

# Notes to Consolidated Financial Statements

Dentsu Inc. and Consolidated Subsidiaries  
Years Ended March 31, 2009 and 2008

## 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 Financial Instruments and Exchange Act 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.

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 2008 financial statements to conform to the classifications used in 2009.

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 ¥98.23 to \$1, the rate of exchange at March 31, 2009. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation**—The consolidated financial statements at March 31, 2009 include the accounts of the Company and its 126 (129 in 2008) significant subsidiaries (together, the "Group").

Investments in 29 (31 in 2008) 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, 2009 and 2008 was ¥3,454 million (\$35,165 thousand) and ¥4,238 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. 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.

**c. Inventories**—Inventories are stated at cost substantially determined by the specific identification method. In July 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories." 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 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Group applied this new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change on the financial statements and the segment information for the consolidated fiscal year was immaterial.

**d. 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 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.

(Additional information)

Of its investment securities, the Company holds obligations remboursable en actions (ORA) in Publicis Groupe S.A., which are redeemable only for stock. With regard to the ORA, the Company booked an unrealized loss on available-for-sale securities using the balance sheet amount, which is based not on market price but rather a reasonably calculated price determined by a third party independent from the company producing the consolidated financial statements. This is because actual trading of ORA is traded was extremely limited in fiscal 2009.

The reasonably calculated price was determined according to a method which rides on the market price of common stock, and used a ratio representing the correlation between the market value of common stock and the ORA in Publicis Groupe S.A. as the value-determining variables.

The balance sheet amount for the ORA is ¥10,924 million (\$111,215 thousand).

**e. 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.

**f. 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 based on the estimated useful lives of the assets, 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. The useful lives for lease assets are the terms of the respective leases.

**g. Long-Lived Assets**—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.

**h. 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.

**i. 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 at March 31, 2001. The resulting increase in land revaluation difference 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 operations. 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.

**j. 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.

**k. 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.

**l. Stock Options**—The ASBJ Statement No.8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

The Group has applied the accounting standard for stock options to those granted on and after May 1, 2006.

**m. Leases**—In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. 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.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were 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 to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases less interest expense at the transition date.

The effect of this change on the financial statements and the segment information for the consolidated fiscal year was immaterial.

All other leases are accounted for as operating leases.

**n. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. 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.

**o. 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 consolidated statements of operations to the extent that they are not hedged by forward exchange contracts.

**p. 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.

**q. Derivatives and Hedging Activities**—The Group uses derivative financial instruments, such as foreign exchange forward 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 consolidated statements of operations 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 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.

**r. Per Share Information**—Basic net income (loss) per share is computed by dividing net income (loss) 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 operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

**s. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—In May 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.” PITF No.18 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 of America 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) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years’ effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No.18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The effect of this change on the financial statements and the segment information for the consolidated fiscal year was immaterial.

## **t. New Accounting Pronouncements**

### *Business Combinations*

On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, “Accounting Standard for Business Combinations.” Major accounting changes under the revised accounting standard are as follows:

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

#### *Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method*

The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No.16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

### 3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Current:			
Debt securities	¥ 15	¥ 149	\$ 152
Other	1,164	171	11,851
Total	¥ 1,179	¥ 321	\$ 12,004
Non-current:			
Equity securities	¥64,226	¥ 82,230	\$653,838
Debt securities	1,909	1,986	19,444
Other	1,097	1,238	11,168
Total	¥67,233	¥ 85,455	\$684,451

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2009 and 2008 were as follows:

March 31	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Loss	
2009				
Securities classified as:				
Available-for-sale:				
Equity securities	¥27,696	¥3,893	¥(6,148)	¥25,441
Debt securities	2,014	0	(97)	1,918
Other	1,000	6	—	1,006

March 31	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Loss	
2008				
Securities classified as:				
Available-for-sale:				
Equity securities	¥27,630	¥9,436	¥(1,538)	¥35,527
Debt securities	2,114	0	(36)	2,078
Other	1,000	—	—	1,000

March 31	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Loss	
2009				
Securities classified as:				
Available-for-sale:				
Equity securities	\$281,959	\$39,635	\$(62,591)	\$259,003
Debt securities	20,512	0	(987)	19,525
Other	10,180	63	—	10,243

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable at March 31, 2009 and 2008 were mainly as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Carrying Amount			
Available-for-sale:			
Equity securities	<b>¥38,784</b>	¥46,702	<b>\$394,834</b>
Other	<b>1,006</b>	102	<b>10,249</b>
Total	<b>¥39,791</b>	¥46,805	<b>\$405,083</b>
Held-to-maturity:			
Corporate bonds	—	¥ 50	—
Total	—	¥ 50	—

Proceeds, gross realized gains and losses on sales of available-for-sale securities for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Proceeds	<b>¥9,003</b>	¥2,640	<b>\$91,652</b>
Gross realized gains	<b>856</b>	1,375	<b>8,715</b>
Gross realized losses	<b>215</b>	169	<b>2,194</b>

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due in one year or less	¥1,041		<b>\$10,601</b>
Due after one year through five years	1		<b>20</b>
Due after five years through ten years	5		<b>50</b>
Total	¥1,048		<b>\$10,672</b>

#### 4. INVENTORIES

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Merchandise and finished goods	<b>¥ 34</b>	¥ 706	<b>\$ 348</b>
Works	<b>1,269</b>	1,055	<b>12,928</b>
Work-in-process	<b>12,953</b>	20,785	<b>131,865</b>
Raw materials and supplies	<b>207</b>	221	<b>2,111</b>
Total	<b>¥14,464</b>	¥22,768	<b>\$147,253</b>

## 5. LONG-LIVED ASSETS

At March 31, 2009, the Group reviewed its long-lived assets for impairment, and as a result, recognized an impairment loss of ¥1,405 million (\$14,305 thousand) as other expense for assets for business property. Those assets were considered to have no recovery value. At March 31, 2008, the Group reviewed its long-lived assets for impairment, and as a result recognized an impairment loss of ¥72 million as other expense for business property. 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 of ¥3,625 million (\$36,911 thousand) at March 31, 2009, ¥10,289 million at March 31, 2008 and commercial paper of ¥15,000 million (\$152,702 thousand) at March 31, 2009, Nil at March 31, 2008. The weighted-average interest rates applicable to the borrowings at March 31, 2009 and 2008 were 0.84% (the loans from banks and other financial institutions was 3.36% and the commercial paper was 0.23%) and 5.09%, respectively.

Long-term debt at March 31, 2009 and 2008 consisted of the following:	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Loans from banks and other financial institutions, maturing in installments through 2022 bearing weighted-average interest of 1.78% (2009) and 2.04% (2008)			
Collateralized	¥ 12	¥ 29	\$ 131
Unsecured	121,301	86,429	1,234,872
Lease obligations	4,157	—	42,319
Total	125,471	86,459	1,277,323
Less current portion	(6,989)	(5,134)	(71,153)
Long-term debt, less current portion	¥118,482	¥81,324	\$1,206,169

Annual maturities of long-term debt, excluding finance leases (see Note 14) at March 31, 2009, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 5,118	\$ 52,108
2011	18,620	189,555
2012	18,613	189,490
2013	24,358	247,970
2014	25,856	263,226
2015 and thereafter	28,747	292,652
Total	¥121,314	\$1,235,004

The carrying amounts of assets pledged as collateral for long-term debt of ¥12 million (\$131 thousand) and trade accounts payable of ¥898 million (\$9,149 thousand) at March 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Vehicles—net of accumulated depreciation	¥ 13	\$ 132
Cash and cash equivalents	85	873
Investment securities	1	20
Total	¥100	\$1,026

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. At March 31, 2009, 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 and certain consolidated subsidiaries have offered an early retirement program to its employees. The program provides additional benefit payments for employees who elect early retirement benefit before the mandatory retirement age of 60. Related expenses for the years ended March 31, 2009 and 2008, which are recognized when the employees accept the offer and the amount can be reasonably estimated, were ¥106 million (\$1,080 thousand) and ¥261 million, respectively.

The liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Projected benefit obligation	<b>¥156,723</b>	¥ 155,547	<b>\$1,595,473</b>
Fair value of plan assets	<b>(89,250)</b>	(114,552)	<b>(908,584)</b>
Unrecognized prior service benefits	<b>12,053</b>	13,056	<b>122,709</b>
Unrecognized actuarial loss	<b>(58,039)</b>	(31,284)	<b>(590,853)</b>
Net liability	<b>21,487</b>	22,767	<b>218,745</b>
Prepaid pension cost	<b>8,288</b>	7,777	<b>84,377</b>
The liability for employees' retirement benefits	<b>¥ 29,775</b>	¥ 30,544	<b>\$ 303,122</b>

The components of net periodic benefit costs and relevant gains and losses for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Service cost	<b>¥ 7,205</b>	¥ 7,309	<b>\$ 73,350</b>
Interest cost	<b>3,026</b>	2,965	<b>30,806</b>
Expected return on plan assets	<b>(1,430)</b>	(1,517)	<b>(14,557)</b>
Recognized actuarial loss	<b>2,182</b>	(128)	<b>22,220</b>
Amortization of prior service benefits	<b>(1,002)</b>	(1,004)	<b>(10,204)</b>
Contributions for defined contribution pension plans	<b>683</b>	597	<b>6,954</b>
Net periodic benefit costs	<b>10,664</b>	8,221	<b>108,568</b>
Expenses for early retirement program	<b>106</b>	261	<b>1,080</b>
Total	<b>¥10,770</b>	¥ 8,483	<b>\$109,649</b>

Assumptions used for the years ended March 31, 2009 and 2008 were set forth as follows:

	2009	2008
Discount rate	<b>mainly 2.0%</b>	2.0 to 2.5%
Expected rate of return on plan assets	<b>mainly 2.5%</b>	mainly 2.5%
Recognition period of actuarial gain/loss	<b>mainly 17 years</b>	9.8 to 18 years
Amortization period of prior service benefits	<b>mainly 17 years</b>	15 to 18 years

The liability for retirement benefits at March 31, 2009 and 2008 for directors and corporate auditors was ¥898 million (\$9,145 thousand) and ¥1,015 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

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the “Companies Act”), 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 provisions in the Companies Act that affect financial and accounting matters are summarized below:

**a. Dividends**—Under the Companies Act, 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 company meets all the above criteria.

The Companies Act 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. The Companies Act 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 Companies Act 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 Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act 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 Companies Act 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 Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act 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.

**d. Stock split**—On January 4, 2009, the Company implemented a stock split at a ratio of 100 shares per share of common stock. As a result, the number of outstanding shares of common stock increased by 245,741,944.14 shares. The 2008 per share information has been adjusted to reflect the stock split that became effective on January 4, 2009.

## 9. STOCK OPTIONS

a. The stock options outstanding at March 31, 2009 are as follows:

### DENTSU INC.

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2003 Stock Option	12 directors 104 employees 19 directors in subsidiaries	1,138,000 shares	July 8, 2003	¥ 2,285	From July 8, 2005 to July 7, 2009

Note: As on January 4, 2009, the Company implemented a stock split at a ratio of 100 shares per share of common stock. Number of options granted and Exercise Price due to the exercise of a stock option are adjusted.

### 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 search & 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

Note: DENTSU e-LINK INC. and K.K. 24-7 Search merged on January 1, 2009, and its corporate name was changed to Dentsu search & link INC.

b. The stock option activity is as follows:

**DENTSU INC.**

**For the year ended March 31, 2008**

	2001 Stock Option	2003 Stock Option
Non-vested		
March 31, 2007—Outstanding	—	—
Granted	—	—
Canceled	—	—
Vested	—	—
March 31, 2008—Outstanding	—	—
Vested		
March 31, 2007—Outstanding	340,000	472,600
Vested	—	—
Exercised	100,000	105,800
Canceled	240,000	—
March 31, 2008—Outstanding	0	366,800
Exercise price	¥ 2,814	¥ 2,285
Average stock price at grant date	¥ 3,385	¥ 3,243

**For the year ended March 31, 2009**

Non-vested		
March 31, 2008—Outstanding	—	—
Granted	—	—
Canceled	—	—
Vested	—	—
March 31, 2009—Outstanding	—	—
Vested		
March 31, 2008—Outstanding	—	366,800
Vested	—	—
Exercised	—	11,600
Canceled	—	—
March 31, 2009—Outstanding	—	355,200
Exercise price	—	¥ 2,285
Average stock price at grant date	—	¥ 2,475

Note: As on January 4, 2009, the Company implemented a stock split at a ratio of 100 shares per share of common stock. The number of stock options and price due to the exercise of a stock option are adjusted.

**Cyber Communications INC.**

<b>For the year ended March 31, 2008</b>	2000 Stock Option	2001 Stock Option	2003 Stock Option	2004 Stock Option	2005 Stock Option
Non-vested					
March 31, 2007—Outstanding	—	—	—	—	—
Granted	—	—	—	—	—
Canceled	—	—	—	—	—
Vested	—	—	—	—	—
March 31, 2008—Outstanding	—	—	—	—	—
Vested					
March 31, 2007—Outstanding	2,537	851	1,850	2,750	3,899
Vested	—	—	—	—	—
Exercised	—	—	198	—	—
Canceled	—	54	—	10	113
March 31, 2008—Outstanding	2,537	797	1,652	2,740	3,786
Exercise price	¥27,500	¥211,595	¥60,500	¥113,048	¥242,005
Average stock price at grant date	—	—	¥80,500	—	—

**For the year ended March 31, 2009**

Non-vested					
March 31, 2008—Outstanding	—	—	—	—	—
Granted	—	—	—	—	—
Canceled	—	—	—	—	—
Vested	—	—	—	—	—
March 31, 2009—Outstanding	—	—	—	—	—
Vested					
March 31, 2008—Outstanding	2,537	797	1,652	2,740	3,786
Vested	—	—	—	—	—
Exercised	2,537	—	—	—	—
Canceled	—	797	—	50	103
March 31, 2009—Outstanding	—	—	1,652	2,690	3,683
Exercise price	¥27,500	¥211,595	¥60,500	¥113,048	¥242,005
Average stock price at grant date	¥42,180	—	—	—	—

**Information Services International — Dentsu INC.****For the year ended March 31, 2008**

	2001 Stock Option	2002 Stock Option
Non-vested		
March 31, 2007—Outstanding	—	—
Granted	—	—
Canceled	—	—
Vested	—	—
March 31, 2008—Outstanding	—	—
Vested		
March 31, 2007—Outstanding	100,000	116,000
Vested	—	—
Exercised	—	—
Canceled	—	—
March 31, 2008—Outstanding	100,000	116,000
Exercise price	¥ 5,843	¥ 1,700
Average stock price at grant date	—	—

**For the year ended March 31, 2009**

Non-vested		
March 31, 2008—Outstanding	—	—
Granted	—	—
Canceled	—	—
Vested	—	—
March 31, 2009—Outstanding	—	—
Vested		
March 31, 2008—Outstanding	100,000	116,000
Vested	—	—
Exercised	—	—
Canceled	50,000	56,000
March 31, 2009—Outstanding	50,000	60,000
Exercise price	¥ 5,843	¥ 1,700
Average stock price at grant date	—	—

**Criteria Communications INC.****For the year ended March 31, 2008**

	2005 Stock Option	2005 Stock Option	2005 Stock Option	2005 Stock Option
Non-vested				
March 31, 2007—Outstanding	6,050	2,000	22,500	1,750
Granted	—	—	—	—
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2008—Outstanding	6,050	2,000	22,500	1,750
Vested				
March 31, 2007—Outstanding	—	—	—	—
Vested	—	—	—	—
Exercised	—	—	—	—
Canceled	—	—	—	—
March 31, 2008—Outstanding	—	—	—	—
Exercise price	¥20,000	¥20,000	¥20,000	¥20,000
Average stock price at grant date	—	—	—	—

**For the year ended March 31, 2009**

Non-vested				
March 31, 2008—Outstanding	6,050	2,000	22,500	1,750
Granted	—	—	—	—
Canceled	5,695	2,000	—	1,600
Vested	—	—	—	—
March 31, 2009—Outstanding	355	—	22,500	150
Vested				
March 31, 2008—Outstanding	—	—	—	—
Vested	—	—	—	—
Exercised	—	—	—	—
Canceled	—	—	—	—
March 31, 2009—Outstanding	—	—	—	—
Exercise price	¥20,000	¥20,000	¥20,000	¥20,000
Average stock price at grant date	—	—	—	—

**Dentsu search & link INC.****For the year ended March 31, 2008**

2006 Stock Option

Non-vested	
March 31, 2007—Outstanding	2,000
Granted	—
Canceled	—
Vested	—
March 31, 2008—Outstanding	2,000
Vested	
March 31, 2007—Outstanding	—
Vested	—
Exercised	—
Canceled	—
March 31, 2008—Outstanding	—
Exercise price	¥44,000
Average stock price at grant date	—
Fair value price at grant date	—

**For the year ended March 31, 2009**

Non-vested	
March 31, 2008—Outstanding	2,000
Granted	—
Canceled	2,000
Vested	—
March 31, 2009—Outstanding	—
Vested	
March 31, 2008—Outstanding	—
Vested	—
Exercised	—
Canceled	—
March 31, 2009—Outstanding	—
Exercise price	¥44,000
Average stock price at grant date	—
Fair value price at grant date	—

Note: DENTSU e-LINK INC. and K.K. 24-7 Search merged on January 1, 2009, and their corporate name was changed to Dentsu search & link INC.

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

On August 11, 2006, DENTSU e-LINK INC., one of the subsidiaries granted stock options. As the company was a non-public company, the 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.

## 10. OTHER INCOME (EXPENSES)

Other income (expenses)—net for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Expenses for early retirement program	¥ (106)	¥ (261)	\$ (1,080)
Amortization of goodwill	(1,568)	(2,183)	(15,970)
Restructuring loss	(4,423)	(1,351)	(45,030)
Other	431	1,057	4,390
Other expenses—net	¥(5,666)	¥(2,738)	\$(57,690)

## 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, 2009 and 2008.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred tax assets:			
Accrued pension and severance costs	¥ 41,296	¥ 41,001	\$ 420,404
Accrued expenses	6,870	9,696	69,943
Write-down of marketable and investment securities	8,915	5,412	90,759
Tax loss carryforwards	4,805	5,595	48,918
Inventories	1,730	1,344	17,619
Other	11,547	13,286	117,558
Less valuation allowance	(9,624)	(10,448)	(97,977)
Total	¥ 65,541	¥ 65,889	\$ 667,225
Deferred tax liabilities:			
Gain on contribution of securities to the employee retirement benefit trust	¥(18,943)	¥(18,943)	\$(192,846)
Unrealized gain on available-for-sale securities	—	(3,346)	—
Other	(1,028)	(1,664)	(10,473)
Total	¥(19,972)	¥(23,954)	\$(203,320)
Net deferred tax assets	¥ 45,569	¥ 41,934	\$ 463,905

The tax effects of land revaluation at March 31, 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred tax assets on land revaluation	¥ 9,019	¥ 9,019	\$ 91,825
Less valuation allowance	(9,019)	(9,019)	(91,825)
Total	—	—	—
Deferred tax liabilities on land revaluation	(10,293)	(10,298)	(104,790)
Net deferred tax liabilities on land revaluation difference	¥(10,293)	¥(10,298)	\$(104,790)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2009 is as follows:

	2009
Normal effective statutory tax rate	(41.0)%
Expenses not deductible for income tax purposes	39.6
Tax-exempt dividends received	(8.2)
Amortization of goodwill	375.4
Equity in earnings of affiliated companies	(74.0)
Other—net	3.2
Actual effective tax rate	295.0 %

Note: The presentation for the normal effective statutory tax rate is negative because of loss before income taxes and minority interests in the fiscal year ended March 31, 2009.

As the difference between the normal effective statutory tax rate and actual effective tax rate was not considered significant for the year ended March 31, 2008, a reconciliation between the normal effective statutory tax rate and actual effective tax rate was not disclosed for the year ended March 31, 2008.

At March 31, 2009, certain subsidiaries have tax loss carryforwards aggregating approximately ¥6,913 million (\$70,375 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
2010	¥ 198	\$ 2,020
2011	142	1,453
2012	132	1,352
2013	407	4,148
2014	866	8,819
2015 and thereafter	5,164	52,580
Total	¥6,913	\$70,375

## 12. SUPPLEMENTAL CASH FLOW INFORMATION

### a. Acquisition of Consolidated Subsidiaries

A company was acquired during the year ended March 31, 2009. Assets and liabilities of the company at the time of consolidation were as follows:

2009	Millions of Yen	Thousands of U.S. Dollars
Assets	<b>¥2,218</b>	<b>\$22,588</b>
Liabilities	<b>(860)</b>	<b>(8,757)</b>

For the year ended March 31, 2008, three companies were acquired. Assets and liabilities of these companies at the time of consolidation were as follows:

2008	Millions of Yen
Assets	¥1,352
Liabilities	(310)

### b. Exclusion from Consolidation

For the year ended March 31, 2009, four companies were excluded from consolidation due to sale of stocks. Assets and liabilities of these companies at the time of consolidation exclusion were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Assets	<b>¥10,590</b>	<b>\$107,818</b>
Liabilities	<b>(5,555)</b>	<b>(56,551)</b>

### c. Significant Noncash Investing and Financing Activities

For the year ended March 31, 2008, the Company contributed 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, 2008. The carrying amount and the contribution amount of these securities were ¥924 million and ¥8,312 million, respectively.

## 13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,259 million (\$12,819 thousand) and ¥905 million for the years ended March 31, 2009 and 2008, respectively.

#### 14. LEASES

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

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2009		2009	
	Finance leases	Operating leases	Finance leases	Operating leases
Due within one year	¥1,870	¥ 3,854	\$19,045	\$ 39,242
Due after one year	2,286	22,244	23,274	226,449
Total	¥4,157	¥26,098	\$42,319	\$265,692

#### **Pro forma information for the year ended March 31, 2008**

Pro forma information for the year ended March 31, 2008 of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of Yen			
	2008			
	Buildings and Structures	Equipment and Other	Software	Total
Acquisition cost	¥ 51	¥ 9,608	¥ 2,553	¥12,213
Accumulated depreciation	(29)	(5,095)	(1,575)	(6,699)
Net leased property	¥ 22	¥ 4,512	¥ 978	¥ 5,514

The above acquisition cost included related interest expenses.

Obligations under finance leases:

	Millions of Yen
	2008
Due within one year	¥2,261
Due after one year	3,252
Total	¥5,514

Depreciation expense, interest expense under finance leases:

	Millions of Yen
	2008
Depreciation expense	¥2,746
Lease payments	¥2,746

Depreciation expense, which is not reflected in the accompanying consolidated statements of operations, is computed by the straight line method.

## 15. RELATED PARTY DISCLOSURES

Transactions with companies of which directors of the company were representative for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Sales	—	¥2,035	—
Purchases	—	3,378	—
Nonoperating transaction	—	49	—

The balances due from these companies at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Trade accounts receivable	—	¥ 33	—
Trade accounts payable	—	101	—
Other payable	—	5	—

Note: On October 17, 2006, the ASBJ issued ASBJ Statement No.11, "Accounting Standard for Related Party Disclosures" and ASBJ Guidance No.13, "Guidance on Accounting Standard for Related Party Disclosures." As a result, there are not any transactions that need to be disclosed at March 31, 2009.

Summary of financial data for principal affiliate:

For the year ended March 31, 2009, Publicis Groupe S.A. is a principal affiliate. A summary of this company's financial data is presented below. The company's stock is listed on Euronext Paris.

	Amount (Millions of Euros) At December 31, 2008
Current assets	6,657
Non-current assets	5,203
Current liabilities	7,496
Non-current liabilities	2,014
Total equity	2,350
	January 1, 2008 to December 31, 2008
Revenue	4,704
Income of consolidated companies before taxes	672
Net income attributable to equity holders of the parent	447

Note: This summary shows consolidated financial data. "Income of consolidated companies before taxes" includes income before income taxes and minority interests.

## 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, 2009 and 2008:

Millions of Yen				
<b>2009</b>				
	Currency	Contract Amount	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
To buy foreign currencies	USD	<b>¥3,495</b>	<b>¥3,435</b>	<b>¥(59)</b>
	EUR	<b>969</b>	<b>1,064</b>	<b>94</b>
	Other	<b>385</b>	<b>400</b>	<b>14</b>
To sell foreign currencies	USD	<b>2,192</b>	<b>2,210</b>	<b>(18)</b>
	EUR	<b>317</b>	<b>259</b>	<b>58</b>
	Other	<b>19</b>	<b>20</b>	<b>(1)</b>
Currency options				
To buy foreign currencies	USD	<b>¥ 82</b>	<b>¥ 4</b>	<b>¥ (0)</b>
		<b>[5]</b>		
To sell foreign currencies	USD	<b>164</b>	<b>7</b>	<b>(1)</b>
		<b>[5]</b>		

Millions of Yen				
2008				
	Currency	Contract Amount	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
To buy foreign currencies	USD	¥5,827	¥5,534	¥(292)
	EUR	168	170	1
	Other	30	27	(2)
To sell foreign currencies	USD	3,092	3,009	82
Currency options				
To buy foreign currencies	USD	¥ 695	¥ 21	¥ (11)
		<b>[32]</b>		
To sell foreign currencies	USD	1,356	66	(32)
		<b>[34]</b>		

Thousands of U.S. Dollars

		<b>2009</b>		
	Currency	Contract Amount	Fair Value	Unrealized Gain (Loss)
<b>Foreign currency forward contracts:</b>				
To buy foreign currencies	USD	<b>\$35,580</b>	<b>\$34,976</b>	<b>\$(603)</b>
	EUR	<b>9,869</b>	<b>10,836</b>	<b>967</b>
	Other	<b>3,922</b>	<b>4,073</b>	<b>151</b>
To sell foreign currencies	USD	<b>22,316</b>	<b>22,503</b>	<b>(187)</b>
	EUR	<b>3,234</b>	<b>2,638</b>	<b>596</b>
	Other	<b>195</b>	<b>206</b>	<b>(11)</b>
<b>Currency options</b>				
To buy foreign currencies	USD	<b>\$ 838</b>	<b>\$ 45</b>	<b>\$ (9)</b>
		<b>[55]</b>		
To sell foreign currencies	USD	<b>1,677</b>	<b>72</b>	<b>(15)</b>
		<b>[57]</b>		

Derivative transactions which qualify for hedge accounting for the years ended March 31, 2009 and 2008 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 are Zero Cost Options, they are not charged.

## 17. CONTINGENT LIABILITIES

At March 31, 2009, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of loans or other liabilities	<b>¥10,265</b>	<b>\$104,506</b>

## 18. NET INCOME (LOSS) PER SHARE

Basic net income (loss) and diluted net income per share as well as the number of shares in the following table have been adjusted to reflect the 100-for-1 stock split that become effective on January 4, 2009.

Reconciliation of the differences between basic net income (loss) and diluted net income per share ("EPS") for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
<b>Year Ended March 31, 2009</b>	Net Loss	Weighted-average Shares	EPS	
Basic EPS:				
Net loss available to common shareholders	<b>¥(20,453)</b>	<b>256,931</b>	<b>¥(79.61)</b>	<b>\$(0.81)</b>

Note: Although dilutive securities exist with regard to diluted net income per share, diluted net income per share for the fiscal year ended March 31, 2009 is not disclosed because of the Group's net loss position.

Year Ended March 31, 2008	Millions of Yen	Thousands of Shares	Yen
	Net Income	Weighted-average Shares	EPS
Basic EPS:			
Net income available to common shareholders	¥36,246	274,539	¥132.03
Effect of dilutive securities:			
Warrants of a consolidated subsidiary	0	—	
Warrants of affiliated companies	1,079	—	
Stock options of the Company	—	100	
Total	1,079	100	
Diluted EPS—Net income for computation	¥35,166	274,639	¥128.05

## 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 information services segment provides clients with information services, such as information technology management.

Information about industry segments, geographic segments and sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2009 and 2008 were as follows:

### a. Industry Segments

#### (1) Sales and operating income:

	Millions of Yen				
	2009				
	Advertising	Information Services	Other Business	Eliminations/Corporate	Consolidated
Sales to customers	¥1,800,214	¥63,150	¥23,805	—	¥1,887,170
Intersegment sales	946	11,998	14,565	¥(27,510)	—
Total sales	1,801,160	75,148	38,371	(27,510)	1,887,170
Operating expenses	1,767,236	71,255	36,647	(31,153)	1,843,986
Operating income	¥ 33,924	¥ 3,893	¥ 1,723	¥ 3,643	¥ 43,184

#### (2) Total assets, depreciation, impairment loss and capital expenditures:

	Millions of Yen				
	2009				
	Advertising	Information Services	Other Business	Eliminations/Corporate	Consolidated
Total assets	¥1,075,929	¥59,701	¥104,658	¥(147,746)	¥1,092,543
Depreciation	15,749	3,096	752	(1,597)	18,001
Impairment loss	1,405	—	—	—	1,405
Capital expenditures	7,381	5,888	198	(793)	12,674

(1) Sales and operating income:

Thousands of U.S. Dollars

	2009				
	Advertising	Information Services	Other Business	Eliminations/Corporate	Consolidated
Sales to customers	\$18,326,520	\$642,884	\$242,347	—	\$19,211,753
Intersegment sales	9,635	122,144	148,280	\$(280,060)	—
Total sales	18,336,156	765,028	390,628	(280,060)	19,211,753
Operating expenses	17,990,801	725,395	373,082	(317,152)	18,772,127
Operating income	\$ 345,355	\$ 39,632	\$ 17,545	\$ 37,091	\$ 439,625

(2) Total assets, depreciation, impairment loss and capital expenditures:

Thousands of U.S. Dollars

	2009				
	Advertising	Information Services	Other Business	Eliminations/Corporate	Consolidated
Total assets	\$10,953,168	\$607,775	\$1,065,442	\$(1,504,083)	\$11,122,303
Depreciation	160,333	31,524	7,658	(16,260)	183,256
Impairment loss	14,305	—	—	—	14,305
Capital expenditures	75,142	59,941	2,017	(8,076)	129,024

(1) Sales and operating income:

Millions of Yen

	2008				
	Advertising	Other Business	Eliminations/Corporate	Consolidated	
Sales to customers	¥1,955,471	¥102,083	—	¥2,057,554	
Intersegment sales	1,564	29,114	¥(30,678)	—	
Total sales	1,957,035	131,197	(30,678)	2,057,554	
Operating expenses	1,907,155	128,136	(33,864)	2,001,427	
Operating income	¥ 49,880	¥ 3,060	¥ 3,185	¥ 56,126	

(2) Total assets, depreciation, impairment loss and capital expenditures:

Millions of Yen

	2008				
	Advertising	Other Business	Eliminations/Corporate	Consolidated	
Total assets	¥1,247,458	¥196,348	¥(191,894)	¥1,251,912	
Depreciation	15,250	2,262	(1,512)	16,000	
Impairment loss	39	33	—	72	
Capital expenditures	9,908	3,486	(1,197)	12,197	

Note: Change in business segmentation

Although the Information Services business had previously been included in Other Business, for the first quarter of the consolidated fiscal year, the absolute value of operating losses from the Information Services business exceeded 10% of the absolute value of the total amount of operating income from a segment in which operating income was produced. Therefore, for this consolidated fiscal year, the Information Services has been separately presented.

Segment information by business category according to the same business segmentation for the previous consolidated fiscal year is as follows:

(1) Sales and operating income:

Millions of Yen				
<b>2009</b>				
	Advertising	Other Business	Eliminations/ Corporate	Consolidated
Sales to customers	¥1,800,214	¥ 86,956	—	¥1,887,170
Intersegment sales	946	26,418	¥(27,365)	—
Total sales	1,801,160	113,375	(27,365)	1,887,170
Operating expenses	1,767,236	107,742	(30,992)	1,843,986
Operating income	¥ 33,924	¥ 5,633	¥ 3,626	¥ 43,184

(2) Total assets, depreciation, impairment loss and capital expenditures:

Millions of Yen				
<b>2009</b>				
	Advertising	Other Business	Eliminations/ Corporate	Consolidated
Total assets	¥1,075,929	¥164,330	¥(147,716)	¥1,092,543
Depreciation	15,749	3,836	(1,584)	18,001
Impairment loss	1,405	—	—	1,405
Capital expenditures	7,381	6,086	(793)	12,674

(1) Sales and operating income:

Thousands of U.S. Dollars				
<b>2009</b>				
	Advertising	Other Business	Eliminations/ Corporate	Consolidated
Sales to customers	\$18,326,520	\$ 885,232	—	\$19,211,753
Intersegment sales	9,635	268,950	\$(278,585)	—
Total sales	18,336,156	1,154,182	(278,585)	19,211,753
Operating expenses	17,990,801	1,096,835	(315,509)	18,772,127
Operating income	\$ 345,355	\$ 57,346	\$ 36,923	\$ 439,625

(2) Total assets, depreciation, impairment loss and capital expenditures:

Thousands of U.S. Dollars				
<b>2009</b>				
	Advertising	Other Business	Eliminations/ Corporate	Consolidated
Total assets	\$10,953,168	\$1,672,912	\$(1,503,778)	\$11,122,303
Depreciation	160,333	39,057	(16,134)	183,256
Impairment loss	14,305	—	—	14,305
Capital expenditures	75,142	61,959	(8,076)	129,024

## b. Geographical Segments

The geographical segments of the Company and its subsidiaries for the years ended March 31, 2009 and 2008 are summarized as follows:

Millions of Yen

2009				
	Japan	Others	Eliminations/ Corporate	Consolidated
Sales to customers	¥1,721,735	¥165,434	—	¥1,887,170
Interarea transfer	1,858	12,975	¥(14,834)	—
Total sales	1,723,594	178,410	(14,834)	1,887,170
Operating expenses	1,684,337	174,342	(14,693)	1,843,986
Operating income	¥ 39,257	¥ 4,067	¥ (141)	¥ 43,184
Total assets	¥ 942,751	¥152,844	¥ (3,051)	¥1,092,543

Thousands of U.S. Dollars

2009				
	Japan	Others	Eliminations/ Corporate	Consolidated
Sales to customers	\$17,527,596	\$1,684,156	—	\$19,211,753
Interarea transfer	18,924	132,095	\$(151,019)	—
Total sales	17,546,521	1,816,252	(151,019)	19,211,753
Operating expenses	17,146,870	1,774,839	(149,582)	18,772,127
Operating income	\$ 399,650	\$ 41,412	\$ (1,437)	\$ 439,625
Total assets	\$ 9,597,385	\$1,555,986	\$ (31,068)	\$11,122,303

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

Millions of Yen

2008				
	Japan	Others	Eliminations/ Corporate	Consolidated
Sales to customers	¥1,875,598	¥181,955	—	¥2,057,554
Interarea transfer	1,991	14,751	¥(16,742)	—
Total sales	1,877,590	196,706	(16,742)	2,057,554
Operating expenses	1,821,785	196,453	(16,811)	2,001,427
Operating income	¥ 55,804	¥ 253	¥ 68	¥ 56,126
Total assets	¥1,043,948	¥213,841	¥ (5,876)	¥1,251,912

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

## c. Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2009 and 2008 amounted to ¥164,972 million (\$1,679,449 thousand) and ¥185,632 million, respectively.

## 20. SUBSEQUENT EVENTS

### a. Appropriation of Retained Earnings

The Board of Directors have proposed the following appropriation of retained earnings at March 31, 2009, which was subject to approval at the Company's shareholders' meeting to be held on June 26, 2009:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥15 (\$0.15) per share	<b>¥3,723</b>	<b>\$37,904</b>

### b. Acquisition of All Shares of cyber communications inc.

On May 21, 2009, the Company decided to acquire all shares of cyber communications inc. ("cci") by way of a share exchange under Article 796, clause 3 of Companies Act. As a result, cci will become a wholly owned subsidiary.

#### (1) Purpose of the Share Exchange

Advertising techniques that make full use of the Internet have become highly developed and have become more efficient at a rapid pace, and many new marketing approaches that connect users to companies, and further, users to other users, have been developed. The Internet, at the same time, has been placed at the heart of the cross media marketing. The Internet combines with other various advertising media. The importance of the Internet for the marketing activities of companies has developed at a rapid pace.

In those situations, for the future growth strategy of the Group including cci and to reorganize the field of digital business of the group, the Company has decided to acquire cci.

#### (2) Share exchange ratio

The Company will deliver 23.62 shares of common stock of the Company in exchange for each one (1) share of common stock of cci; provided, however, that the Company shall not allot any shares through the Share Exchange with respect to shares of common stock of cci held by the Company (445,709 shares at May 21, 2009).

The Company will deliver treasury stock for all common shares to be allocated, instead of the issuance of new shares.

#### (3) Expected date of share exchange

July 31, 2009