



To Our Shareholders

The advertising industry has entered a new era, and the Dentsu Group has embraced this as an opportunity to reestablish itself. President and CEO Tatsuyoshi Takashima discusses the Group's performance and business direction in the following interview.

Q: Please summarize the Group's results for fiscal 2008, ended March 31, 2009.

A: Economic conditions in Japan during fiscal 2008 suffered from the rapid worsening of the global economy in late 2008, which was triggered by the financial crisis in the United States resulting in further serious conditions in both the corporate and household sectors.

For the advertising industry, the operating environment remained extremely difficult and was characterized by unprecedented challenges.

Amid these unfavorable circumstances, the Dentsu Group worked aggressively to develop its business activities, drawing on the strengths of each company under its umbrella to turn opportunities provided by major events, particularly the Beijing 2008 Olympic Games, into avenues for growth.

However, our concerted efforts did not produce the desired results for fiscal 2008. On a consolidated basis, net sales retreated 8.3%, to ¥1,887,170 million. Gross profit dropped 8.9%, to ¥314,474 million. Operating income tumbled 23.1%, to ¥43,184 million. The Group's results were also affected by the booking of a valuation loss on investment securities of ¥51,116 million as an impairment loss. In the end, the Group succumbed to a net loss of ¥20,453 million, a significant reversal from ¥36,246 million in net income in fiscal 2007.

Q: What are the issues that the Group must address on the road to growth?

A: The marketing needs of corporate clients in the advertising industry have become increasingly sophisticated and complex. Naturally, advertising companies are expected to provide solutions that properly address these needs.

The Dentsu Group's strength is found in its ability to deliver solutions that integrate consulting capabilities—which help clients to resolve management and business issues—and a broad range of specialized communication services, covering everything from planning to implementation. We seek to maximize this strength and thereby reinforce our position as an enterprising provider of solutions, designing and executing clear-cut approaches to the issues our clients have to contend with.

To this end, we will strategically channel our energy into the three areas of “solutions,” “digital” and “global,” to sharpen our competitive edge and facilitate quick responses to the rapid transformation of our operating environment.

Tatsuyoshi Takashima
President & CEO

T. Takashima



Q: How does the Group's new corporate philosophy promote growth?

A: In January 2009, the Group embraced a new corporate philosophy "Good Innovation." This philosophy embodies our determination to be an active participant in building a better future for society as a whole because, given the dramatic change in our operating landscape and the expanding and evolving scope of our business activities, simple technological innovation is no longer sufficient. We must bring about new value through innovative ideas and be a business group that can help create a brighter, happier future for society.

Our actions are always guided by thoughts of how we can contribute to society. With the trust and high regard of all stakeholders, from shareholders to consumers, we will strive to fulfill our responsibility as a member of society and as a group seeking to maximize corporate value.

Q: What are the targets of Dentsu Innovation 2013, the new medium-term management plan?

A: We are aiming for a consolidated operating income of ¥70 billion, an operating margin of 20% or higher, and return on equity of 8%, by fiscal 2013, ending March 31, 2014.

We are unlikely to see major growth in Japan's advertising market as we move forward. Given this grim prognosis, we will strive to achieve business targets by embracing a new profit structure, work patterns and business model and by fostering a new awareness among all employees under the Group umbrella with respect to client solutions.

Q: And what is the outlook for business performance in fiscal 2009?

A: Several big events in fiscal 2009, ending March 31, 2010, include the "12th IAAF World Championships in Athletics, *berlin 2009*™," and Japan's 45th general election for members of the House of Representatives. Despite the potential for increased advertising that usually accompanies such headline-making events, the harsh operating environment will probably put a damper on spending.

This will almost certainly hurt our business results. We anticipate a 14.7% drop in consolidated net sales, to ¥1,610.6 billion. Operating income could tumble 55.1%, to ¥19.4 billion. Nevertheless, we expect our bottom line to return to the black, with a net income of ¥16.4 billion, compared with the fiscal 2008 net loss of ¥20.4 billion*.

* Consolidated earnings forecast is based on November 6, 2009 estimates.