

Consolidated Balance Sheets

Dentsu Inc. and Consolidated Subsidiaries
March 31, 2008 and 2007

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
CURRENT ASSETS:			
Cash and cash equivalents (Note 6)	¥ 70,252	¥ 62,015	\$ 701,194
Time deposits over three months	1,325	3,927	13,234
Receivables:			
Trade notes	18,996	27,329	189,607
Trade accounts	483,794	488,677	4,828,769
Other	6,224	6,753	62,130
Marketable securities (Note 4)	321	2,199	3,205
Inventories	22,768	33,048	227,258
Advance payment	24,590	25,015	245,436
Deferred tax assets (Note 11)	13,146	13,993	131,218
Prepaid expenses and other current assets	4,452	4,713	44,438
Allowance for doubtful accounts	(4,871)	(3,787)	(48,622)
Total current assets	641,002	663,887	6,397,871
PROPERTY, PLANT AND EQUIPMENT (Notes 5 and 6):			
Land	158,868	155,378	1,585,676
Buildings and structures	153,592	150,560	1,533,009
Other	21,328	20,881	212,882
Total	333,789	326,820	3,331,568
Accumulated depreciation	(80,751)	(74,966)	(805,982)
Net property, plant and equipment	253,038	251,854	2,525,585
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 6)	85,455	112,048	852,929
Investments in unconsolidated subsidiaries and affiliated companies	166,376	149,907	1,660,614
Goodwill	17,477	19,771	174,445
Intangible assets	24,305	23,928	242,597
Deferred tax assets (Note 11)	29,367	20,762	293,117
Other assets	36,260	27,508	361,915
Allowance for doubtful accounts	(1,093)	(1,369)	(10,910)
Allowance for losses on investment securities and investments in unconsolidated subsidiaries	(278)	(248)	(2,783)
Total investments and other assets	357,871	352,307	3,571,928
TOTAL	¥1,251,912	¥1,268,049	\$12,495,385

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
CURRENT LIABILITIES:			
Short-term borrowings (Note 6)	¥ 10,289	¥ 12,001	\$ 102,697
Current portion of long-term debt (Note 6)	5,134	17,636	51,250
Payables:			
Trade notes	53,120	51,415	530,200
Trade accounts (Note 6)	377,588	374,197	3,768,724
Other	10,196	10,548	101,770
Income taxes payable	13,271	18,282	132,463
Accrued expenses	30,467	31,001	304,099
Other current liabilities	27,434	30,822	273,829
Total current liabilities	527,504	545,906	5,265,036
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	81,324	86,651	811,704
Accrued pension and severance costs (Note 7)	31,559	42,217	314,995
Deferred tax liabilities (Note 11)	571	253	5,704
Deferred tax liabilities on land revaluation difference (Notes 2.k and 11)	10,298	10,298	102,793
Other long-term liabilities	9,792	5,676	97,741
Total long-term liabilities	133,547	145,097	1,332,940
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14, 16 and 17)			
EQUITY (Note 8):			
Common stock,			
authorized, 11,000,000 shares; issued, 2,781,840 shares in 2008 and 2007	58,967	58,967	588,552
Capital surplus	61,586	61,474	614,698
Stock acquisition rights	0	0	2
Retained earnings	460,444	433,383	4,595,714
Unrealized gain on available-for-sale securities	4,339	15,336	43,308
Deferred (loss) gain on derivatives under hedge accounting	(559)	818	(5,584)
Land revaluation difference (Note 2.k)	(7,179)	(7,179)	(71,659)
Foreign currency translation adjustments	(3,550)	(909)	(35,435)
Treasury stock — at cost, 36,020.19 shares in 2008 and 38,056.69 shares in 2007	(6,754)	(7,130)	(67,420)
Total	567,293	554,760	5,662,176
Minority interests	23,567	22,285	235,231
Total equity	590,861	577,046	5,897,408
TOTAL	¥1,251,912	¥1,268,049	\$12,495,385

See notes to consolidated financial statements.

Consolidated Statements of Income

Dentsu Inc. and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
NET SALES	¥2,057,554	¥2,093,976	\$20,536,524
COST OF SALES	1,712,332	1,745,584	17,090,847
Gross profit	345,222	348,391	3,445,676
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	289,095	285,556	2,885,472
Operating income	56,126	62,834	560,204
OTHER INCOME (EXPENSES):			
Interest and dividend income	3,382	2,277	33,758
Interest expense	(2,542)	(2,339)	(25,379)
Foreign exchange (loss) gain—net	(81)	65	(809)
Equity in earnings of affiliated companies	8,499	6,026	84,837
Gain on contribution of securities to the employee retirement benefit trust	7,387	—	73,735
Loss on valuation of inventories	(7,109)	—	(70,962)
Other—net (Note 10)	(2,051)	(8,152)	(20,479)
Other income (expenses)—net	7,484	(2,122)	74,699
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	63,610	60,712	634,903
INCOME TAXES (Note 11):			
Current	25,140	28,255	250,932
Deferred	496	(829)	4,955
Total income taxes	25,637	27,425	255,887
MINORITY INTERESTS IN NET INCOME	1,726	2,598	17,234
NET INCOME	¥ 36,246	¥ 30,688	\$ 361,781
		Yen	U.S. Dollars
	2008	2007	2008
PER SHARE OF COMMON STOCK (Notes 2.u and 18):			
Basic net income	¥13,202.77	¥11,193.17	\$ 131.78
Diluted net income	12,804.73	10,878.56	127.80
Cash dividends applicable to the year	3,500.00	3,000.00	34.93

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Dentsu Inc. and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	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 (Loss) Gain on Derivatives under Hedge Accounting	Land Revaluation Difference	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2006	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)
Other changes in the year	—	—	—	(5)	—	(4,967)	¥818	(808)	2,828	—	(2,134)	(5,211)	(7,345)
BALANCE, MARCH 31, 2007	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
Net income	—	—	—	—	36,246	—	—	—	—	—	36,246	—	36,246
Cash dividends, ¥3,250 per share	—	—	—	—	(8,920)	—	—	—	—	—	(8,920)	—	(8,920)
Bonuses to directors and corporate auditors	—	—	—	—	—	—	—	—	—	—	—	—	—
Increase in retained earnings of newly consolidated subsidiaries	—	—	—	—	145	—	—	—	—	—	145	—	145
Decrease in retained earnings of newly affiliated companies	—	—	—	—	(306)	—	—	—	—	—	(306)	—	(306)
Decrease in retained earnings of affiliated companies excluded	—	—	—	—	(104)	—	—	—	—	—	(104)	—	(104)
Repurchase of treasury stock	(55.31)	—	—	—	—	—	—	—	—	(17)	(17)	—	(17)
Disposal of treasury stock	2,091.81	—	111	—	—	—	—	—	—	393	505	—	505
Other changes in the year	—	—	—	—	—	(10,997)	(1,377)	—	(2,641)	—	(15,015)	1,281	(13,733)
BALANCE, MARCH 31, 2008	2,745,819.81	¥58,967	¥61,586	¥0	¥460,444	¥4,339	¥(559)	¥(7,179)	¥(3,550)	¥(6,754)	¥567,293	¥23,567	¥590,861

	Thousands of U.S. Dollars (Note 1)												
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Land Revaluation Difference	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity	
BALANCE, APRIL 1, 2007	\$588,552	\$613,580	\$2	\$4,325,617	\$153,072	\$8,166	\$ (71,659)	\$ (9,075)	\$ (71,174)	\$5,537,083	\$222,436	\$5,759,519	
Net income	—	—	—	361,781	—	—	—	—	—	361,781	—	361,781	
Cash dividends, \$32.44 per share	—	—	—	(89,035)	—	—	—	—	—	(89,035)	—	(89,035)	
Bonuses to directors and corporate auditors	—	—	—	—	—	—	—	—	—	—	—	—	
Increase in retained earnings of newly consolidated subsidiaries	—	—	—	1,452	—	—	—	—	—	1,452	—	1,452	
Decrease in retained earnings of newly affiliated companies	—	—	—	(3,057)	—	—	—	—	—	(3,057)	—	(3,057)	
Decrease in retained earnings of affiliated companies excluded	—	—	—	(1,042)	—	—	—	—	—	(1,042)	—	(1,042)	
Repurchase of treasury stock	—	—	—	—	—	—	—	—	(176)	(176)	—	(176)	
Disposal of treasury stock	—	1,117	—	—	—	—	—	—	3,930	5,047	—	5,047	
Other changes in the year	—	—	—	—	(109,763)	(13,751)	—	(26,359)	—	(149,874)	12,795	(137,079)	
BALANCE, MARCH 31, 2008	\$588,552	\$614,698	\$2	\$4,595,714	\$43,308	\$(5,584)	\$(71,659)	\$(35,435)	\$(67,420)	\$5,662,176	\$235,231	\$5,897,408	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Dentsu Inc. and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

Thousands of
U.S. Dollars
(Note 1)

	Millions of Yen		
	2008	2007	2008
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥63,610	¥60,712	\$634,903
Adjustments for:			
Income taxes—paid	(30,213)	(27,898)	(301,564)
Depreciation and amortization	16,000	15,218	159,706
Impairment loss	72	112	723
Amortization of goodwill—net	4,238	3,575	42,302
Foreign exchange gain—net	(294)	(308)	(2,937)
Write-down of investment securities	—	4,922	—
Equity in earnings of affiliated companies	(8,499)	(6,026)	(84,837)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Decrease (increase) in notes and accounts receivable—trade	12,423	(4,487)	123,997
Decrease in inventories	3,873	29,291	38,659
Increase in notes and accounts payable—trade	5,836	2,080	58,255
Increase in allowance for doubtful accounts	783	575	7,818
Decrease in liability for retirement benefits	(7,106)	(3,211)	(70,931)
(Increase) decrease in other current assets	(2,375)	8,521	(23,710)
Decrease in other current liabilities	(6,917)	(42,869)	(69,045)
Other—net	4,576	1,755	45,675
Total adjustments	(7,603)	(18,749)	(75,887)
Net cash provided by operating activities	56,007	41,962	559,015
INVESTING ACTIVITIES:			
Payments into time deposits	(1,055)	—	(10,534)
Proceeds from withdrawal of time deposits	3,652	—	36,453
Payments for purchases of marketable securities	(1,101)	(699)	(10,995)
Proceeds from sales of marketable securities	3,128	2,771	31,224
Payments for purchases of property, plant and equipment	(4,604)	(2,643)	(45,953)
Proceeds from sales of property, plant and equipment	74	2,130	746
Payments for purchases of investment securities	(22,769)	(40,651)	(227,268)
Proceeds from sales of investment securities	14,858	1,200	148,300
Payments for purchases of software	(7,511)	(8,104)	(74,977)
Payments for loans	(2,197)	(864)	(21,934)
Proceeds from collection of loans	1,584	383	15,818
Payments for investment in real estate	—	(4,445)	—
Payments for the purchases of consolidated subsidiaries	(689)	(2,592)	(6,885)
Payments for the purchases of newly consolidated subsidiaries (Note 12.a)	(1,409)	—	(14,071)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(8)	—	(86)
Proceeds from sales of subsidiaries excluded from consolidation	—	7	—
Other—net	(19)	1,503	(192)
Net cash used in investing activities	(18,069)	(52,003)	(180,357)
FINANCING ACTIVITIES:			
Decrease in short-term borrowings—net	(3,846)	(5,641)	(38,396)
Proceeds from long-term debt	26	27,223	264
Repayments of long-term debt	(17,861)	(23,839)	(178,273)
Proceeds from issuance of subsidiaries' stock to minority shareholders	140	553	1,403
Payments for repurchase of treasury stock	(17)	(41)	(176)
Proceeds from disposal of treasury stock	532	977	5,315
Dividends paid to shareholders	(8,920)	(8,163)	(89,035)
Dividends paid to minority shareholders	(626)	(697)	(6,256)
Other—net	(127)	(150)	(1,276)
Net cash used in financing activities	(30,701)	(9,779)	(306,431)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	168	1,849	1,684
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,405	(17,971)	73,911
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	832	1,574	8,305
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	62,015	78,412	618,978
CASH AND CASH EQUIVALENTS, END OF YEAR	¥70,252	¥62,015	\$701,194

See notes to consolidated financial statements.