

# Financial Summary for the First Quarter of FY2006

(From April 1, 2006 to June 30, 2006)

August 21, 2006  
Dentsu Inc.

## Cautionary Statement

**This document contains forward-looking statements regarding the intent, belief or current expectations of Dentsu Inc. or its management with respect to the results of operations and financial condition of the Dentsu Group.**

**Such forward-looking statements, based on information known to the management as of August 21, 2006, are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors.**

**Unless otherwise stated, the following discussion is based on the Dentsu Group's consolidated financial statements prepared in accordance with Generally Accepted Accounting Principles in Japan.**

# Consolidated Results

# Consolidated Financial Results

(Millions of Yen)

	1Q FY2005	1Q FY2006	Change	Outlook for 1H of FY2006	Progress <sup>(1)</sup>
<b>Net sales</b>	455,470	484,798	+6.4%	1,027,773	47.2%
<b>Gross profit</b>	73,794	79,673	+8.0%	175,839	45.3%
Gross profit margin	16.2%	16.4%	+0.2 pts	17.1%	—
<b>SG&amp;A</b>	64,750	68,544	+5.9%	145,452	47.1%
<b>Operating income</b>	9,043	11,129	+23.1%	30,387	36.6%
Operating margin <sup>(2)</sup>	12.3%	14.0%	+1.7 pts	17.3%	—
<b>Ordinary income</b>	—	—	—	30,897	—
<b>Net income</b>	—	—	—	14,641	—

Notes: (1) The rate of progress compared with the outlook for the first half of FY2006 released on May 15, 2006.

(2) Operating margin = Operating Income ÷ Gross Profit × 100

# Consolidated Net Sales < 1 >

## Breakdown by Business Segment

	(Millions of Yen)	
	1Q FY2006	Change
<b>Advertising</b> ( 94.9% of total )	<b>466,265</b>	<b>+6.7%</b>
<b>Other business</b> ( 5.1% of total )	<b>24,923</b>	<b>+1.7%</b>
<b>Total</b>	<b>491,189</b>	<b>+6.4%</b>
<b>Eliminations</b>	<b>(6,390)</b>	<b>—</b>
<b>Net sales</b>	<b>484,798</b>	<b>+6.4%</b>

## Key Subsidiaries

	(Millions of Yen)	
	1Q FY2006	Change
<b>Advertising:</b>		
5 Regional Dentsu	<b>27,969</b>	<b>+0.6%</b>
DENTSU TEC *	<b>33,740</b>	<b>+14.0%</b>
cci *	<b>12,503</b>	<b>+47.7%</b>
<b>Other business:</b>		
ISID *	<b>12,845</b>	<b>+3.2%</b>

\* Consolidated basis

Notes: (1) Sales of companies are prior to eliminations.

(2) 5 Regional Dentsu includes Dentsu East Japan, Dentsu West Japan, Dentsu Kyushu, Dentsu Hokkaido and Dentsu Okinawa.

(3) 5 Regional Dentsu includes Dentsu EYE, which was merged with Dentsu East Japan, in the same period of previous fiscal year.

(4) 5 Regional Dentsu does not include Dentsu Okinawa, which became a newly consolidated subsidiary from 2H of FY2005, in the same period of previous fiscal year.

# Consolidated Net Sales < 2 >

## Breakdown by Geographic Segment

	(Millions of Yen)		
	1Q FY2006	Change	% of Total
The Americas	9,023	+20.9%	1.9%
Europe	3,035	-9.5%	0.6%
China	8,647	+17.4%	1.8%
Asia (excl. Japan, China)	9,412	+30.9%	1.9%
Eliminations	(36)	—	—
<b>Overseas Total</b>	<b>30,082</b>	<b>+19.8%</b>	<b>6.2%</b>
<b>Japan</b>	<b>456,460</b>	<b>+5.6%</b>	<b>93.8%</b>
<b>Total</b>	<b>486,543</b>	<b>—</b>	<b>100.0%</b>
<b>Eliminations</b>	<b>(1,744)</b>	<b>—</b>	<b>—</b>
<b>Consolidated Net sales</b>	<b>484,798</b>	<b>+6.4%</b>	<b>—</b>

Note: The Americas does not include South America, which became a newly consolidated subsidiary, in the same period of previous fiscal year.

# Consolidated Operating Income < 1 >

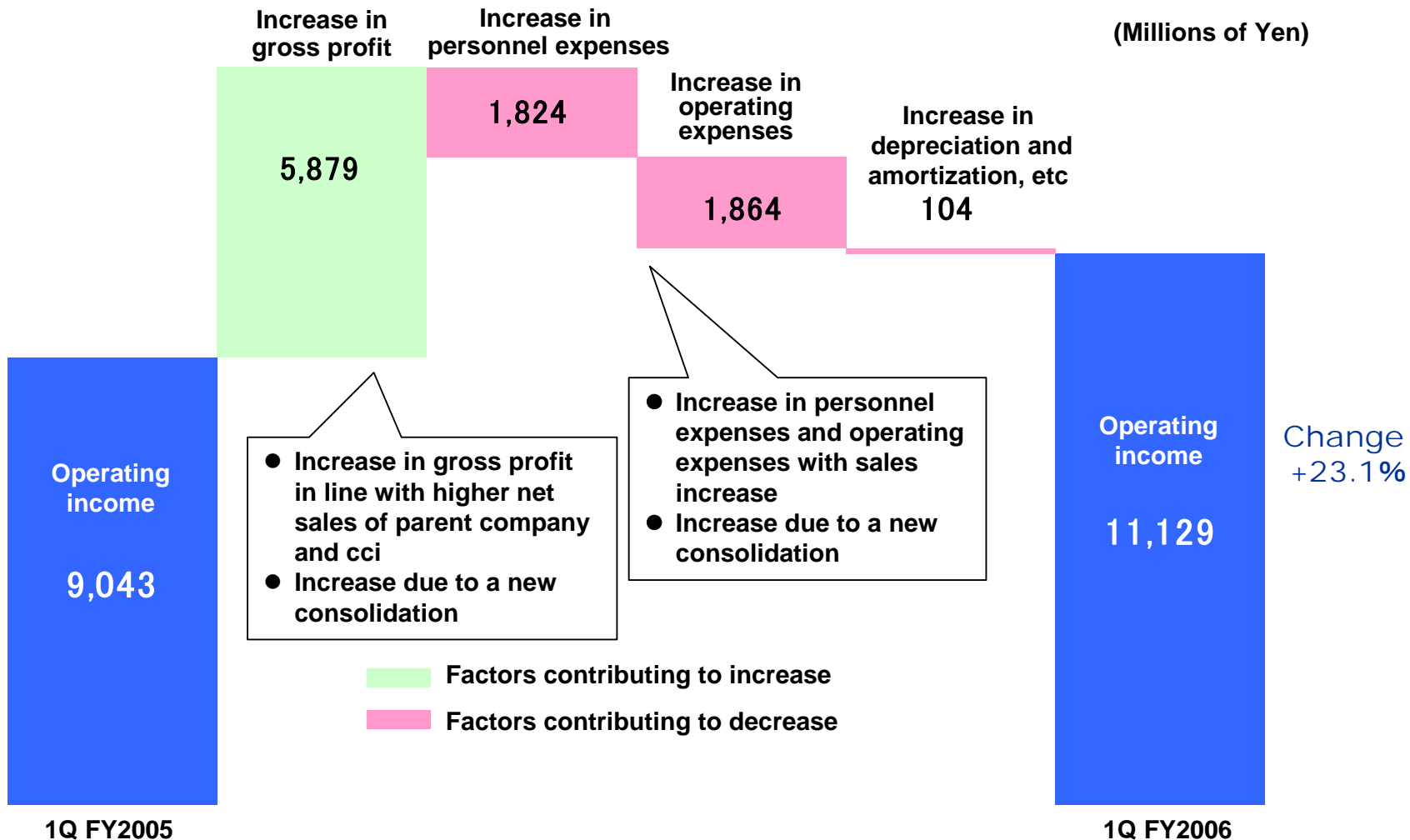
(Millions of Yen)

	1Q FY2005	1Q FY2006	Change	Progress *
<b>Gross profit</b>	73,794	79,673	+8.0%	45.3%
<b>Personnel expenses</b>	38,991	40,816	+4.7%	49.4%
<b>Salaries</b>	32,721	34,521	+5.5%	
<b>Others</b>	6,269	6,294	+0.4%	
<b>Operating expenses</b>	22,198	24,063	+8.4%	43.3%
Depreciation and amortization	3,559	3,664	+2.9%	50.3%
<b>SG&amp;A</b>	64,750	68,544	+5.9%	47.1%
<b>Operating income</b>	9,043	11,129	+23.1%	36.6%
<b>Operating margin</b>	12.3%	14.0%	+1.7 pts	—

Note: \* The rate of progress compared with the outlook for the first half of FY2006 released on May 15, 2006.

# Consolidated Operating Income < 2 >

**Low SG&A Increase Rate against Gross Profit Growth,  
Operating Income Increased 23.1% Y/Y**



# Non-Consolidated Results

# Non-Consolidated Financial Results

(Millions of Yen)

	1Q FY2005	1Q FY2006	Change	Outlook for 1H of FY2006	Progress *
<b>Net sales</b>	<b>376,521</b>	<b>395,765</b>	<b>+5.1%</b>	<b>785,621</b>	<b>50.4%</b>
<b>Gross profit</b>	<b>50,963</b>	<b>54,673</b>	<b>+7.3%</b>	<b>107,200</b>	<b>51.0%</b>
Gross profit margin	13.5%	13.8%	+0.3 pts	13.6%	—
<b>SG&amp;A</b>	<b>42,788</b>	<b>43,243</b>	<b>+1.1%</b>	<b>89,332</b>	<b>48.4%</b>
<b>Operating income</b>	<b>8,174</b>	<b>11,430</b>	<b>+39.8%</b>	<b>17,867</b>	<b>64.0%</b>
Operating margin <sup>(2)</sup>	16.0%	20.9%	+4.9 pts	16.7%	—
<b>Ordinary income</b>	<b>12,580</b>	<b>17,373</b>	<b>+38.1%</b>	<b>22,734</b>	<b>76.4%</b>
<b>Net income</b>	<b>7,406</b>	<b>10,425</b>	<b>+40.8%</b>	<b>13,659</b>	<b>76.3%</b>

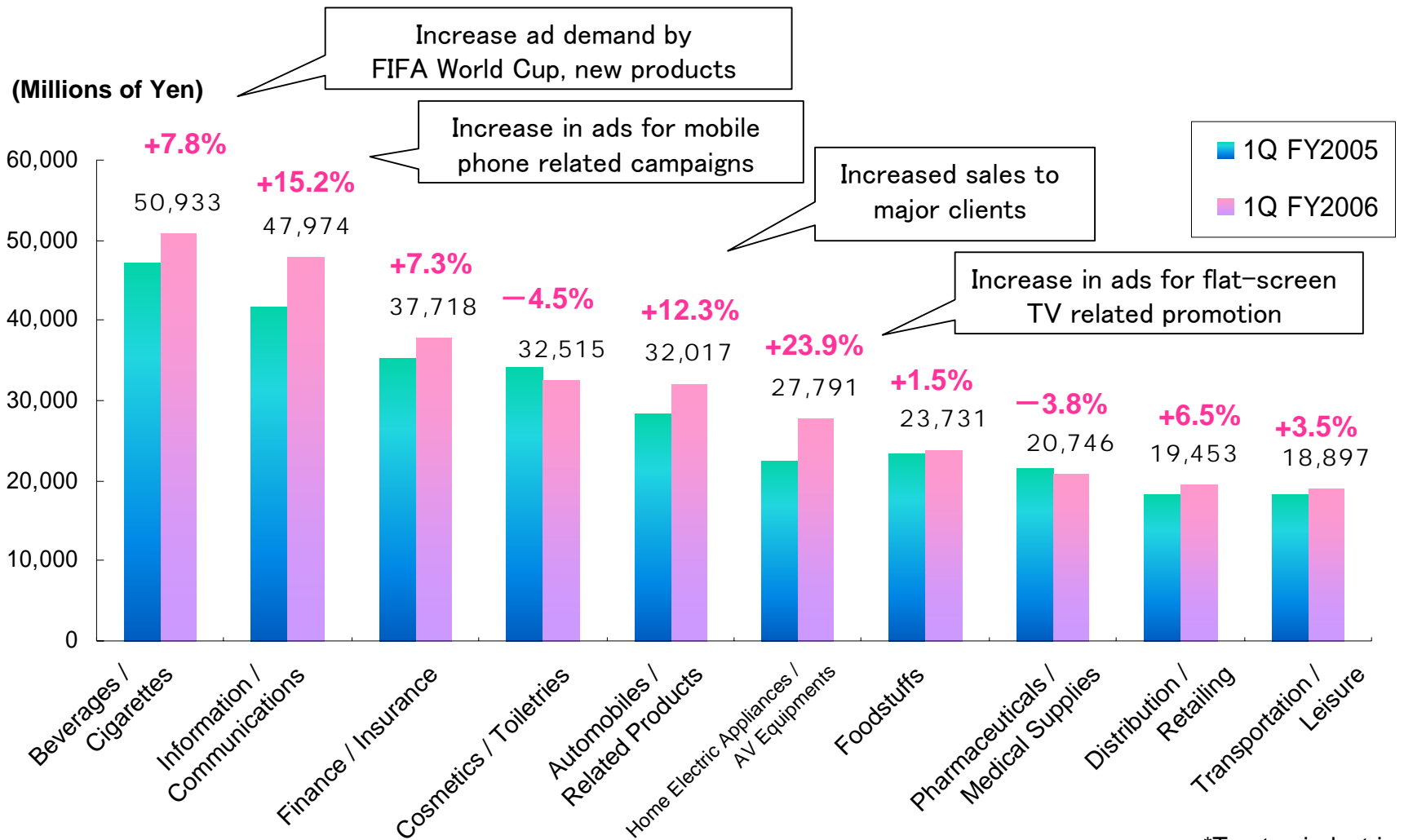
Note: \* The rate of progress compared with the outlook for the first half of FY2006 released on May 15, 2006.

# Non-Consolidated Net Sales by Business Category

(Millions of Yen)

Business Category	1Q FY2005	1Q FY2006	Change	% of Total
Newspapers	45,047	47,927	+6.4%	12.1%
Magazines	16,865	17,880	+6.0%	4.5%
Radio	6,392	6,394	+0.0%	1.6%
Television	195,647	199,053	+1.7%	50.3%
Time	82,865	89,114	+7.5%	22.5%
Spot	112,781	109,939	-2.5%	27.8%
Interactive Media	3,910	6,134	+56.9%	1.6%
OOH Media	10,024	9,988	-0.4%	2.5%
Creative	38,595	43,668	+13.1%	11.0%
Marketing / Promotion	34,028	37,022	+8.8%	9.4%
Content Services	20,214	21,754	+7.6%	5.5%
Others	5,795	5,941	+2.5%	1.5%
<b>Total</b>	<b>376,521</b>	<b>395,765</b>	<b>+5.1%</b>	<b>100.0%</b>

# Non-Consolidated Net Sales by industry



\*Top ten industries

# Non-Consolidated Operating Income

(Millions of Yen)

	1Q FY2005	1Q FY2006	Change	Progress *
<b>Gross profit</b>	50,963	54,673	+7.3%	51.0%
<b>Personnel expenses</b>	26,405	26,736	+1.3%	50.0%
<b>Salaries</b>	21,759	22,259	+2.3%	
<b>Others</b>	4,645	4,476	-3.6%	
<b>Operating expenses</b>	13,342	13,615	+2.0%	45.4%
Depreciation and amortization	3,041	2,891	-4.9%	49.6%
<b>SG&amp;A</b>	42,788	43,243	+1.1%	48.4%
<b>Operating income</b>	8,174	11,430	+39.8%	64.0%
<b>Operating margin</b>	16.0%	20.9%	+4.9 pts	—

Note: \* The rate of progress compared with the outlook for the first half of FY2006 released on May 15, 2006.

# Non-Consolidated Ordinary Income and Net Income

(Millions of Yen)

	1Q FY2005	1Q FY2006	Change	Progress *
<b>Operating income</b>	8,174	11,430	+39.8%	64.0%
Other income	4,985	6,557	+31.5%	
Other expenses	579	613	+6.0%	
Net other income	4,405	5,943	+34.9%	
<b>Ordinary income</b>	12,580	17,373	+38.1%	76.4%
Extraordinary income	155	940	+503.5%	
Extraordinary loss	412	948	+130.0%	
Net extraordinary income ( loss )	(256)	(8)	—	
<b>Income before income taxes</b>	12,323	17,365	+40.9%	76.4%
<b>Net income</b>	7,406	10,425	+40.8%	76.3%

Note: \* The rate of progress compared with the outlook for the first half of FY2006 released on May 15, 2006.