	—	—
Vested	—	—
March 31, 2007—Outstanding	—	—
Vested		
March 31, 2006—Outstanding	5,300	6,832
Vested	—	—
Exercised	1,750	2,106
Canceled	150	
March 31, 2007—Outstanding	3,400	4,726
Exercise price	¥281,440	¥228,500
Average stock price at grant date	¥340,257	¥353,034

Cyber Communications INC.

For the year ended March 31, 2007	2000 Stock Option	2001 Stock Option	2003 Stock Option	2004 Stock Option	2005 Stock Option
Non-vested					
March 31, 2006—Outstanding	—	—	—	—	4,241
Granted	—	—	—	—	—
Canceled	—	—	—	—	12
Vested	—	—	—	—	4,229
March 31, 2007—Outstanding	—	—	—	—	—
Vested					
March 31, 2006—Outstanding	9,105	959	1,922	3,000	—
Vested	—	—	—	—	4,229
Exercised	726	32	72	238	—
Canceled	5,842	76	—	12	330
March 31, 2007—Outstanding	2,537	851	1,850	2,750	3,899
Exercise price	¥ 27,500	¥211,595	¥ 60,500	¥113,048	¥242,005
Average stock price at grant date	¥139,000	¥401,000	¥283,888	¥222,336	—

Information Services International—Dentsu INC.

For the year ended March 31, 2007	2001 Stock Option	2002 Stock Option
Non-vested		
March 31, 2006—Outstanding	—	—
Granted	—	—
Canceled	—	—
Vested	—	—
March 31, 2007—Outstanding	—	—
Vested		
March 31, 2006—Outstanding	100,000	116,000
Vested	—	—
Exercised	—	—
Canceled	—	—
March 31, 2007—Outstanding	100,000	116,000
Exercise price	¥5,843	¥1,700
Average stock price at grant date	—	—

Criteria Communications INC.

For the year ended March 31, 2007	2005 Stock Option	2005 Stock Option	2005 Stock Option	2005 Stock Option
Non-vested				
March 31, 2006—Outstanding	6,050	2,000	22,500	1,750
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2007—Outstanding	6,050	2,000	22,500	1,750
Vested				
March 31, 2006—Outstanding	—	—	—	—
Vested	—	—	—	—
Exercised	—	—	—	—
Canceled	—	—	—	—
March 31, 2007—Outstanding	—	—	—	—
Exercise price	¥20,000	¥20,000	¥20,000	¥20,000
Average stock price at grant date	—	—	—	—

DENTSU e-LINK INC.

For the year ended March 31, 2007	2006 Stock Option
Non-vested	
March 31, 2006—Outstanding	—
Granted	2,000
Canceled	—
Vested	—
March 31, 2007—Outstanding	2,000
Vested	
March 31, 2006—Outstanding	—
Vested	—
Exercised	—
Canceled	—
March 31, 2007—Outstanding	—
Exercise price	¥44,000
Average stock price at grant date	—
Fair value price at grant date	—

The assumptions used to measure fair value of 2006 Stock Option:

On August 11, 2006, DENTSU e-LINK INC., one of the subsidiaries granted stock options for the fiscal year ended March 31, 2007. As the company was a non-public company, fair unit value of the stock options was measured at their intrinsic value. The valuation method for estimating the intrinsic value was based on the price calculated mainly using the discounted cash flow method. For the fiscal year ended March 31, 2007, the stock options totaled ¥0 ($0).

10. OTHER INCOME (EXPENSES)

Other income (expenses)—net for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Expenses for early retirement program	**¥(1,852)**	¥(1,939)	**$(15,695)**
Equity in earnings of affiliated companies	**6,026**	4,343	**51,054**
Write-down of investment securities	**(4,922)**	(4,930)	**(41,694)**
Write-down of investments in affiliated companies	**(579)**	(2,082)	**(4,912)**
Amortization of goodwill	**(1,264)**	—	**(10,714)**
Other	**467**	3,046	**3,959**
Other expenses—net	**¥(2,125)**	¥(1,561)	**$(18,003)**

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41.0% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Deferred tax assets:			
Accrued pension and severance costs	**¥ 42,072**	¥ 43,751	**$ 356,398**
Accrued expenses	**9,776**	9,132	**82,813**
Write-down of marketable and investment securities	**6,835**	6,523	**57,902**
Tax loss carryforwards	**4,174**	3,512	**35,362**
Inventories	**3,348**	3,057	**28,368**
Other	**8,903**	8,284	**75,425**
Less valuation allowance	**(11,951)**	(11,193)	**(101,240)**
Total	**¥ 63,160**	¥ 63,067	**$ 535,030**
Deferred tax liabilities:			
Gain on contribution of securities to the employee retirement benefit trust	**¥(15,914)**	¥(15,914)	**$(134,811)**
Unrealized gain on available-for-sale securities	**(10,889)**	(14,492)	**(92,244)**
Other	**(1,857)**	(1,490)	**(15,737)**
Total	**¥(28,661)**	¥(31,897)	**$(242,793)**
Net deferred tax assets	**¥ 34,498**	¥ 31,170	**$ 292,237**

The tax effects of land revaluation at March 31, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets on land revaluation	**¥ 9,019**	**$ 76,408**
Less valuation allowance	**(9,019)**	**(76,408)**
Total	**—**	**—**
Deferred tax liabilities on land revaluation	**(10,298)**	**(87,241)**
Net deferred tax liabilities on land revaluation difference	**¥(10,298)**	**$(87,241)**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2007 and 2006 is as follows:

	2007	2006
Normal effective statutory tax rate	**41.0%**	41.0%
Expenses not deductible for income tax purposes	**3.5**	3.4
Amortization of goodwill	**2.4**	—
Equity in earnings of affiliated companies	**(4.1)**	(2.7)
Change in valuation allowance	**2.8**	7.9
Other—net	**(0.4)**	(0.1)
Actual effective tax rate	**45.2%**	49.5%

At March 31, 2007, certain subsidiaries have tax loss carryforwards aggregating approximately ¥9,975 million ($84,498 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 163	$ 1,382
2009	158	1,339
2010	380	3,223
2011	—	—
2012	179	1,520
2013 and thereafter	9,093	77,032
Total	¥9,975	$84,498

12. SUPPLEMENTAL CASH FLOW INFORMATION

a. Purchases of Newly Consolidated Subsidiaries

For the year ended March 31, 2006 five companies were acquired. Assets and liabilities of these companies at the time of consolidation were as follows:

Year Ending March 31	Millions of Yen
Assets	¥5,757
Liabilities	(4,942)

b. Significant Noncash Investing and Financing Activities

For the year ended March 31, 2006, the Company contributed the investment securities to the employee retirement benefit trust. The contribution amount was included in decrease in accrued pension and severance costs in the consolidated statements of cash flows for the year ended March 31, 2006. The carrying amount and the contribution amount of these securities were ¥20,105 million and ¥29,090 million, respectively.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥402 million ($3,405 thousand) and ¥437 million for the years ended March 31, 2007 and 2006, respectively.

14. LEASES

The Group leases certain structures, computer equipment and other assets.

Total rental expenses for the years ended March 31, 2007 and 2006 were ¥11,620 million ($98,437 thousand) and ¥10,603 million, respectively, including ¥3,001 million ($25,427 thousand) and ¥3,341 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, and depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen							
	2007				2006			
March 31	Buildings and Structures	Equipment and other	Software	Total	Buildings and Structures	Equipment and other	Software	Total
Acquisition cost	**¥243**	**¥11,147**	**¥ 2,468**	**¥13,860**	¥ 348	¥11,380	¥ 2,508	¥14,237
Accumulated depreciation	**(34)**	**(6,994)**	**(1,800)**	**(8,828)**	(214)	(6,353)	(1,563)	(8,132)
Net leased property	**¥209**	**¥ 4,153**	**¥ 668**	**¥ 5,031**	¥ 134	¥ 5,026	¥ 944	¥ 6,105

	Thousands of U.S. Dollars			
	2007			
March 31	Buildings and Structures	Equipment and other	Software	Total
Acquisition cost	**$2,063**	**$ 94,430**	**$ 20,914**	**$117,408**
Accumulated depreciation	**(289)**	**(59,247)**	**(15,252)**	**(74,789)**
Net leased property	**$1,774**	**$ 35,182**	**$ 5,662**	**$ 42,619**

The above acquisition cost included related interest expenses.

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥2,383**	¥2,872	**$20,188**
Due after one year	**2,647**	3,233	**22,430**
Total	**¥5,031**	¥6,105	**$42,619**

The above obligations under finance leases included related interest expenses.

Depreciation expense of finance leases for the years ended March 31, 2007 and 2006, which was not reflected in the accompanying statements of income and was computed by the straight-line method, was ¥3,001 million ($25,427 thousand) and ¥3,341 million, respectively.

The minimum rental commitments under noncancelable operating leases as a lessee at March 31, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	**¥ 3,271**	**$ 27,709**
Due after one year	**25,120**	**212,797**
Total	**¥28,391**	**$240,507**

15. RELATED PARTY TRANSACTIONS

Transactions with companies of which directors of the company were representative for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Sales	**¥666**	¥222	**$5,650**
Purchases	**645**	148	**5,466**

The balances due from these companies at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Trade accounts receivable	**¥ 182**	¥ 17	**$1,544**
Trade accounts payable	**114**	109	**973**
Advance payment	**1,022**	—	**8,663**

16. DERIVATIVES

The Group enters into foreign exchange forward contracts, currency option contracts and interest swap transactions to manage its exposures to fluctuations in foreign currency exchange risks.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk.

The Group had the following derivatives contracts outstanding at March 31, 2007 and 2006:

	Millions of Yen			
	2007			
	Currency	Contract Amount	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
To buy foreign currencies	USD	**¥2,452**	**¥2,474**	**¥21**
	GBP	**31**	**32**	**0**
	EUR	**60**	**61**	**0**
To sell foreign currencies	USD	**1,672**	**1,670**	**2**
	EUR	**252**	**255**	**(2)**
Currency options				
To buy foreign currencies	USD	**¥ 133**	**¥ 6**	**¥ 2**
		[4]		
To sell foreign currencies	USD	**267**	**3**	**2**
		[5]		

	Millions of Yen			
	2006			
	Currency	Contract Amount	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
To buy foreign currencies	USD	¥1,286	¥1,316	¥30
	CHF	11	11	(0)
	EUR	39	41	1
To sell foreign currencies	USD	479	488	(9)

	Thousands of U.S. dollars			
	2007			
	Currency	Contract Amount	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
To buy foreign currencies	USD	**$20,777**	**$20,961**	**$184**
	GBP	**264**	**271**	**6**
	EUR	**514**	**517**	**2**
To sell foreign currencies	USD	**14,170**	**14,152**	**17**
	EUR	**2,140**	**2,163**	**(22)**
Currency options				
To buy foreign currencies	USD	**$ 1,134**	**$ 58**	**$ 18**
		[40]		
To sell foreign currencies	USD	**2,269**	**26**	**20**
		[46]		

Derivative transactions which qualify for hedge accounting for the years ended March 31, 2007 and 2006 are excluded from the disclosure of market value information.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Option premiums within the above schedules are disclosed in brackets ([ ]). As these option transactions were Zero Cost Options, they weren't changed.

17. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2007, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of loans or other liabilities	**¥13,690**	**$115,971**
Trade notes discounted	**40**	**340**
Trade notes endorsed	**7**	**63**

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2007	Net Income	Weighted-average Shares	EPS	
Basic EPS:				
Net income available to common shareholders	**¥30,688**	**2,741**	**¥11,193.17**	**$94.81**
Effect of dilutive securities:				
Warrants of a consolidated subsidiary	**1**	**—**		
Warrants of affiliated companies	**831**	**—**		
Stock options of the Company	**—**	**2**		
Total	**833**	**2**		
Diluted EPS—Net income for computation	**¥29,854**	**2,744**	**¥10,878.56**	**$92.15**

	Millions of Yen	Thousands of Shares	Yen
Year Ended March 31, 2006	Net Income	Weighted-average Shares	EPS
Basic EPS:			
Net income available to common shareholders	¥30,482	2,697	¥11,300.31
Effect of dilutive securities:			
Warrants of a consolidated subsidiary	16	—	
Warrants of an affiliated company	325	—	
Stock options of the Company	—	3	
Total	342	3	
Diluted EPS—Net income for computation	¥30,140	2,700	¥11,159.97

19. SEGMENT INFORMATION

The advertising segment provides clients with advertising strategy planning and related creative services, and with assistance in the placement of advertisements in various media, such as television, newspapers, magazines, radio, trains and buses, billboards and the Internet. The advertising segment also provides clients with sales promotion, event marketing, interactive communications, brand management, sports and entertainment marketing, public relations, direct marketing, market research and e-solution services.

The other business segment provides clients with non-advertising services, such as information technology management and related consulting services.

Information about industry segments, geographical segments and sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2007 and 2006 were as follows:

(1) Industry Segments

a. Sales and operating income:

	Millions of Yen			
	2007			
	Advertising	Other Business	Eliminations/ Corporate	Consolidated
Sales to customers	**¥1,997,277**	**¥ 96,699**	**—**	**¥2,093,976**
Intersegment sales	**1,390**	**31,682**	**¥ (33,073)**	—
Total sales	**1,998,668**	**128,381**	**(33,073)**	**2,093,976**
Operating expenses	**1,941,434**	**124,900**	**(35,193)**	**2,031,141**
Operating income	**¥ 57,233**	**¥ 3,480**	**¥ 2,120**	**¥ 62,834**

b. Total assets, depreciation, impairment loss and capital expenditures:

	Millions of Yen			
	2007			
	Advertising	Other Business	Eliminations/ Corporate	Consolidated
Total assets	**¥1,266,802**	**¥187,833**	**¥ (186,586)**	**¥1,268,049**
Depreciation	**14,324**	**2,029**	**(1,219)**	**15,134**
Impairment loss	**112**	**—**	**—**	**112**
Capital expenditures	**11,373**	**1,357**	**(1,907)**	**10,823**

a. Sales and operating income:

	Thousands of U.S. Dollars			
	2007			
	Advertising	Other Business	Eliminations/ Corporate	Consolidated
Sales to customers	**$16,918,912**	**$ 819,135**	**—**	**$17,738,048**
Intersegment sales	**11,780**	**268,383**	**$(280,163)**	**—**
Total sales	**16,930,692**	**1,087,519**	**(280,163)**	**17,738,048**
Operating expenses	**16,445,868**	**1,058,033**	**(298,127)**	**17,205,775**
Operating income	**$ 484,824**	**$ 29,485**	**$ 17,963**	**$ 532,273**

b. Total assets, depreciation, impairment loss and capital expenditures:

	Thousands of U.S. Dollars			
	2007			
	Advertising	Other Business	Eliminations/ Corporate	Consolidated
Total assets	**$10,731,065**	**$1,591,137**	**$(1,580,568)**	**$10,741,634**
Depreciation	**121,343**	**17,189**	**(10,333)**	**128,200**
Impairment loss	**955**	**—**	**—**	**955**
Capital expenditures	**96,348**	**11,495**	**(16,161)**	**91,682**

Note: The Company adopted the new accounting standard for bonuses to directors and corporate auditors described in Note 2.p. The effect of adoption of this accounting standard was to decrease operating income of the Advertising segment for the year ended March 31, 2007 by ¥520 million ($4,410 thousand).

a. Sales and operating income:

	Millions of Yen			
	2006			
	Advertising	Other Business	Eliminations/ Corporate	Consolidated
Sales to customers	¥1,870,360	¥ 92,936	—	¥1,963,296
Intersegment sales	1,395	32,345	¥(33,741)	—
Total sales	1,871,756	125,282	(33,741)	1,963,296
Operating expenses	1,816,571	124,068	(36,118)	1,904,520
Operating income	¥ 55,185	¥ 1,214	¥ 2,377	¥ 58,776

b. Total assets, depreciation, impairment loss and capital expenditures:

	Millions of Yen			
	2006			
	Advertising	Other Business	Eliminations/ Corporate	Consolidated
Total assets	¥1,267,257	¥185,873	¥(175,408)	¥1,277,722
Depreciation	14,139	2,592	(1,089)	15,642
Impairment loss	909	43	—	952
Capital expenditures	10,534	2,484	(1,572)	11,445

(2) Geographical Segments

The geographical segments of the Company and its subsidiaries for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of Yen			
	2007			
	Japan	Others	Eliminations/ Corporate	Consolidated
Sales to customers	**¥1,887,629**	**¥206,347**	**—**	**¥2,093,976**
Interarea transfer	**1,550**	**11,485**	**¥(13,036)**	**—**
Total sales	**1,889,179**	**217,832**	**(13,036)**	**2,093,976**
Operating expenses	**1,831,694**	**213,056**	**(13,608)**	**2,031,141**
Operating income	**¥ 57,485**	**¥ 4,776**	**¥ 572**	**¥ 62,834**
Total assets	**¥1,063,195**	**¥209,058**	**¥ (4,204)**	**¥1,268,049**

	Thousands of U.S. Dollars			
	2007			
	Japan	Others	Eliminations/ Corporate	Consolidated
Sales to customers	**$15,990,083**	**$1,747,964**	**—**	**$17,738,048**
Interarea transfer	**13,134**	**97,294**	**$(110,429)**	**—**
Total sales	**16,003,217**	**1,845,259**	**(110,429)**	**17,738,048**
Operating expenses	**15,516,258**	**1,804,797**	**(115,280)**	**17,205,775**
Operating income	**$ 486,959**	**$ 40,462**	**$ 4,850**	**$ 532,273**
Total assets	**$ 9,006,317**	**$1,770,930**	**$ (35,613)**	**$10,741,634**

Notes: 1. "Others" consists substantially of the United States of America, China and Germany.
2. The Company adopted the new accounting standard for bonuses to directors and corporate auditors described in Note 2.p. The effect of adoption of this accounting standard was to decrease operating income of Japan for the year ended March 31, 2007 by ¥520 million ($4,410 thousand).

	Millions of Yen			
	2006			
	Japan	Others	Eliminations/ Corporate	Consolidated
Sales to customers	¥1,839,387	¥123,909	—	¥1,963,296
Interarea transfer	2,230	9,880	¥(12,111)	—
Total sales	1,841,617	133,790	(12,111)	1,963,296
Operating expenses	1,783,802	133,343	(12,625)	1,904,520
Operating income	¥ 57,815	¥ 447	¥ 513	¥ 58,776
Total assets	¥1,066,294	¥218,432	¥ (7,003)	¥1,277,722

Note: "Others" consists substantially of the United States of America and China.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2007 and 2006 amounted to ¥211,896 million ($1,794,974 thousand) and ¥135,585 million, respectively.