

NEWS RELEASE**FOR IMMEDIATE RELEASE****May 17, 2004**

Dentsu Reports Financial Results for Fiscal Year Ended March 31, 2004

*— Billings (Net Sales) of 1,749.1 Billion Yen, Ordinary Income of 47.1 Billion Yen
and Net Income of 30.8 Billion Yen —*

Dentsu Inc. (President: Tateo Mataki; Head Office: Tokyo; Capital: 58,967.1 million yen) held a meeting of the Board of Directors on May 17 at its Tokyo Head Office to close the accounts (consolidated and non-consolidated) for its fiscal 03/04 term (ended March 31, 2004).

The Japanese economy moved toward recovery in fiscal 03/04 as stock prices rose, and prospects for the Asian and U.S. economies brightened. The gross domestic product has also been forecast to post a gain in nominal growth rate of 0.1% from the previous year (government estimate as of January 19, 2004), which would mark its first rise in three years.

In the advertising industry, advertising expenditures in the four major media were up sharply in several industry categories such as Home Electric Appliances/AV Equipment, boosted by strong demand for digital home electric appliances, and Information/Communications, which benefited from the brisk expansion of broadband-related services. Nevertheless, Dentsu estimates that gross advertising expenditures in Japan for the 2003 calendar year totaled 5,684.1 billion yen, representing a slight decline of 0.3% from the previous year. This was the third consecutive year of decline.

In this operating environment, the Dentsu Group actively pursued a wide range of marketing and business activities as it continued its efforts to become a “True Communications Partner in Creating New Value” for its clients, the media and consumers. As a result, Dentsu posted consolidated billings of 1,749.1 billion yen, an increase of 3.3%; gross profit of 294.0 billion yen, an increase of 2.9%; operating income of 46.6 billion yen, a 0.7% decline; ordinary income of 47.1 billion yen, an increase of 4.0%; and net income of 30.8 billion yen, an increase of 34.5%.

The gain on return of substitutional portion of employees’ pension fund, which amounted to 12.7 billion yen, contributed the overall total for extraordinary income. As a result, net income for the year was the second highest in Dentsu’s history, following only that recorded in fiscal year ended March 31, 2001.

Non-consolidated results for Dentsu in fiscal 03/04 included billings of 1,402.5 billion yen, an increase of 2.5% year on year; gross profit of 201.9 billion yen, a 0.5% decline; operating income of 34.9 billion yen, a 13.7% decline; ordinary income of 40.2 billion yen, a

2.9% decline; and net income of 29.9 billion yen, a gain of 29.5%. This year's results for non-consolidated net income represent the highest figure in the Company's history.

Outlook

The Japanese economy is expected to continue to experience a moderate recovery during the coming year, supported primarily by private demand. The Japan Center for Economic Research estimates that the nation's gross advertising expenditures for the 2004/4 to 2005/3 term will increase by 2.8% over the previous year, indicating that spending on advertising is about to enter a new phase of growth (as of March, 2004).

The Dentsu Group will aim to improve its profitability by working actively to further increase its share of the domestic advertising market, by developing new peripheral markets in areas related to advertising, and by expanding its business in new markets and overseas markets.

Accordingly, in its consolidated results for the next fiscal year Dentsu expects to post billings of 1,857.9 billion yen, a gain of 6.2%; ordinary income of 48.0 billion yen, a gain of 2.0%; and net income of 23.5 billion yen, a decline of 23.6%.

On a non-consolidated basis, Dentsu forecasts billings of 1,484.3 billion yen, a 5.8% increase; ordinary income of 40.8 billion yen, an increase of 1.6%; and net income of 22.9 billion yen, a decline of 23.2%.

The consolidated income reported above does not take into account the amortization of goodwill resulting from the acquisition of Publicis Groupe S.A. shares, or Dentsu's share of net income derived from Publicis Groupe S.A., which is an affiliated company under the equity method.

Note: Cautionary statement with respect to forward-looking statements

The forecast for consolidated business results has been compiled based on the analysis of the relevant information available at this point in time, and contains potential risks and uncertainties. Therefore, the Company's actual financial results could differ from the forecast due to changes in various factors.

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Financial Results for Fiscal Year Ended March 31, 2004 (Consolidated)

April 1, 2003–March 31, 2004

Dentsu Inc.

• **Term Results:** Amounts are indicated with figures below 1 million yen omitted.

(1) Balance-Sheet Summary

Years ended March 31	(Millions of yen; percent)			
Item	2004	Consolidated results/ non-consolidated results (times)	2003	Rate of increase (indicates decrease)
Assets				
Current assets	601,821	(1.20)	583,104	3.2
Fixed assets	587,272	(1.03)	604,196	2.8
Total assets	1,189,094	(1.11)	1,187,300	0.2
Liabilities				
Current liabilities	494,418	(1.07)	488,837	1.1
Long-term liabilities	200,035	(1.10)	232,992	14.1
Total liabilities	694,454	(1.08)	721,829	3.8
Minority interest	25,018	—	23,376	7.0
Stockholders' equity				
Common stock	58,967	(1.00)	58,967	—
Capital surplus	55,358	(1.00)	55,358	—
Retained earnings	356,109	(1.16)	329,263	8.2
Land revaluation account	6,686	(1.00)	4,004	67.0
Other securities valuation differences	14,622	(1.01)	5,592	161.5
Foreign currency translation adjustments	6,680	—	303	—
Treasury stock	15,442	(1.00)	11,396	35.5
Total stockholders' equity	469,621	(1.10)	442,093	6.2
Total liabilities, minority interest and stockholders' equity	1,189,094	(1.11)	1,187,300	0.2

(2) Income Statement Summary

Years ended March 31

(Millions of yen; percent)

Item	2004	Consolidated results/ non-consolidated results (times)	2003	Rate of increase ((indicates decrease)
Net sales (billings)	1,749,110	(1.25)	1,692,947	3.3
Gross profit	294,044	(1.46)	285,815	2.9
Operating income	46,687	(1.33)	46,999	0.7
Other income	4,576	(0.52)	3,500	30.7
Other expense	4,123	(1.15)	5,187	20.5
Ordinary income	47,140	(1.17)	45,312	4.0
Extraordinary income	19,149	(1.08)	36,946	48.2
Extraordinary loss	7,526	(1.11)	32,190	76.6
Income before income taxes and minority interests	58,763	(1.15)	50,068	17.4
Net income	30,881	(1.03)	22,963	34.5

(3) Breakdown of Consolidated Cash Flow Statement Summary

Years ended March 31

(Millions of yen; indicates decrease)

Item	2004	2003
Net cash provided by (used in) operating activities	35,829	3,916
Net cash provided by (used in) investing activities	9,881	80,122
Net cash provided by (used in) financing activities	51,508	81,554
Effect of exchange rate changes on cash and cash equivalents	1,060	1,170
Net decrease in cash and cash equivalents	6,857	3,655
Cash and cash equivalents at beginning of year	68,139	67,690
Net increase in cash and cash equivalents due to change of consolidated subsidiaries	1,102	4,241
Net decrease in cash and cash equivalents due to corporate separation	—	136
Cash and cash equivalents at end of year	62,384	68,139

Financial Results for Fiscal Year Ended March 31, 2004 (Non-Consolidated)

April 1, 2003–March 31, 2004

Dentsu Inc.

• **Term Results:** Amounts are indicated with figures below 1 million yen omitted.

(1) Balance-Sheet Summary

Years ended March 31

(Millions of yen; percent)

Item	2004	2003	Rate of increase ((indicates decrease)
Assets			
Current assets	501,299	473,964	5.8
Fixed assets	568,441	581,461	2.2
Total assets	1,069,741	1,055,426	1.4
Liabilities			
Current liabilities	461,044	447,976	2.9
Long-term liabilities	182,300	214,552	15.0
Total liabilities	643,344	662,528	2.9
Stockholders' equity			
Common stock	58,967	58,967	—
Capital surplus	55,358	55,358	—
Retained earnings	306,359	280,505	9.2
Land revaluation account	6,686	4,004	67.0
Other securities valuation differences	14,466	5,457	165.1
Treasury stock	15,442	11,396	35.5
Total stockholders' equity	426,396	392,897	8.5
Total liabilities and stockholders' equity	1,069,741	1,055,426	1.4

(2) Income Statement Summary

Years ended March 31

(Millions of yen; percent)

Item	2004	2003	Rate of increase (indicates decrease)
Net sales (billings)	1,402,533	1,367,658	2.5
Gross profit	201,941	202,964	0.5
Operating income	34,975	40,513	13.7
Other income	8,871	5,288	67.7
Other expense	3,596	4,336	17.1
Ordinary income	40,249	41,465	2.9
Extraordinary income	17,676	36,469	51.5
Extraordinary loss	6,770	33,846	80.0
Income before income taxes	51,155	44,088	16.0
Net income	29,924	23,116	29.5

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