



EQUAL TO THE CHALLENGE

The IT revolution is forcing corporations to think harder and deeper about future trends and market developments, and foster the determination to act on these changes to realize profound self-transformation —NTT DATA CORPORATION is no exception.

ANNUAL REPORT 2003

Fiscal Year Ended 31st March, 2003

LONG-TERM STRATEGIC VIEW

- 4/95 Increased capital to ¥17,010 million through the public offering of 20,000 new shares and listed on the Second Section of the Tokyo Stock Exchange.
- 2/96 Conducted Global offering (27,000 shares offered in Japan and 6,000 shares overseas) and increased capital to ¥67,335 million.

Consolidated Financial Highlights

Years ended 31st March

For the Year:

Net Sales
Operating Income
Income (Loss) before Income Taxes
Net Income (Loss)
New Orders Received
Capital Expenditures
Depreciation and Amortization/Loss on Disposal of Property and Equipment and Intangibles
Research and Development Expenses
Free Cash Flow

At Year-End:

Total Assets
Total Shareholders' Equity
Interest-Bearing Debt

Per Share:

Net Income (Loss)
Cash Dividends

Number of Employees

1995

1996

1997

¥479,939	¥562,227	¥611,603
43,866	55,411	51,862
20,647	25,898	34,355
7,122	11,671	14,241
—	—	—
—	—	—
—	—	—
12,354	14,391	14,783
—	—	—
723,968	814,046	854,386
49,408	181,397	192,816
507,362	460,181	479,840

¥ 3,518	¥ 5,175	¥ 5,589
5,000	10,000	10,000

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Note: Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March, 2003, of ¥120=U.S.\$1.

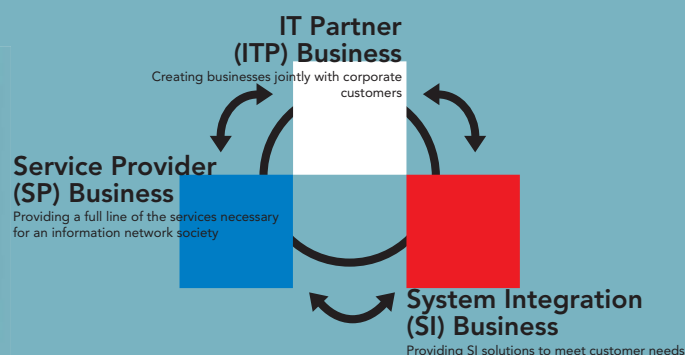
1995

1996

1997

- 6/96 Changed English Name from NTT DATA Communications Systems Corporation to NTT DATA CORPORATION.
- 9/96 Listed on the First Section of the Tokyo Stock Exchange.

Business Value Chain



- 7/99 Awarded ISO14001 certification.
- 8/01 Expanded ISO9001 certification to additional company site.
- 9/01 Awarded BS7799 certification.

1998	Millions of yen		2000	2001	2002	2003	Thousands of U.S. dollars
1998	1999	2000	2001	2002	2003	2003	2003
¥676,581	¥ 710,152	¥ 725,348	¥ 801,045	¥ 801,967	¥ 832,109	\$6,934,242	
54,197	56,833	50,738	58,778	59,446	61,544	512,867	
34,275	37,747	(29,177)	46,083	47,163	50,933	424,442	
15,612	16,313	(18,114)	24,452	26,410	28,562	238,017	
—	—	714,882	779,418	845,400	843,571	7,029,758	
—	—	210,375	163,655	170,577	171,017	1,425,142	
—	—	152,525	152,212	153,764	161,428	1,345,233	
15,874	14,042	22,684	17,957	19,074	18,224	151,867	
—	—	(23,763)	17,702	(1,776)	67,180	559,834	
900,693	1,002,805	1,071,653	1,086,437	1,113,777	1,118,401	9,320,008	
205,799	369,244	363,758	388,537	412,966	435,715	3,630,958	
502,797	431,612	451,859	430,380	426,819	370,703	3,089,192	
Yen							U.S. dollars
¥ 6,119	¥ 5,859	¥ (6,499)	¥ 8,680	¥ 9,382	¥ 10,152	\$ 84.60	
10,000	1,000	1,000	1,000	1,000	2,000	16.67	
—	—	10,500	12,843	14,651	15,971	—	

- 5/98 Conducted Global offering (16,500 shares offered in Japan and 11,000 shares overseas) and increased capital to ¥142,520 million.
- 8/98 Exchanged every shares with ¥50,000 face value for 10 shares with ¥5,000 face value.
- 8/98 Changed name from NTT DATA Communications Systems Corporation to NTT DATA CORPORATION.
- 9/98 Established Beijing NTT DATA Systems Integration Co., Ltd.
- 12/98 Awarded ISO9001 certification.
- 3/99 Established NTT DATA (CHINA) CO., LTD.

- 4/00 Established NTT DATA INTERNATIONAL L.L.C.
- 5/00 Announced Strategies and "Business Value Chain."
- 8/00 Expanded ISO14001 certification to additional company sites.

- 4/02 Announced Structural reforms and launched Business Unit System.
- 8/02 Established NTT DATA WAVE CORPORATION
- 1/03 Acquired control of SANYO Electric Software and changed its name to NTT DATA SANYO SYSTEM CORPORATION.

NTT DATA has proactively reengineered its business models to stay on top of the relentless advance of information technologies and broadband networks of recent years. Progress today, however, is shifting the focus of change from volume to quality. Anticipating this shift, NTT DATA has unveiled new businesses such as the IT Partner Business and enhanced the competitiveness of its SI services, which give full play to the company's key advantages — its neutrality, technologies and trust, and foresight. These actions position NTT DATA at the vanguard of the IT services sector.

RISING ABOVE CHALLENGES

Under the banner of "Insight for the New Paradigm," NTT DATA will supply diverse IT services that offer customers greater value by anticipating and responding adroitly and accurately to their needs, market dynamics, and the latest trends in technologies and services.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements concerning NTT DATA's future plans, strategies, and performance. These forward-looking statements are not historical facts; rather, they represent assumptions and beliefs based on economic, financial, and competitive data currently available. Forward-looking statements include information preceded by, followed by, or that include the words "predicts," "expects," "anticipates," "could," "may," or similar expressions. Furthermore, they are subject to a number of risks and uncertainties that, without limitation, relate to economic conditions, fierce competition in the information service industry, customer demand, tax rules, regulations, and other factors. Readers of this annual report are cautioned not to place undue reliance on these forward-looking statements. NTT DATA therefore wishes to caution readers that actual results may differ materially from its expectations.

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NTT DATA is poised to transform its business cycle. In the past, we searched for seeds of new businesses. Now we are placing greater emphasis on transforming frontline customer needs into viable businesses.

● ● ● A NEW MANAGEMENT TEAM READY TO BUILD ON THE BENEFITS OF STRUCTURAL REFORMS

In fiscal 2003, ended 31st March, 2003, the NTT DATA Group's sales and earnings continued to grow, even under difficult economic conditions. Consolidated net sales were ¥832.1 billion and new orders received were ¥843.6 billion. Operating income was ¥61.5 billion, and net income was ¥28.6 billion, maintaining sales and earnings growth with record-high earnings. NTT DATA paid an annual dividend of ¥2,000 per share for fiscal 2003, twice the previous fiscal year's level, as part of efforts to consistently return profits to shareholders. This included commemorative dividends marking the Company's 15th anniversary.

In these times of steady growth, I'm honored to have been appointed the new president of NTT DATA at the General Meeting of Shareholders held on 24th June, 2003 and at a Board of Directors meeting held on the same day. My association with NTT DATA dates back to its establishment. I have experience in all of NTT DATA's business domains, including the public administration, financial and industrial sectors, and have played a part in making the System Integration (SI) business more competitive, specifically in technology development and by cutting costs. Building on the successes of past structural and business model reforms, your new management team aims to expand earnings by further invigorating NTT DATA. Our actions will be guided by the recognition that customers and a strong commitment to growth fields are the starting points for growth. And we will transform the NTT DATA Group into an organization where the will of management makes a difference.

● ● ● TRANSFORMING PERCEPTIONS OF NTT DATA

Since its establishment, NTT DATA has maintained consistent growth by leveraging its core competencies — its neutrality, technologies, trust, and foresight. But during these years of steady growth, it is important that we define new challenges and look to the future. The key to accomplishing this is by taking a fresh look at NTT DATA from the viewpoint of investors and other outside observers. That's why ever since I was named senior executive vice president, I have opened a dialogue with customers and investors to ascertain their impression of the Company — and their expectations.

NTT DATA's net sales in its first year of operations were approximately ¥300.0 billion. Fifteen years later, they are more than 2.5 times higher, a phenomenal pace of growth by anybody's standards. This feat has been made possible by the enterprising spirit shared by all employees and the allocation of resources to fields where we are most at home, such as large-scale systems for the public sector and financial services. While we have consistently grown throughout our history, our continued success will depend crucially on making a strong commitment to setting and achieving clear goals and leveraging our strengths.

I believe that revitalizing our organization is vitally important to meeting the expectations of customers and investors. This will entail shedding the mindset of a large organization and reaffirming our founding spirit, as well as the willingness to rebuild NTT DATA from the bottom up. Above all, reaffirming a customer-centric ethic is the key to revitalizing our organization.

● ● ● CHANGING OUR BUSINESS CYCLE FROM "SEEDS" TO "NEEDS"

As more IT is woven into the fabric of society, it will no longer be feasible for companies to create all software and hardware in-house. Key to ensuring lasting growth will be the ability to combine the right software and hardware from the best sources to satisfy customer needs as quickly as possible. This is what I mean by a customer-centric ethic. It also represents one of NTT DATA's greatest competitive advantages. NTT DATA has extensive experience as a multi-vendor supplier of optimal information systems that combine hardware and software of all kinds. We have also gained extensive operational and technical expertise through the construction of public infrastructure systems grounded on insight into changes in society. Backed by these strengths, we are extremely well qualified to capitalize on the growing adoption of open information systems and satisfy customer needs. Maximizing these technological capabilities, it is also imperative that we strengthen our marketing skills and create a framework for detecting minute shifts in customer preferences. These actions will set the stage for higher growth in the years ahead. I want to change NTT DATA's cycle for developing new businesses, from finding and developing seeds for new businesses, a supply-side approach, to a "needs-driven approach" — one that transforms customer needs that arise in the course of their frontline operations into viable new businesses.

● ● ● TAKING ON THE CHALLENGE OF NEW BUSINESS DOMAINS

In addition to organizational reforms, NTT DATA will take on the challenge of entering new business domains in pursuit of new avenues of growth. There are many opportunities. For example, the technologies used in numerous enterprise systems constructed by NTT DATA for the public sector and financial services industry over the years will soon be available to the general public. One example is e-government and e-local government systems, which will soon provide greater convenience for the public and become a part of daily life. Another strategy for the future is to expand growth fields in the enterprise systems domain, which has expanded to currently represent approximately 30% of net sales. These growth fields include systems where software can be developed efficiently, such as software packages like ERP and common industry platforms. Targeted fields include biotechnology, ubiquitous computing, healthcare and digital content. However, to transform these promising opportunities into future engines of growth, NTT DATA must conduct research and

RESULTS AND MID-TERM GOALS		
<small>Years ended 31st March</small>		
<small>(Millions of Yen)</small>	2003	2006 <small>(Projected)</small>
New Orders Received	843,571	900,000
Net Sales	832,109	950,000
Operating Income	61,544	76,000
ROE (%)	6.7	8.0
Free Cash Flow	67,180	30,000

development activities that look forward several years into the future and make large investments in new businesses. In the short term, our earnings may drop temporarily, but focusing on the next several years is the path to sustained growth over the long term. I believe that risks assumed in accordance with sound fundamental strategies will ultimately produce the greatest returns for shareholders and other investors.

On April 1, 2002, NTT DATA adopted a flat business unit (BU) framework consisting of some 70 BUs. We switched from a vertical hierarchy based on markets to BUs serving specific customer categories and industries and BUs based on core competencies, which have specialties applicable to customers and industries of all kinds. Individual BUs constitute the basic unit of NTT DATA's business operations. In another step in this direction, in April 2003 we eliminated hierarchical business divisions to speed decision making and responsiveness to market developments. We will clarify the short- and long-term missions of individual BUs and will strengthen their respective core competencies to create future avenues of growth.

● ● ● A COMPANY WHERE THE WILL OF MANAGEMENT MAKES A DIFFERENCE

NTT DATA, with its activities centered on the SI business, is relatively independent of the rest of the NTT Group. This is a major advantage for NTT DATA, considering that Internet-driven IT advances are making it essential that companies speed up the pace of business. NTT DATA has established a Corporate Governance Committee to formulate a governance framework that facilitates fast and transparent management. Steps are also being taken to reinforce risk management. Furthermore, in line with the growing importance of social responsibility, NTT DATA has established an internal monitoring system that gives employees the opportunity to express their views to management. This system gathers information on internal affairs from employees from the perspective of corporate ethics. This step will ensure sound management and will foster greater trust in NTT DATA. Another step was the establishment of the Marketing and Business Strategy Planning Department to ensure proper evaluation of the viability of NTT DATA's businesses.

As I mentioned earlier, I want to transform NTT DATA into an organization where the will of management makes a difference in many ways. These include reviving our corporate culture, advancing customer-centric sales activities and facilitating fast and transparent management. I would also like to see the will of management make a difference in operating results and transform NTT DATA into a highly strategy-oriented organization. As NTT DATA's new president, I am committed to doing my very best to ensure that we reach these goals and increase our corporate value.

I ask for your continued support and understanding, as we work to ensure that our best years still lie ahead.

July 2003

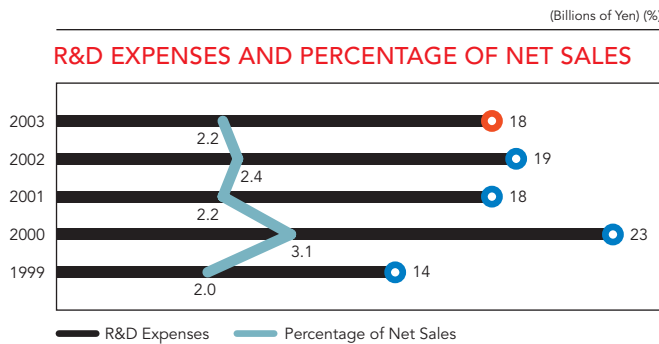


President and Chief Executive Officer Tomokazu Hamaguchi



THE GROWTH CHALLENGE

Information technology (IT) is offering society a whole host of new possibilities. These possibilities, however, must be transformed into viable businesses if they are to create value for society as a whole. That's why NTT DATA is working closely with a growing number of customers to rapidly launch new businesses that drive higher growth.



The primary goal of our R&D activities is to constantly create a steady stream of new business models and application technologies that fuse foresight with business. Our three R&D themes are to promote new businesses, make SI businesses more competitive and develop fundamental technologies for the future.

NEW BUSINESSES WITH GROWTH POTENTIAL

The potential for creating new value using IT lies hidden in numerous business fields. NTT DATA is moving fast to seize these opportunities. The IT Partner (ITP) Business is a business model that integrates NTT DATA's information technology and the operational expertise of its customers to generate innovative businesses. In fiscal 2003, ended March 31, 2003, NTT DATA established NTT DATA WAVE CORPORATION through the acquisition of a Japan Tobacco Inc. subsidiary, and acquired control of a SANYO Electric Co., Ltd. information systems subsidiary through an equity alliance. This gave us a foothold for expanding our business in the corporate sector. The ITP Business is extending its business model from joint ventures to include acquisitions. The ITP Business has been successful in creating partnerships that raise the corporate value of all partners, and is presenting opportunities for new alliances and expanding business further. Meanwhile, the Business Incubation Center and the Marketing and Business Strategy Planning Department which were formed in April 2002, are leading a drive to launch new business models such as common industry platforms in ubiquitous computing, traceability, digital content, healthcare and many other fields. The goal is to create new businesses over the medium to long term.

CORE COMPETENCIES TO DEVELOP APPLICATIONS FOR MULTIPLE INDUSTRIES

Pooling operating expertise and applying it across different client industries is the key to offering the benefits of IT to a broad spectrum of corporate customers. Prospects for growth are good in the field of enterprise systems. To meet emerging investment demand for the reconstruction of accounting systems and the strengthening of group-wide management across a wide range of industries, NTT DATA has established application-specific business units (BUs) in fiscal 2003 to expand sales of software products such as ERP and CRM packages. This has significantly

enhanced the repeatability of software use. NTT DATA is also seeking to optimize Group-wide resource allocation. One example is the "SCAW" business, a type of ERP software. This business was transferred to subsidiary NTT DATA SYSTEMS CORPORATION, where product development and sales were concentrated.

A BUSINESS MODEL THAT CREATES VALUE FOR CUSTOMERS

In the financial services sector, where major industry consolidation and realignment is largely complete, many clients are now seeking new ways to create new value. By participating in their value creation processes, NTT DATA is helping these client companies increase their corporate value. One example is an outsourcing business model based on shared systems that realize greater efficiency and lower costs. In fiscal 2003, this "Banking Center for Regional Banks" had eight participating banks, making it the largest shared system in Japan for regional banks. The "NTT DATA Insurance Enterprises Common Gateway," a shared IT infrastructure hub for the life and casualty insurance sectors, is contributing to the enhanced management of client companies and the growth of their operations.

A CHANGING NTT DATA ON THE MOVE

▶ Established NTT DATA WAVE CORPORATION

Established in August 2002, NTT DATA WAVE represents an ideal partnership between NTT DATA and Japan Tobacco. This venture gives NTT DATA the resources and expertise needed to construct systems for the manufacturing sector, while allowing Japan Tobacco to set its former information systems subsidiary on an independent growth track under a new framework.

▶ Formed equity alliance with SANYO Electric Software Co., Ltd.

NTT DATA SANYO SYSTEM began operations in January 2003. The new company combines SANYO Electric Software's expertise in building systems for the manufacturing sector and NTT DATA's leading-edge IT capabilities for further growth.

TO A HIGHER PLANE...

"cell computing" – REALIZING SUPERCOMPUTER-LEVEL CPU POWER

"cell computing" creates a virtual supercomputer by combining the processing power of multiple networked PCs. This technology is already producing significant results in large-scale trials in the field of structural genetic analysis and other areas. NTT DATA is sharpening its business incubation skills in this area to establish a range of new business models and start up new businesses.

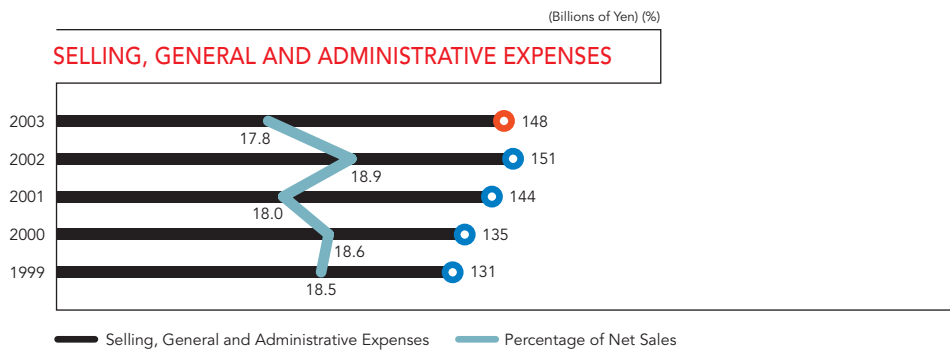
A BROADER LINEUP OF ERP SOFTWARE PACKAGES FOR CORPORATE CUSTOMERS

NTT DATA's software package business is steadily expanding at subsidiaries that have expertise in ERP software packages, such as SCAW and SAP, and at venture businesses such as NTT DATA INTRA-MART CORPORATION and NTT DATA POCKET Corporation.



THE PROFITABILITY CHALLENGE

NTT DATA is flexibly transforming its businesses to prepare for the next stage of growth. Structural reforms will see NTT DATA take on the challenge of raising the speed and efficiency of its operations. Implementing these reforms will transform NTT DATA into a more powerful organization.



NTT DATA is taking action to raise profitability further. Measures include raising the efficiency of software development by pooling operational and technical expertise throughout the Company, and establishing the Business Incubation Center to develop new businesses effectively.

FASTER OPERATIONS AND STRONGER MARKETING FUNCTIONS

In fiscal 2003, ended March 31, 2003, NTT DATA upgraded its enterprise management framework. The Company reorganized itself into a flattened structured organization consisting of 73 BUs. Individual BUs constitute the basic unit of NTT DATA's business operations and are individually responsible for advancing businesses. The new organization consists of three types of BUs: customer-specific BUs, which focus on existing large customers; industry-specific BUs; and application-specific BUs. NTT DATA quickly realigns these BUs and forms new units as needed while raising the speed of its operations. NTT DATA is strengthening the core competencies of individual BUs by concentrating their activities on selected areas of operating and technological expertise. This promotes greater cooperation among BUs across industries and businesses of all kinds, giving us the ability to provide an even broader range of services.

In April 2003, NTT DATA eliminated the vertical hierarchy of divisions, thereby strengthening the business unit system and facilitating greater cooperation among BUs. This has resulted in an organizational structure that is optimally suited to advancing new businesses that are better equipped to serve numerous client businesses and industries of all kinds. NTT DATA will continue to integrate specialized expertise into BUs to proactively develop new businesses.

RAISING EFFICIENCY AND EARNINGS IN THE SI BUSINESS

Structural reforms aimed at enhancing competitiveness in the SI business were directed at expanding business, improving profitability and reducing costs. Specific actions included the establishment of the SI Business Commit-

tee to examine measures to lower system development costs. NTT DATA is streamlining design methods and promoting outsourcing of software development overseas. Measures were also taken to tighten risk management. The project risk examination system "@RISK" was implemented to assess risks for each project and prevent project losses and preserve cost efficiency.

In April 2002, NTT DATA also established an IT Business Development Sector to raise software development efficiency by centralizing operating and technological expertise throughout the Company. These measures are leading to greater software profitability.

ENHANCING COMPETITIVENESS AND PROMOTING GREATER GROUP-WIDE EFFICIENCY

The NTT DATA Group aims to capture synergies among Group members, while ensuring that each Group company retains the autonomy needed to adapt to the distinctive characteristics of each business. In July 2003, to strengthen the competitiveness of SI business in regional areas, NTT DATA reorganized and concentrated regional software development at nine regional subsidiaries. Moreover, NTT DATA has consolidated all maintenance subsidiaries into a single entity to ensure an efficient and consistent one-stop systems maintenance and operations service.

NTT DATA has also expanded its group cash management system to include some 40 companies. Subsidiaries are given a performance-linked rating that determines the interest rate on internal loans from NTT DATA. This means that subsidiaries must improve their operating results to obtain loans at advantageous interest rates, providing additional incentive for these companies to run their businesses effectively. Our hope is that this will improve Group-wide profitability.

MOVING TO THE NEXT STAGE...

BOLSTERING REPEAT SI BUSINESS

The SI business is undergoing changes that include the adoption of open technologies and the expansion of enterprise systems. Sharing operational and technological expertise and promoting greater use of proprietary solutions will realize competitive pricing and bolster repeat SI business.

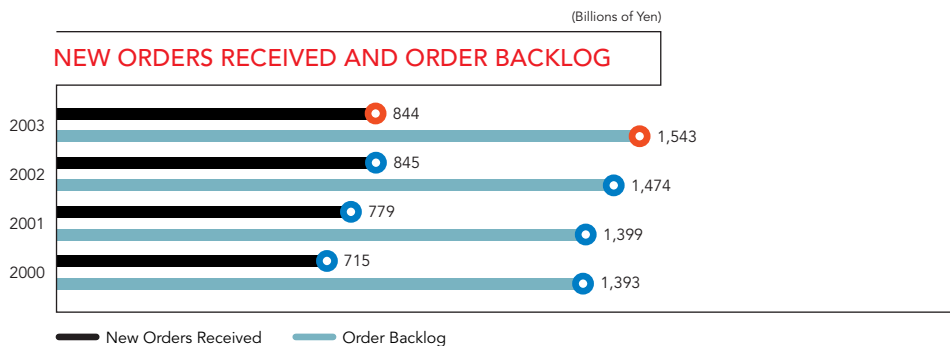
IMPROVING OUTSOURCING CONTRACTS AND COST EFFICIENCY

Measures to improve the cost-of-sales ratio are steadily yielding benefits in terms of screening, risk management and standardizing platforms. To achieve further cost efficiencies, we will work to streamline outsourcing expenses by increasing the number of contracts on a fixed-price contract basis.



THE VALUE CHALLENGE

NTT DATA's competitive advantages are its neutrality, technologies, trust and foresight. These are supported by an extensive track record in large-scale infrastructure systems. Maximizing these strengths to lead the way in public and private-sector infrastructure systems, NTT DATA will create further value for society.



Orders and new orders received remained steady. NTT DATA will keep a close eye on customer needs, technological trends, and shifts in its business environment to expand SI services for large and medium-sized systems. Creating new businesses will be another priority.

NEUTRALITY, TECHNOLOGIES, TRUST AND FORE-SIGHT WITH A STRONG INDUSTRY POSITION

NTT DATA has three primary competitive advantages: its neutrality, technologies and trust, and its foresight. Its neutrality derives from the construction of social infrastructure systems leveraging its position of being free of venter affiliation. Its technologies and trust are proven by the construction of large-scale systems for national government projects. And its foresight has guided efforts to establish cross-industry business platforms in line with customer needs and technological trends. NTT DATA is rapidly implementing numerous initiatives that are grounded on these competitive advantages. Amid a shifting industrial landscape, NTT DATA has taken the lead over its competitors to enter growth markets through alliances, adopt open systems and grow businesses that maximize competitive advantages to meet demand for Web-based systems. NTT DATA will continue to enhance its strengths, including its ability to sustain earnings growth and its strong position in growing business domains.

ESTABLISH ULTRA-LARGE SCALE OPEN SYSTEMS TO HELP EXPAND BUSINESS

NTT DATA and NEC Corporation jointly completed the construction of the i-mode Gateway System "CiRCUS" for NTT DoCoMo. This system provides e-mail (processes 25,000 e-mails per second), Web access and other services (processes 50,000 Web accesses per second) for more than 38 million users of i-mode mobile phones as of April 2003. "CiRCUS" is a large-scale mission critical system, that has been difficult to realize in operational form until now. In addition to its high performance, this system operates 24 hours, 365 days per year, and offers flexible scalability without service interruptions. This sophisticated system was made possible by the combination of NTT DATA's system integration skills, system

design technologies and project management expertise. The development of this system has reinforced these core competencies, making a significant contribution to expanding NTT DATA's business domains.

APPLYING EXPERIENCE IN BUILDING CROSS-INDUSTRY INFRASTRUCTURE SYSTEMS

NTT DATA developed the Multi-Payment Network to serve as a new nationwide cross-industry platform for settlement. This network enables companies and governments to collect due amounts with much greater efficiency, while improving convenience for customers. Bills are paid using ATMs, telephones, the Internet and other means, to link utilities, government agencies and other payment receiving organizations with financial institutions. The system began full scale operations in April 2002, and plans call for the expansions to include tax payments. The construction of the Multi-Payment Network has enhanced NTT DATA's expertise, and has paved the way for expanding new services to the corporate sector. This will make a significant contribution to advancing NTT DATA's management strategy.

AN EXPANDING RANGE OF ACTIVITIES

▶ NTT DATA Wins Order to Construct One of Japan's Largest IP Telephony Networks

The penetration of broadband technologies is sparking greater interest in IP telephones. NTT DATA received an order from Tokyo Gas Co., Ltd. to build one of Japan's largest IP telephony networks.

▶ Frontrunning Businesses Targeting the Merger of Local Governments

NTT DATA received an order to integrate the information systems of the neighboring cities of Shizuoka and Shimizu. The merger of these two cities in April 2003 was one of the first to take place under the Municipal Mergers Law. The launch of services has given NTT DATA a new foothold in businesses targeting the merger of local governments, forming a strong foundation for future initiatives.

AND FOR THE COMING GENERATION...

E-LOCAL GOVERNMENT ACTIVITIES

NTT DATA is promoting standardization and data sharing for the 3,200 local governments in 47 prefectures throughout Japan to construct a form of e-local government based on shared use. By fusing its expertise gained through the participation in trials and its own technical expertise, NTT DATA will work closely with local governments to help improve public services for residents. The goal is to realize a closely interconnected society, consisting of ideal communities that foster collaboration among residents, companies and local governments.

LEADING THE WAY IN BUILDING PRIVATE- AND PUBLIC-SECTOR INFRASTRUCTURE

NTT DATA is establishing public-sector infrastructure and payment settlement systems that will lead to the creation of a new social infrastructure base that satisfies the demands of our Internet-driven society. NTT DATA's expertise will also prove a powerful force in cross-industry infrastructure systems.

PUBLIC ADMINISTRATION SECTOR

CENTRAL GOVERNMENT AGENCY SYSTEMS

- ▶ As a pioneer in public administration systems, NTT DATA constructs a variety of information systems vital to Japanese society.

E-LOCAL GOVERNMENT SYSTEMS

- ▶ Decentralized comprehensive administrative information system (ADVANCE RISM); e-local government solutions for electronic notification, application, procurement and document management; public fees collection center "pufure" interfacing with the Multi-Payment Network, etc.

LOCAL COMMUNITY SYSTEMS

- ▶ Provision of internal verification systems that provide standard user IDs applicable to different systems; video monitoring systems that powerfully support remote video monitoring operations by automatically detecting falling rocks, high surf and other dangerous conditions; general IC card ticketing systems using non-contact IC cards for the transportation sector, etc.

INTEGRATED MEDICAL AND WELFARE SYSTEMS

- ▶ Wide-area natural disaster and emergency medical information system (WHEMS-EMwad) linking emergency medical service systems nationwide; integrated hospital information system (MINS-HOT), etc.

FINANCIAL SECTOR

WIDE-AREA FINANCIAL NETWORK SYSTEMS

- ▶ Provision of finance ANSER for automation of financial services including balance inquiries, remittances and transfers between financial institutions and companies and among individuals; and The *Zengin* Data Telecommunications System, an online system that accurately and rapidly processes domestic exchange transactions among approximately 1,900 financial institutions nationwide.

BANKING SYSTEMS

- ▶ Provision of the largest common regional banking center in Japan (the STAR series) offering the latest system functions; and system outsourcing services for major banks tailored to their individual needs.

LIFE AND NON-LIFE INSURANCE SYSTEMS

- ▶ Provision of the NTT DATA Insurance Enterprises Common Gateway, a network infrastructure based on standardized system specifications for the entire life and non-life insurance sectors, etc.

CREDIT AND LEASING SYSTEMS

- ▶ Provision of CAFIS, an online credit system connecting credit card companies, financial institutions, retailers and member stores.

INDUSTRIAL SECTOR AND OTHERS

TELECOMMUNICATIONS SYSTEMS

- ▶ Billing systems that collect billing information in real time, calculate fees and issue invoices; the new i-mode Gateway System for processing large volumes of e-mail and Web access at high speeds.

INDUSTRIAL SYSTEMS

- ▶ NTT DATA flexibly combines solutions and technical expertise to propose and construct optimal systems for numerous industries, including the electric power, gas, transportation, retailing, medical services and medical equipment, electric machinery, broadcasting and advertising industries.

NETWORK SERVICES

- ▶ TWIN' ET provides solutions including various industrial VANs and industrial EDI networks.

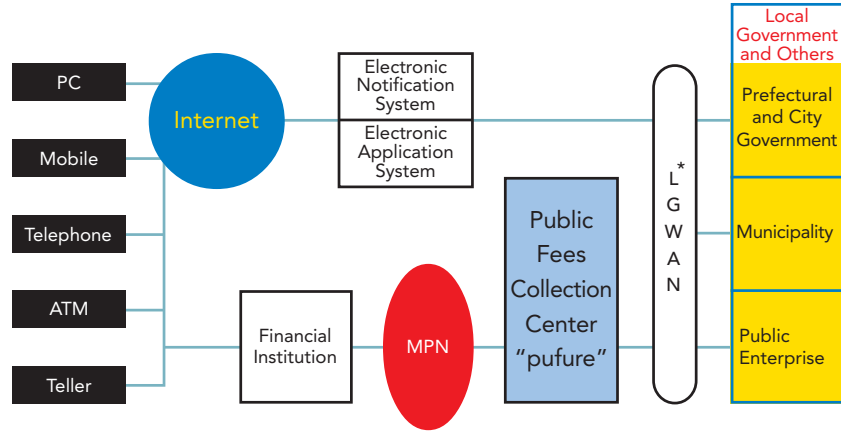
CARD BUSINESS SYSTEMS

- ▶ IC card systems for use in employee identification cards, cashless systems, room access control, personal verification systems and other applications using contact/non-contact IC cards, and integrated contact/non-contact IC cards.

PUBLIC FEES COLLECTION CENTER "pufure"

The Multi-Payment Network (MPN) is receiving much attention as a promising settlement infrastructure for e-local government. The Public Fees Collection Center "pufure" is an ASP service that will provide local governments with the communications servers they need to interface with the MPN. This will allow local governments to receive electronic payments of regional public fees through various types of financial institutions. Furthermore, the electronic payment of public fees and taxes will be made possible by linking electronic application and notification systems to the MPN.

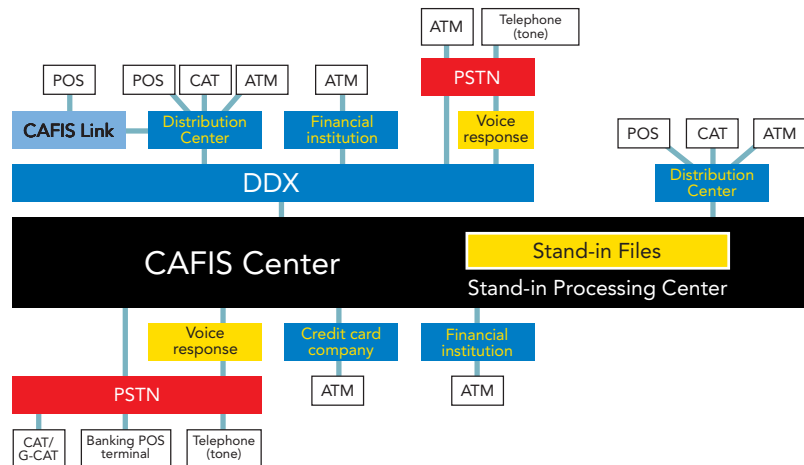
Note: See page 9 for details on the MPN.



*LGWAN: Local Government Wide Area Network. LGWAN-ASP application field pending.

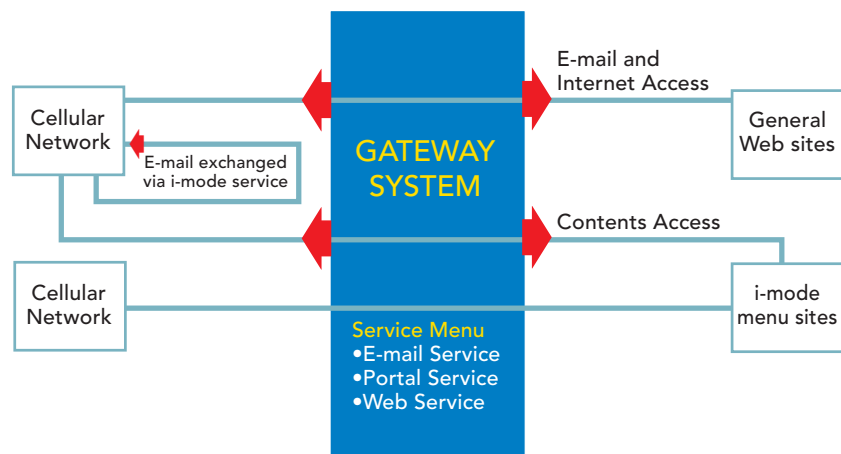
"CAFIS"

This system connects credit card companies, financial institutions, retailing companies and member stores online. CAFIS is Japan's largest comprehensive network system for card businesses in terms of both the number of participating companies and transaction volume. The system began handling IC credit cards and debit cards (cash cards) in April 2002. IC card verification services for multiple credit card brands, including VISA, MasterCard and domestic cards, began in August of that year.



i-mode GATEWAY SYSTEM "CIRCUS"

NTT DoCoMo's new i-mode Gateway System "CIRCUS" is one of the world's largest mission-critical systems based on leading-edge open architecture, providing e-mail and Web access services from mobile phones for over 38 million i-mode subscribers. The system is designed to the highest standard of performance and reliability.



FOCUSED AND PROACTIVE R&D

The Company’s annual R&D budget of approximately ¥20.0 billion is strategically allocated based on projected social, industrial and technological trends. The bedrock of NTT DATA’s future businesses, R&D activities are closely linked to two core competencies of the Company: sophisticated technologies and foresight. NTT DATA’s R&D Headquarters plays a central role in advancing R&D programs that yield a steady stream of technologies and business models. The main focus is on findings that contribute directly to sales and earnings. R&D fields are divided into three main categories — the creation of new businesses; the development of a more competitive NTT DATA System Integration business; and development of basic technologies for the future. NTT DATA has set a clear course for R&D activities in each category. Also, fundamental research is carried out in close partnership with NTT, the parent company.

PROMOTING R&D TO DEVELOP NEW BUSINESSES

R&D activities directed at promoting new businesses involved the development of verification technologies for ubiquitous^(Note) computing service. These and other activities have given NTT DATA expertise in building a common platform that uses optimal computer systems in the expanding field of ubiquitous computing. Bioinformatics is a promising field where NTT DATA is conducting innovative trials through academia-industry partnerships. Drawing on NTT DATA’s sophisticated data analysis skills, these trials are aimed at establishing the analytic procedures needed to develop made-to-order medical services that provide prescriptions and lifestyle advice based on individual genetic profiles. The trials entail analyzing individual genetic differences to determine susceptibility to lifestyle-related illnesses and predict the efficacy of pharmaceuticals. In wireless instant messaging, trials involving professional sporting events are opening up new possibilities for mobile phone businesses.

(Note) The word “ubiquitous” comes from the Latin word *ubique*, meaning everywhere. Our vision is to make computers available for personal use everywhere, using computer networks. Ubiquitous computing differs from mobile computing in that portable computing devices are not needed to receive services.

Research Activities for an Information-driven Society

<p><i>Collaboration Computing</i></p> <ul style="list-style-type: none"> • Develop technologies needed to equip mobile phones with instant messaging functions • Develop solutions that encourage more collaboration between different organizations over networks 	<p><i>Software Engineering</i></p> <ul style="list-style-type: none"> • Technologies needed to develop software module components • Research and development into automated software creation
<p><i>Tangible Intelligence</i></p> <ul style="list-style-type: none"> • Research and development into the bioinformatics field targeting order-made medicine • Research and development into satellite image analysis of terrestrial ecosystems and traffic prediction 	<p><i>System Architecture</i></p> <ul style="list-style-type: none"> • Computer method technologies applicable to corporations of any size • Research and development into distributive computing
	<p><i>Security</i></p> <ul style="list-style-type: none"> • Research and development into personal verification systems targeting advances in public infrastructure relating to personal verification • Research and development into verification technologies in ubiquitous computing environments

NTT DATA’s research activities are aimed at creating an information-driven society where information is exchanged seamlessly over networks in a secure and reliable manner.

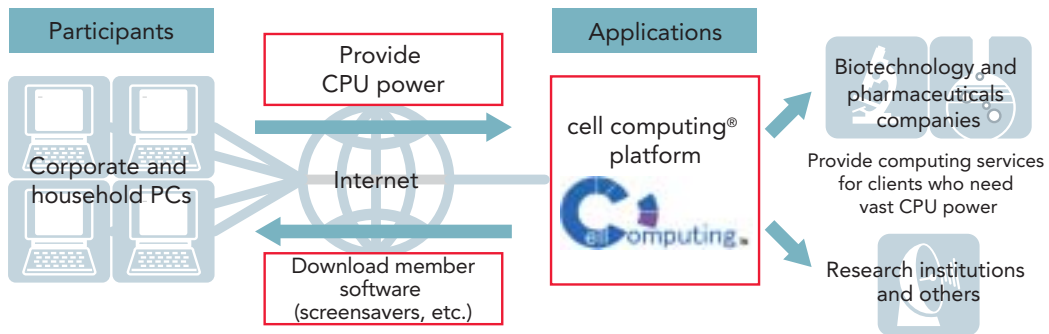
STRENGTHENING COMPETITIVENESS IN SI

Two actions are important to make SI businesses more competitive. One is developing fundamental procedures for efficiently creating and managing Web-based systems. This includes development procedures, regulations and reference implementations. The second action is the development of “ΣServ” (<http://www.nttdata.co.jp/en/media/2003/052900.html>), an application that enables multiple existing systems to be easily linked and integrated, irrespective of whether they are internal systems or distributed over the Internet. Current Web-based systems are based on unique specifications that govern the exchange of data within companies, between companies and throughout industries. Uniform specifications will enable companies to dynamically form service alliances. In this changing climate, NTT DATA is developing platforms that anticipate the standardized specifications of the future and is researching efficient application development techniques.

FUNDAMENTAL TECHNOLOGIES FOR THE FUTURE

Key actions in research and the development of fundamental technologies included the start of a joint research program by NTT DATA and the Fraunhofer Institute for Open Communications Systems of Germany. This program will see the two partners work on smart card technologies for next-generation mobile services. Key themes of this project include establishing fundamental technologies that adjust service quality in accordance with a user’s location and type of terminal, as well as application technologies for personal verification and access control. This will enable users to access personalized services wherever they may be, from any kind of terminal, and make services such as video transmission using next-generation mobile systems a reality.

NTT DATA also advanced trials into “cell computing” (<http://www.cellcomputing.jp>), a distributive computing technology that achieves performance on a par with supercomputers at low cost. This involved large-scale trials facilitated by a technology alliance formed with U.S.-based United Devices, Inc., in which the PCs of a volunteer group of approximately 12,000 individuals were linked over the Internet to harness vast surplus CPU power. These trials also involved IBM Japan, Ltd., Intel Corporation, NTT East Corporation and Microsoft Corporation. The CPU power made available by the trial was used to perform genetic structural analysis. The trials showed that cell computing can facilitate a broad range of intricate calculations previously impossible using existing computing resources. Based on the findings of these trials, NTT DATA will further explore avenues for the commercializing of this promising technology.



“cell computing” — the focal point of many companies, this promising new technology will represent a market opportunity of approximately ¥31.0 billion by 2006.

GLOBAL BUSINESS STRATEGY

Our diverse range of business activities outside Japan have been an important element of the Company's operations since its establishment. International activities are guided by the following key policies:

- Working on international projects that are tied to our domestic businesses
- Localizing our overseas bases and using them as a fulcrum to develop local businesses
- Collecting information and importing state-of-the-art technology from the United States and Europe
- Promoting software development in Asia

To ensure that each business unit advances these strategies effectively, the Global Business Promotion Sector was established to promote and support international businesses across the entire Company.

BUSINESS OPERATIONS IN ASIA

Asia is a region where demand for IT services is expanding. Our primary activity is the provision of systems with proven records of reliability in Japan that can become elements of social infrastructures in other countries. In China, NTT DATA has been involved in several projects. "Beijing Postal Financial Network" and "National Postal Financial Clearance and Network System" are the two major projects in which NTT DATA was involved. In past fiscal years, we have worked on a "smart card system for employees of the Beijing People's Municipal Government" and the "China National Automated Payment System for the People's Bank of China." Additionally, NTT DATA participated in the construction of information systems for an intelligent building in Shanghai and trial Electronic Road Pricing System in Hong Kong. In Southeast Asia, we assisted in the design of an "intelligent database

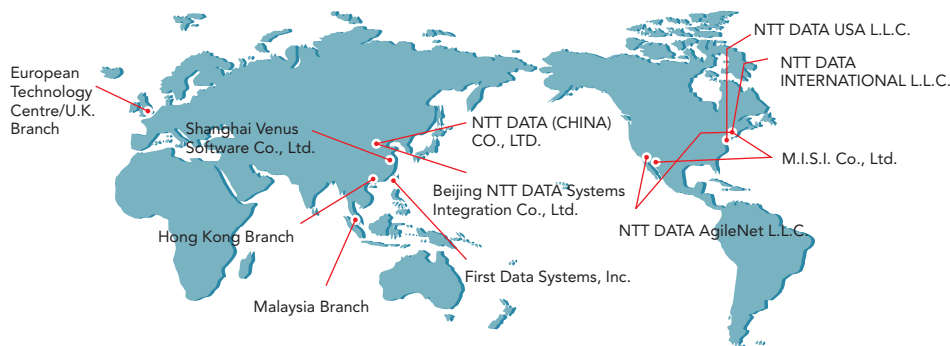
customs system" in Indonesia. In Malaysia, we received an order for an electronic procurement system for the "Multimedia Super Corridor Project," and are now developing the necessary systems. We are also involved in the sale of packaged software in China and Southeast Asia. The main products are "CoreMount,"^(Note) a Web solutions package, and "A.S.I.A.," a multi-currency, multi-lingual ERP software package. We are now trying to explore new business opportunities as well. And to reduce the cost of developing software in Japan, NTT DATA companies in China and India.

(Note) "CoreMount" is software developed for specific overseas markets based on a license obtained by NTT DATA for use of software based on "intra-mart," a product developed by NTT DATA INTRA-MART and sold in Japan by this company. (<http://www.intra-mart.jp/intra-mart/index/html>)

BUSINESS OPERATIONS IN EUROPE AND THE UNITED STATES

NTT DATA INTERNATIONAL L.L.C. efficiently coordinates the operations of U.S.-based subsidiaries and manages the common activities of subsidiaries. These activities are concentrated at NTT DATA INTERNATIONAL to raise administrative efficiency. Another goal is building a strong foundation for future growth. Gathering information on new business models, products and technologies is one more important role of our European Technology Centre and NTT DATA AgileNet L.L.C. in the United States. We participate in a broad range of joint research and development programs with European and U.S. research institutes and companies. Alliances with companies in these two regions are one more way in which we are using leading-edge technology to start new businesses. Investments in European and U.S. venture capital funds are made to locate promising IT firms and keep abreast of the latest developments in this field.

NTT DATA Overseas Operations (as of 30th June, 2003)



SOCIAL CONTRIBUTION

NTT DATA's corporate philosophy places a strong emphasis on contributing as a corporate citizen to the creation of a new, happier future for society, and to the development of culture through adding value to information. The Company engages in a variety of social and cultural activities based on this thinking. These divide into four major categories — donations, volunteer work, sponsorship of cultural and other events, and environmental preservation activities. Employees of NTT DATA participate in a wide range of related activities, including charity fundraising at Christmas, fund raising through sales of "NTT DATA-style Valentine" chocolates, the KIDS PROJECT, where employees escort children with disabilities for a day, and various volunteer activities with organizations such as Japan Overseas Cooperation Volunteers (JOCV).

As part of its cultural sponsorship activities, NTT DATA sponsors a popular annual classical music concert (known as the "NTT DATA's Concert of Concerts") that is attended by numerous customers. The Company also sponsors the Nature Network Project, an online venture that aims to communicate the splendors of the natural world by using IT. NTT DATA also sponsors the "Think Daily" webpage for the Think the Earth Project. Environmental preservation initiatives include rigorously separating waste paper from general waste for collection and using recyclable materials. As a local corporate citizen, the Company is keen to promote exchanges between employees and their local communities. NTT DATA organizes career days that give junior high school students the opportunity to gain direct experience of the value and rewards of work. The Company also runs beginner-oriented Internet training courses for the benefit of our facilities. NTT DATA also carries out distinctive social contribution programs based on a variety of themes.

ENVIRONMENTAL PRESERVATION INITIATIVES

As the effects of global environmental destruction grow, firms are increasingly expected to fulfill their social responsibilities by taking the lead in actions to preserve the environment. The nature of NTT DATA's work involves the creation of information systems that in many cases substitute for the movement of people and goods, and to this extent the Company contributes to a reduction in environmental impact by both direct and indirect means. Set against this, it acknowledges the irrefutable fact that the process of the development of such systems itself consumes large quantities of energy and resources. NTT DATA believes that it needs to be constantly aware of the need to preserve the environment in the conduct of daily business. To fulfill its social responsibilities in this area, the Company undertakes three main types of environmental preservation activities — certification and implementation of ISO 14001 environmental management standards, establishing a greater presence within the environmental field and acting to build environmental awareness among staff. The Company, including certain Group companies, have conducted ISO 14001 certification activities since 1999 and renewed ISO 14001 certification in July 2002 for the first time.

To raise its presence in the environmental field, NTT DATA began issuing annual environmental reports in 2000. The Company has also implemented environmental accounting procedures. In terms of environmental training and education, the Company is using its expertise in information-processing services to offer online learning courses in environmental preservation programs to staff. NTT DATA takes an active stance in teaching its employees the value of preserving the environment.



Volunteer Activities KIDS PROJECT



Junior high students learn about NTT DATA systems as part of an experiential learning program



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Consolidated Six-Year Summary

NTT DATA CORPORATION AND SUBSIDIARIES
YEARS ENDED 31ST MARCH

	Millions of yen						Thousands of U.S. dollars
	1998	1999	2000	2001	2002	2003	2003
For the Year:							
Net Sales	¥676,581	¥ 710,152	¥ 725,348	¥ 801,045	¥ 801,967	¥ 832,109	\$6,934,242
System Integration	—	—	586,829	650,632	624,921	671,256	5,593,800
Network System Services	—	—	49,108	52,111	58,243	60,262	502,183
Others	—	—	103,539	142,424	209,550	173,883	1,449,025
Elimination or Corporate	—	—	(14,128)	(44,122)	(90,747)	(73,292)	(610,766)
Cost of Sales	497,713	522,190	539,715	598,245	591,301	622,072	5,183,934
Operating Income	54,197	56,833	50,738	58,778	59,446	61,544	512,867
Income (Loss) before Income Taxes	34,275	37,747	(29,177)	46,083	47,163	50,933	424,442
Net Income (Loss)	15,612	16,313	(18,114)	24,452	26,410	28,562	238,017
New Orders Received	—	—	714,882	779,418	845,400	843,571	7,029,758
Capital Expenditures	—	—	210,375	163,655	170,577	171,017	1,425,142
Depreciation and Amortization/ Loss on Disposal of Property and Equipment and Intangibles	—	—	152,525	152,212	153,764	161,428	1,345,233
Research and Development Expenses	15,874	14,042	22,684	17,957	19,074	18,224	151,867
Free Cash Flow	—	—	(23,763)	17,702	(1,776)	67,180	559,834
EBITDA	—	—	203,263	210,990	213,210	222,972	1,858,100
At Year-End:							
Property and Equipment, at Cost	932,566	1,069,069	991,547	973,046	1,034,563	1,008,791	8,406,591
Less: Accumulated Depreciation	(50,864)	(551,688)	(565,383)	(577,951)	(632,917)	(607,447)	(5,062,058)
Long-Term Debt	378,368	382,079	385,462	351,354	307,879	313,860	2,615,500
Total Liabilities	693,968	632,662	706,739	696,848	699,443	679,872	5,665,600
Total Shareholders' Equity	205,799	369,244	363,758	388,537	412,966	435,715	3,630,958
Total Assets	900,693	1,002,805	1,071,653	1,086,437	1,113,777	1,118,401	9,320,008
Yen							
U.S. dollars							
Per Share:							
Net Income (Loss)	¥ 6,119	¥ 5,859	¥ (6,499)	¥ 8,680	¥ 9,382	¥ 10,152	\$ 84.60
Shareholders' Equity	81,292	131,593	129,641	138,479	147,192	155,304	1,294.20
Other Information:							
Operating Income Margin (%)	8.0	8.0	7.0	7.3	7.4	7.4	—
Return on Sales (%)	2.3	2.3	(2.5)	3.1	3.3	3.4	—
Return on Equity (%)	7.8	5.7	(4.9)	6.5	6.6	6.7	—
Return on Assets (%)	1.8	1.7	(1.7)	2.3	2.4	2.6	—
EBITDA Margin (%)	—	—	28.0	26.3	26.6	26.8	—
Equity Ratio (%)	22.8	36.8	33.9	35.8	37.1	39.0	—
Number of Employees	—	—	10,500	12,843	14,651	15,971	—

Notes:

- (1) EBITDA refers to operating income before deducting depreciation and amortization/ loss on disposal of property and equipment and intangibles.
- (2) Per share information for the fiscal year ended March 31, 1998 is retroactively adjusted to reflect a ten-for-one stock split conducted in August 1998. Effective from the fiscal year ended 31st March, 2003, net income per share and shareholders' equity per share will be calculated in accordance with "Accounting Standard for Net Income per Share" and "Implementation Guidance on Accounting Standard for Net Income per Share." Per share information for all previous fiscal years are retroactively adjusted in accordance with this change.
- (3) EBITDA margin refers to EBITDA divided by net sales.
- (4) Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March, 2003 of ¥120=U.S.\$1.

In fiscal 2003, ended 31st March, 2003, the NTT DATA Group achieved steady growth in operating results on the back of numerous initiatives aimed at making its SI business more competitive and promoting new businesses. In fiscal 2003, the NTT DATA Group recorded consolidated net sales of ¥832.1 billion, a year-on-year increase of 3.8%. Operating income climbed 3.5% to ¥61.5 billion. Net income rose 8.2% to ¥28.6 billion.

Overview

In fiscal 2003, NTT DATA implemented several strategies including placing more orders overseas and nurturing skilled project managers to make its SI business more competitive. These actions were aimed at steadily lowering the cost of sales. To enhance services for customers already running NTT DATA systems, the main priorities were the provision of a steady stream of services, including system upgrades and enhanced system capabilities, as well as uncovering demand for peripheral services. New business development involved establishing new markets by advancing signature IT Partner and Service Provider businesses.

System Integration (SI) Business

The SI Business recorded higher sales and operating income. Segment sales climbed 4.7% to ¥643.5 billion, and operating income increased 7.0% to ¥64.6 billion. Deliveries of systems for the telecommunications sector and cutbacks in selling, general and administrative expenses were contributing factors.

In the field of e-government and e-local government, NTT DATA constructed and expanded the functions of core systems for electronic filing, notification and other applications. The "Collaborative Government" (Note 1) concept, a blueprint for next-generation e-Government, was also formulated and promoted. One result of these measures was an order to integrate the information systems of the neighboring cities of Shizuoka and Shimizu. The merger of these two municipalities will be one of the first to take place under the Municipal Merger Law. In the financial services sector, Shikoku Bank, Ltd. became a participant in the "NTT DATA Banking Center for Regional Banks." The "NTT DATA Insurance Enterprises Gateway" commenced services to numerous insurance companies and their agencies. One major delivery was the i-mode (Note 2) Gateway System "CIRCUS" for NTT DoCoMo, Inc. This system processes e-mail messages and Web access for tens of millions of i-mode subscribers at high speeds. NTT DATA also received

an order from Tokyo Gas Co., Ltd. to build one of Japan's largest IP telephony networks.

Note 1. Collaborative Government is a next-generation e-government concept put forward by NTT DATA that supports collaboration among citizens, NPOs, companies, national and local governments. This blueprint for next-generation e-government is based on three key themes—"personal," "collaboration" and "liberating."

Note 2. i-mode is a registered trademark of NTT DoCoMo, Inc.

Network System Services Business

This business saw favorable performances by services such as the Credit And Finance Information System (CAFIS), a system for credit and debit cards, and the network capacity resale business.

The Internet-enabled CAFIS Service is an area where NTT DATA worked to provide a more user-friendly Internet access environment that opens up broader opportunities for use, and promoted wider adoption of settlement services using IC cards. The goal was to preserve the highest standard of network security, while realizing high-speed and inexpensive network settlement services.

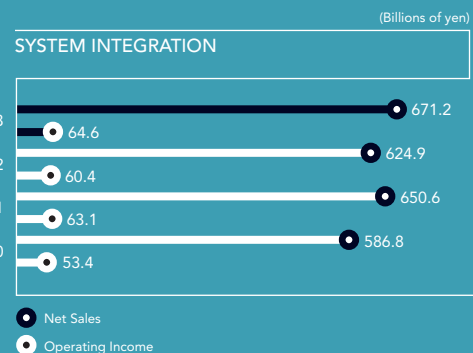
As a result, segment sales increased 3.1% to ¥57.8 billion and operating income rose 11.5% to ¥3.7 billion.

Other Business

Segment sales decreased 0.5% to ¥130.8 billion and operating income fell 37.1% to ¥8.0 billion. Higher sales of system development support services were negated by a change in the reporting of intra-segment sales and other items, leading to declines in both segment sales and operating income.

Outlook for Fiscal 2004

In fiscal 2004, ending 31st March, 2004, NTT DATA is projecting increases in overall sales and operating income to ¥840.0 billion and ¥62.0 billion, respectively. The SI Business is expecting some fallout from the absence of the fiscal 2003



delivery of a major large-scale system, but is expected to rally on a steady volume of services and upgrades for large-scale systems and expansion in the IT Partner Business through mergers and acquisitions. The Network System Services Business is expecting steady demand for Automatic answer Network System for Electrical Request (ANSER) and CAFIS and growth in the Multi-Payment Network, but will be detrimentally affected by the fiscal 2003 sale of an ISP subsidiary, DREAM NET Corporation. Other Business is forecasting increases in sales and operating income mainly on the back of strong external sales of systems maintenance and operations services.

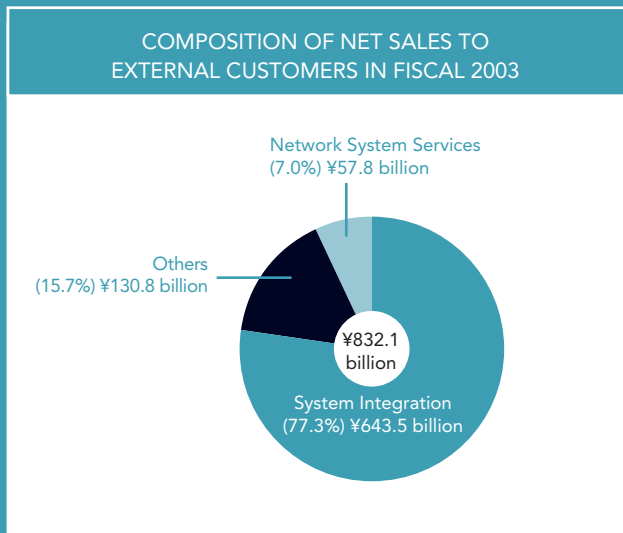
REVIEW AND OUTLOOK BY SECTOR

Public Administration Sector

NTT DATA maintained the same level of new orders and sales as in the previous fiscal year, despite deteriorating government finances due to a fall in tax revenues brought on by weak economic conditions. The main contributing factors were the steady renewal of services for large-scale systems, upgrades of system functions and initiatives to uncover demand for peripheral services. One example was the construction and upgrade of electronic application and notification systems in the e-government and e-local government fields. NTT DATA also received an order to

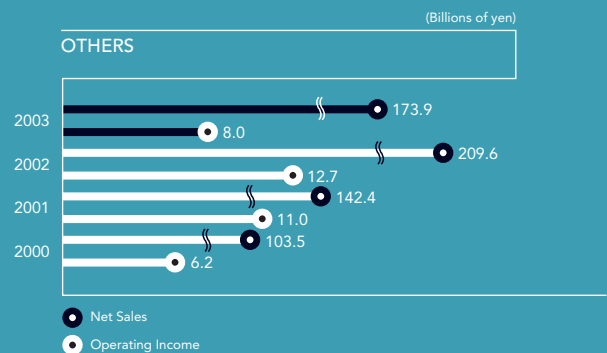
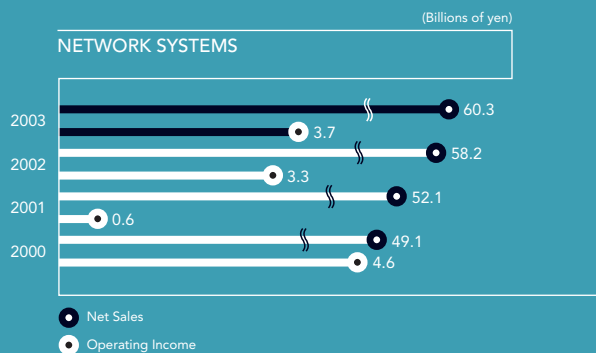
integrate the information systems of the two neighboring cities of Shizuoka and Shimizu, one of the first mergers of local governments in Japan under the Municipal Merger Law.

Capturing orders for upgrading and expanding existing systems will remain a central goal. At the same time, emphasis will also be placed on the strategic business domains of e-government and e-local government. We will also focus on recent initiatives to realize the "Collaborative Government" concept. More specifically, NTT DATA will not only promote greater use of IT in core government and



For the years ended 31st March

Business Segment	Net Sales (Billions of yen)		Operating Income (Billions of yen)		Main Products and Services
	2002	2003	2002	2003	
System Integration	624.9	671.2	60.4	64.6	Data Communications Service for specific customers and Systems Development Service
Network System Services	58.2	60.3	3.3	3.7	CAFIS, ANSER, Internet-related business, line resale, and other businesses
Others	209.6	173.9	12.7	8.0	Consulting, maintenance, operation, installation, facility management, and other businesses
Elimination or Corporate	(90.7)	(73.3)	(17.0)	(14.8)	
Consolidated	802.0	832.1	59.4	61.5	



local government operations, but will also establish new businesses at the interface of private and public sectors as well as solely in the private sector. NTT DATA also aims to expand its business in developing systems for local communities, as well as for medical services and public welfare.

Financial Sector

Even amidst the difficult conditions, NTT DATA worked to expand its business in line with the shifts in the industry. Consequently, new orders and sales remained mostly the same as in the previous fiscal year. One result was that the Shikoku Bank, Ltd. decided to become a participant in the NTT DATA Banking Center for Regional Banks. In new financial infrastructure, the NTT DATA Insurance Enterprises Common Gateway came into service in the fiscal year. Usage of the CAFIS integrated card settlement network grew steadily.

Looking ahead, NTT DATA will provide highly strategic IT solutions that meet growing demand for sophisticated management procedures and the realization of greater efficiencies, to help its customers succeed in a fast-changing business environment. We also aim to maintain, or where possible, increase our market share in existing businesses. At the same time, we will actively conduct proposal-based marketing activities in cross-industry platforms and other fields where significant growth in IT investment is expected. These actions will pave the way for further business expansion.

Industrial Sector and Others

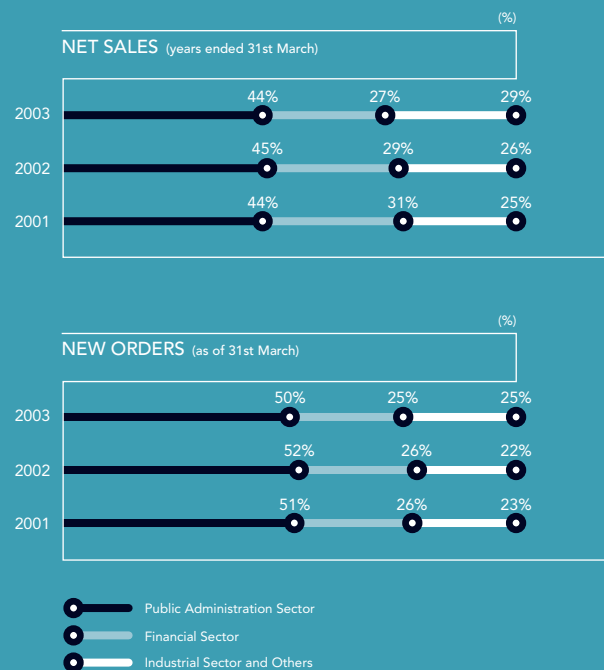
In fiscal 2003, NTT DATA recorded brisk sales to the industrial sector on a healthy volume of new orders. One major delivery was the new i-mode Gateway system "CIRCUS" for NTT DoCoMo, Inc. This system processes e-mail and Web access for tens of millions of i-mode subscribers at high speeds. We also received an order from Tokyo Gas Co., Ltd. to build one of Japan's largest IP telephony networks.

The telecommunications field will remain a key business domain, as we concentrate even more resources on growing markets such as existing IT markets, broadband and IP network fields. Moreover, to expand orders for medium-sized enterprise systems, NTT DATA will focus on the field of enterprise application service (EAS) (Note), which can be applied to multiple industries and business formats and offers significant opportunities for repeated software use. We aim to construct enterprise systems using ERP that leverage core competencies.

Note: The enterprise application services field includes applications for accounting, business administration, customer relationship management (CRM), sales, logistics, procurement and other activities.

New Business Areas

The NTT DATA Group is aggressively developing its IT Partner and Service Provider businesses to build a solid base for medium- and long-term growth. One highlight of fiscal 2003 was the establishment of NTT DATAWAVE CORPORATION and NTT DATA SANYO SYSTEM CORPORATION, former information system subsidiaries of Japan Tobacco Inc. and Sanyo Electric Co., Ltd. acquired by NTT DATA and transformed into Group companies. This move was aimed at acquiring expertise in the construction of systems for the manufacturing sector. Meanwhile, HOME4U (<http://www.home4u.jp/>), a real estate internet site operated by NTT DATA, gave us the opportunity to deepen partnerships with the real estate and financial services industries. HOME4U's service lineup and geographic coverage were also expanded in fiscal 2003. We also rolled out Health Data Bank, a service that helps companies and other organizations manage employee medical exam results over the Internet. NTT DATA will continue to build a strong framework for creating new businesses, while capturing synergies with the SI Business to proactively establish entirely new IT markets.



Overview of Business Results

During fiscal 2003, ended 31st March, 2003, the NTT DATA Group continued to face difficult economic conditions that spilled over from the previous fiscal year. In this climate, the Group remained focused on priority management policies: strengthening competitiveness in the SI Business and creating new Businesses.

The first theme saw NTT DATA place more orders for software development overseas and nurture skilled project managers. These, along with other actions, were aimed at continuously lowering the cost of sales. For customers already running NTT DATA systems, the main priorities were the provision of a steady stream of services, including system upgrades and enhancing system capabilities, as well as uncovering demand for peripheral services.

The second theme saw NTT DATA work to establish new markets by developing its signature IT Partner and Service Provider businesses, building on efforts of the previous fiscal year.

The result was that the NTT DATA Group recorded consolidated net sales of ¥832.1 billion, a year-on-year increase of 3.8%, and operating income of ¥61.5 billion, a 3.5% rise.

By segment, sales to external customers in the SI Business segment climbed 4.7% to ¥643.5 billion. In the Network System Services Business segment, external sales increased 3.1% to ¥57.8 billion. In the Others Business segment, external sales decreased 0.5% to ¥130.8 billion.

During fiscal 2003, NTT DATA newly consolidated five SI-related subsidiaries, including NTT DATA Intramart

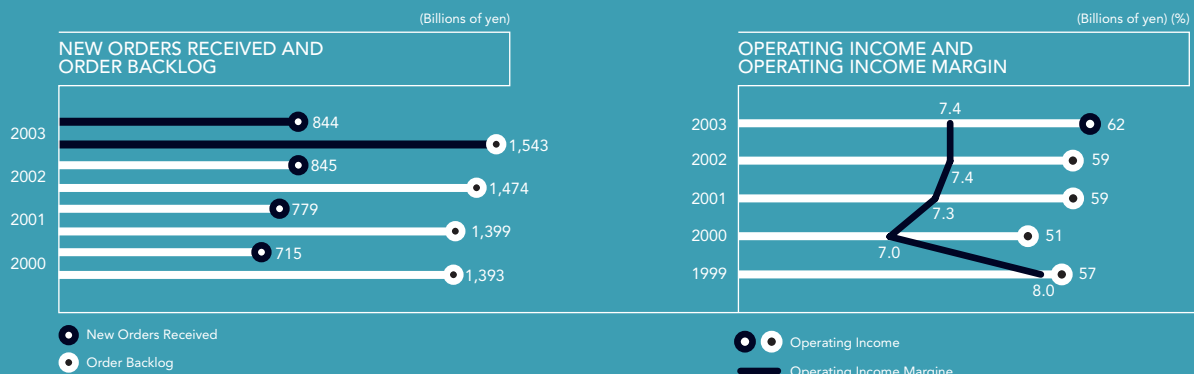
Corporation, NTT DATA WAVE Corporation and NTT DATA SANYO SYSTEM CORPORATION. Two subsidiaries and one equity-method affiliate were deconsolidated. As a result, as of March 31, 2003, NTT DATA had 37 consolidated subsidiaries and 2 equity-method affiliates.

In fiscal 2003, NTT DATA generated positive free cash flow of ¥67.2 billion, sharply turning around the previous fiscal year's negative figure of ¥1.8 billion. This reflected net cash provided by operating activities of ¥216.2 billion, ¥54.8 billion higher than last fiscal year; and a ¥14.1 billion decline in net cash used in investing activities to ¥149.0 billion, mainly due to a decrease in payments for the acquisition of investment securities. Net cash used in financing activities was ¥60.5 billion. Consequently, cash and cash equivalents were ¥90.1 billion as of the end of fiscal 2003, up ¥7.4 billion from the previous year-end.

Orders

In fiscal 2003, despite difficult economic conditions, the order backlog remained steady with new orders received remaining largely on a par with the previous fiscal year. In the SI Business, new orders received edged down ¥0.8 billion, or 0.1%, to ¥705.0 billion, while the order backlog rose ¥61.9 billion, or 4.3%, to ¥1,509.3 billion. In the Others Business, new orders received were ¥138.6 billion, down ¥1.0 billion, or 0.7%, from the previous year, while the order backlog increased ¥7.8 billion, 29.7%, to ¥34.0 billion.

Consequently, overall new orders received fell slightly by ¥1.8 billion, or 0.2%, to ¥843.6 billion, while the order backlog increased ¥69.7 billion, or 4.7%, to ¥1,543.3 billion.



Costs, Expenses and Operating Income

The cost of sales in the period under review increased ¥30.8 billion, or 5.2%, to ¥622.1 billion. The cost of sales ratio increased to 74.8%, compared with 73.7% in the previous fiscal year, due to several factors. The margin on the i-mode Gateway System "CiRCUS," which was completed in fiscal 2003 and outlined earlier in the report, reflected R&D expenses needed to develop new technologies. Other factors included increases in depreciation on large-scale systems completed in the second half of fiscal 2003, and the effects of losses on disposal of existing systems and other factors. As a result, gross profit decreased ¥0.6 billion, or 0.3%, to ¥210.0 billion.

Selling, general and administrative (SG&A) expenses decreased ¥2.7 billion, or 1.8%, to ¥148.5 billion. NTT DATA worked to enhance cost efficiencies in marketing activities, slashing selling expenses by ¥3.1 billion, or 5.1%, to ¥57.9 billion.

R&D expenses were ¥18.2 billion, down ¥0.9 billion from ¥19.1 billion in the previous fiscal year. This mainly reflected the conclusion of R&D related to an e-government platform in fiscal 2002.

Administrative expenses edged up ¥1.2 billion, or 1.7%, to ¥72.4 billion due to the addition of the administrative expenses of newly consolidated subsidiaries.

The SG&A expenses ratio declined 1.1 percentage point from 18.9% to 17.8%.

Operating income increased ¥2.1 billion, or 3.5%, to ¥61.5 billion, and the ratio of operating income to net sales remained on a par with the previous fiscal year, at 7.4%.

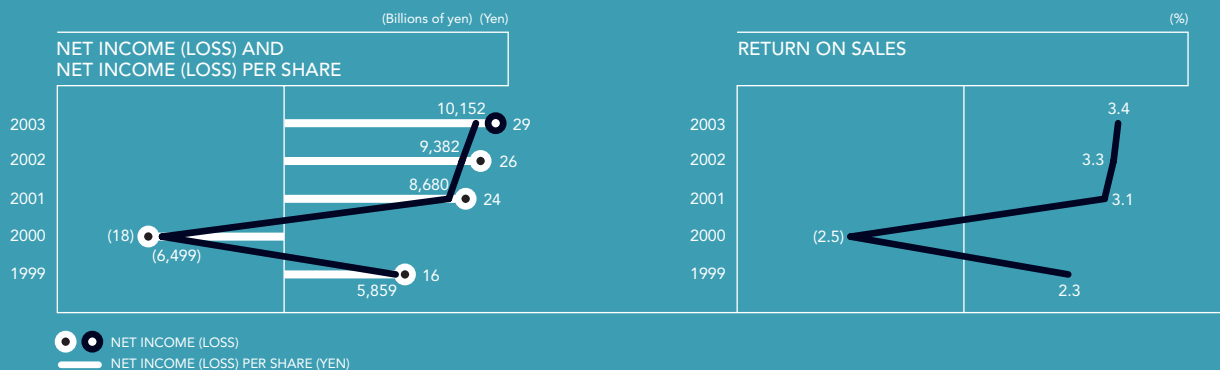
Net sales and Operating income by segment is outlined as follows.

System Integration

The SI Business is the pillar of NTT DATA's business, and develops, sells, leases and services data communications systems tailored to the needs of individual customers. During fiscal 2003, NTT DATA completed major projects, including the aforementioned i-mode Gateway System "CiRCUS" and e-government systems for the public sector. As a result, segment sales increased ¥29.1 billion, or 4.7%, to ¥643.5 billion. Segment operating income rose ¥4.2 billion, or 7.0%, to ¥64.6 billion, mainly due to sales growth and the efficient allocation of SG&A expenses, especially selling expenses.

Network System Services

The Network System Services Business provides services such as information provision, data processing and other services matched to customer needs, based on computer networks centered on the Internet. During fiscal 2003, this business recorded steady sales on favorable performances by services such as credit and debit card infrastructure service CAFIS, and the network capacity resale business, in line with increases in data traffic. Depreciation also declined as there were large capital investments in fiscal 2003. As a result, segment sales increased ¥1.7 billion, or 3.1%, to ¥57.8 billion, and segment operating income climbed ¥0.4 billion, or 11.5%, to ¥3.7 billion.



Others

NTT DATA's Others Business researches and evaluates customer management issues, makes plans and proposals for the optimization of data communications systems, and provides services that include maintenance and facility management. During fiscal 2003, segment sales were held to ¥130.8 billion mainly due to higher sales of development support services for telecommunications systems. Segment operating income decreased ¥4.7 billion, or 37.1%, to ¥8.0 billion in accordance with a change in the reporting of intra-segment sales and other items.

Non-Operating Income (Expenses) and Net Income

Net non-operating expenses improved ¥1.7 billion, or 13.6%, to ¥10.6 billion. This improvement was mainly due to lower interest expenses following the repayment of interest-bearing debt and lower interest rates; and ¥3.6 billion in gains on the sale of shares of former consolidated subsidiary DREAM NET Corporation to NTT Communications Corporation. These factors offset unrealized losses of ¥4.0 billion on investment securities, net of taxes.

Consequently, income before income taxes increased ¥3.8 billion, or 8.0%, to ¥50.9 billion. Net income rose ¥2.2 billion, or 8.2%, to ¥28.6 billion.

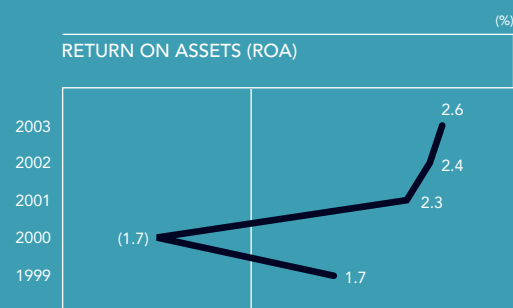
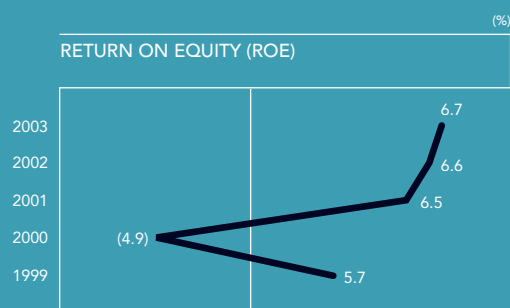
Profitability and Dividends

Net income per share increased ¥770 to ¥10,152, compared with ¥9,382 in the previous fiscal year. The ratio of net income to net sales improved 0.1 of a percentage point to 3.4%. The total assets turnover rate rose 0.02 to 0.75. The leverage ratio declined 0.13 of a percentage point to 2.57 due to improvement in the shareholders' equity ratio. Consequently, ROE increased 0.1 of a percentage point from 6.6% to 6.7%. NTT DATA paid an annual dividend of ¥2,000 per share for fiscal 2003, consisting of interim and year-end dividends of ¥1,000 per share (includes a ¥500 ordinary dividend and ¥500 commemorative dividend).

Financial Position

NTT DATA is working to improve the debt ratio by carefully managing its balance sheet.

As of March 31, 2003, total assets were ¥1,118.4 billion, up ¥4.6 billion, or 0.4%, from a year ago. This mainly reflected NTT DATA's policy of maintaining a more-than-adequate supply of cash on hand and at banks in light of prevailing geopolitical instability, and an increase in inventories in line with a larger order backlog at the end of the fiscal year.



Total current assets increased ¥5.2 billion, or 1.9%, to ¥279.7 billion, mainly due to an increase of ¥7.3 billion in cash on hand and at banks for the reason stated above and inventories of ¥4.8 billion. These increases were partly offset by a ¥5.4 billion decrease in accounts receivable and a ¥4.1 billion decrease in other current assets.

Investments and advances decreased ¥7.2 billion, or 10.6%, to ¥60.6 billion. This mainly reflected impairment losses on investment securities.

Property and equipment, at cost declined ¥0.3 billion to ¥401.3 billion. The main contributing factors were decreases of ¥13.0 billion in data communications facilities and ¥5.7 billion in buildings and structures, both due to depreciation. These decreases were partly offset by an increase of ¥18.7 billion in construction in progress relating to a real estate project in Shinagawa, Tokyo.

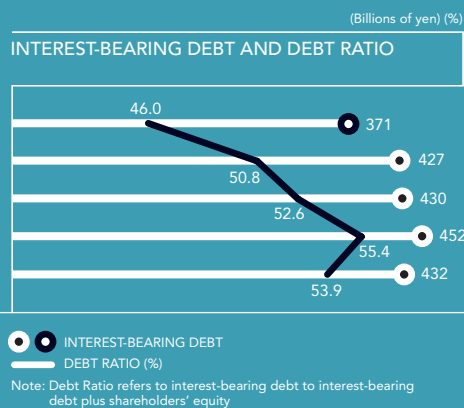
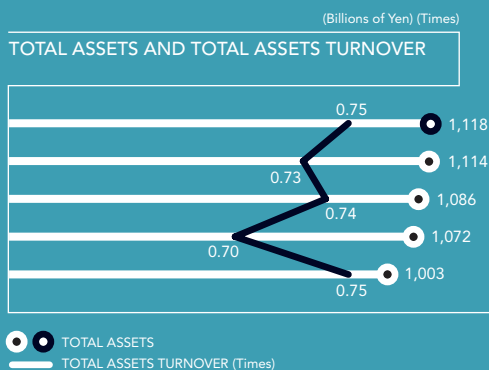
Deferred charges and intangibles rose ¥2.1 billion to ¥330.5 billion. This mainly reflected increases of ¥2.8 billion in development costs of software in progress accompanying contracted projects, and ¥3.4 billion in the other account. These increases were partly offset by a decrease of ¥4.1 billion in software due to amortization. Deferred tax assets rose due to a tax-deductible provision for retirement benefits made during fiscal 2003.

Total liabilities decreased ¥19.6 billion to ¥679.9 billion. Of this total, procurement, repayment, and reimbursement reduced short- and long-term interest-bearing debt by a net ¥56.1 billion to ¥370.7 billion. The debt ratio improved from 50.8% to 46.0%.

NTT DATA is shifting to capital markets from banks for fund procurement. Funds procured from capital markets represented 84% of interest-bearing debt, compared with 80% at the end of the previous fiscal year. NTT DATA bonds have a solid reputation in the Japanese bond market, and the Company has continued to enjoy stable financing and realized a reduction in interest payments. This solid financial background distinguishes NTT DATA from competitors and provides the Company with strong support for such businesses as Data Communications Service.

NTT DATA's long-term bonds have been rated AA+ by two rating institutions, Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd., while its commercial paper has earned the highest possible rating of a-1+ and J-1+, respectively. These strong ratings supported the issuance of the 18th series of 0.6% unsecured yen bonds in the amount of ¥40.0 billion (5-year coupon bonds) and ¥45.0 billion in commercial paper. NTT DATA also has an additional ¥100.0 billion CP program to ensure adequate liquidity. NTT DATA controls the balance of assets and liabilities by using CP to fund current assets and bonds to finance purchases of property and equipment.

Shareholders' equity increased ¥22.7 billion to ¥435.7 billion, principally because of a ¥23.5 billion increase in consolidated retained earnings. As a result of the increase, the shareholders' equity ratio increased 1.9 percentage points from 37.1% to 39.0%.



Cash Flows

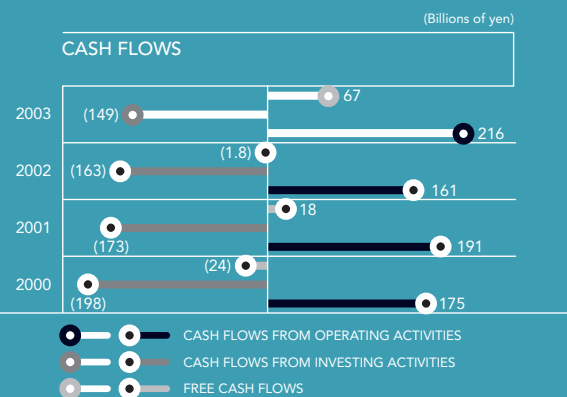
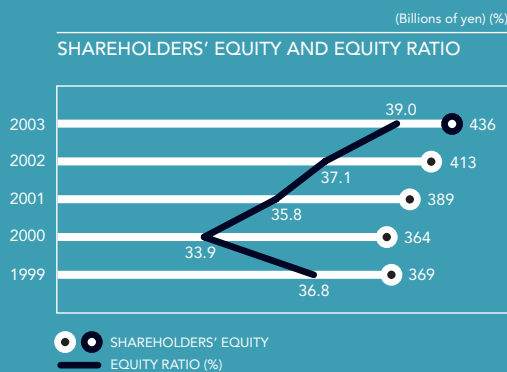
The Company is actively promoting greater management of its balance sheet to improve its ability to generate cash flows. NTT DATA's Group-wide system for managing cash, introduced in fiscal 2002, was extended to include approximately 40 domestic subsidiaries. The system pools the funds of the Group companies into a single master account controlled by the Company, giving it the ability to efficiently manage funds.

Cash and cash equivalents increased ¥7.4 billion to ¥90.1 billion as of the end of the fiscal 2003. This mainly reflected NTT DATA's policy of maintaining a more-than-adequate supply of cash on hand in light of prevailing geopolitical instability. This level is equivalent to 1.3 times average monthly sales of ¥69.3 billion in fiscal 2003, and sufficiently meets NTT DATA liquidity requirements for normal business operations.

Net cash provided by operating activities was ¥216.2 billion, ¥54.8 billion higher than in the previous fiscal year. This mainly reflects higher operating income after excluding non-cash expenses such as depreciation; a decrease of ¥9.5 billion in accounts receivable and other items due to improvements in the use of working capital; and a temporary increase in advances received.

Net cash used in investing activities was ¥149.0 billion, ¥14.1 billion less than in the previous fiscal year. This was mainly due to efforts to restrict investments by taking advantage of securitization financing and a decrease in the acquisition of property and equipment such as capital expenditures. As a result, NTT DATA recorded positive free cash flow of ¥67.2 billion, a sharp reversal of the previous fiscal year's negative free cash flow of ¥1.8 billion.

Net cash used in financing activities was ¥60.5 billion, ¥53.8 billion more than in the previous fiscal year, principally due to the redemption of ¥90.0 billion in bonds, and the repayment of ¥23.6 billion in long-term borrowings. These actions were taken to reduce interest-bearing debt to strengthen the Company's balance sheet.

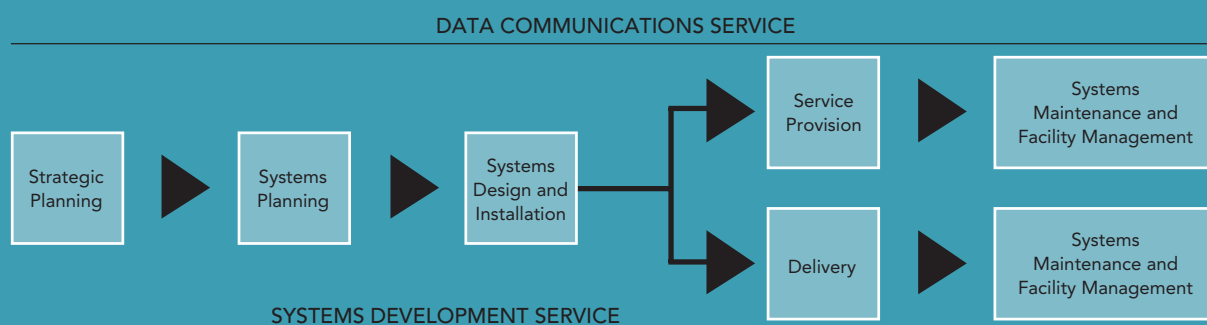


STRUCTURE OF NTT DATA'S SI BUSINESS

Data Communications Service and Systems Development Service

NTT DATA offers two varieties of service in its SI Business, the Data Communications Service and the Systems Development Service.

The Data Communications Service has a development and service provision format unique to NTT DATA. In the Data Communications Service, NTT DATA retains ownership of the assets involved while developing systems and providing management and maintenance services for a client who pays a fee for their use. In this way, the client can avoid the burden of a substantial commitment of funds. For NTT DATA, there is a fairly large capital investment necessary in the initial stages, but once an order has been received it represents a stable revenue source for the length of time that the client uses the services. On the other hand, the Systems Development Service, mainly involves packaged software sales and the provision of systems construction services for corporate clients. The Systems Development Service follows the same workflow as the Data Communications Service. The major differences between the two services are in the type of contract and the payment method, as shown in the table below.



◆The Major Differences Between Data Communications Service and Systems Development Service

	Data Communications Service	Systems Development Service
Type of Contract	Stipulated Contract	Individual Contract
Ownership of Assets	The Company	Client
Payment Method	Monthly Fees	Lump-Sum Payment

◆Selection of Data Communications Service or Systems Development Service

The decision whether to choose the Data Communications Service or Systems Development Service is up to the client.

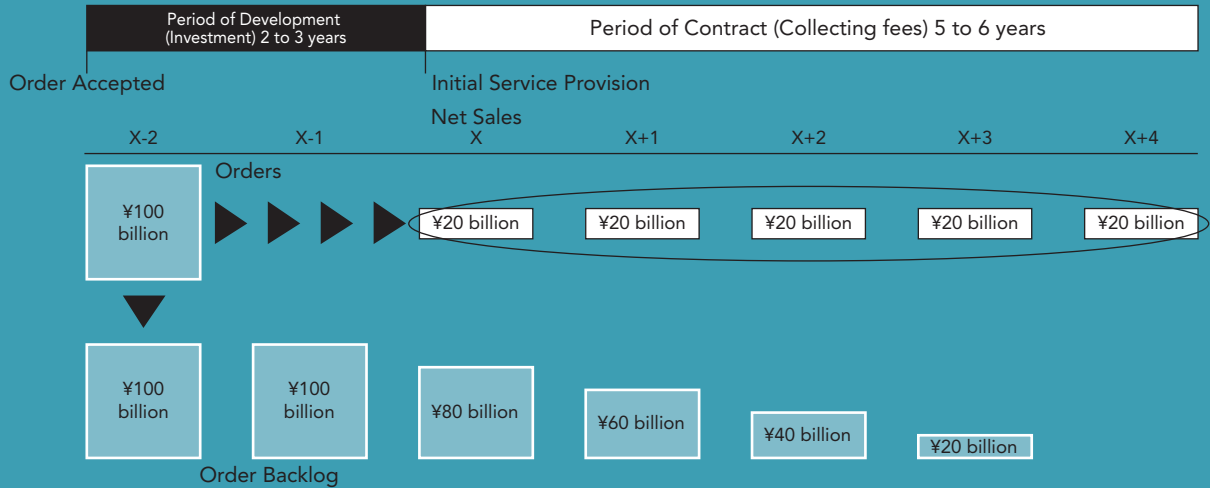
Cost Flow for Data Communications Service and Systems Development Service

	During Design and Installation B/S	At Time of Service Startup/ B/S Delivery
DATA COMMUNICATIONS SERVICE	Construction in Progress Software in Progress ● Direct cost Materials cost Labor cost Subcontracting cost Expenses ● Indirect cost	Fixed Assets P/L Cost of Sales (depreciation cost)
SYSTEMS DEVELOPMENT SERVICE	Jobs and Software in Progress ● Direct cost Materials cost Labor cost Subcontracting cost Expenses ● Indirect cost	P/L Cost of Sales

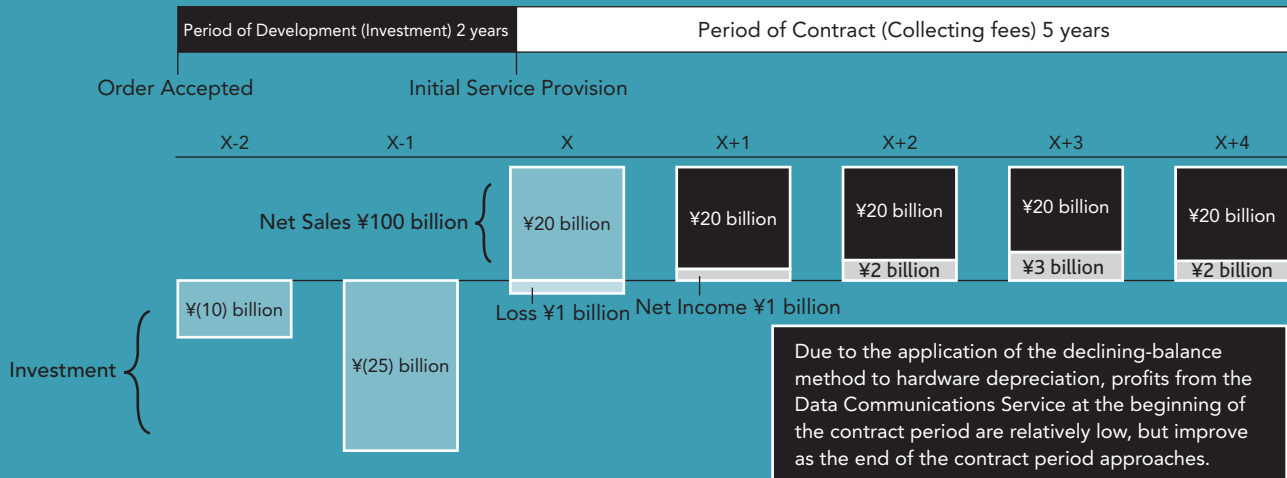
Depreciation/Amortization of Fixed Assets

	Hardware	Software
Depreciation/Amortization Method	Declining-balance basis	Straight-line basis
Depreciation/Amortization Period	6 years	Fee payment period (standard: 5 to 6 years) based on contract with client

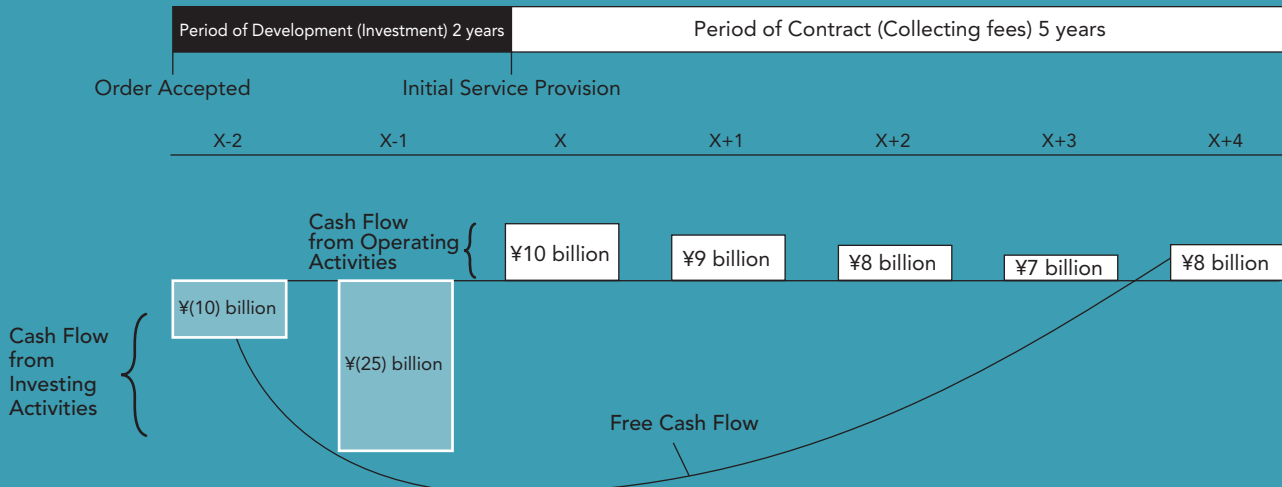
Orders, Net Sales, and Order Backlog in Data Communications Service (Model)



Net Sales and Net Income in Data Communications Service (Model)



Cash Flow in Data Communications Service (Model)



Consolidated Balance Sheets

NTT DATA CORPORATION AND SUBSIDIARIES
AS AT 31ST MARCH, 2002 AND 2003

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2003	2003
Current Assets:			
Cash on hand and at banks	¥ 82,848	¥ 90,130	\$ 751,083
Accounts receivable	126,488	121,092	1,009,100
Less: allowance for doubtful accounts	(1,050)	(415)	(3,458)
	125,438	120,677	1,005,642
Inventories	35,492	40,300	335,833
Deferred income taxes (Note 9)	8,327	10,233	85,275
Other current assets	22,434	18,385	153,209
Total current assets	274,539	279,725	2,331,042
Investments and Advances:			
Investments in securities (Note 10)	21,105	18,193	151,608
Investments in unconsolidated subsidiaries and affiliates	11,881	9,596	79,967
Other investments	34,778	32,798	273,317
Total investments and advances	67,764	60,587	504,892
Property and Equipment, at Cost (Note 4)	1,034,563	1,008,791	8,406,591
Less: accumulated depreciation	(632,917)	(607,447)	(5,062,058)
	401,646	401,344	3,344,533
Deferred Income Taxes (Note 9)	41,480	46,290	385,750
Deferred Charges and Intangibles:			
Software	284,454	280,353	2,336,275
Development costs of software in progress	40,059	42,819	356,825
Other	3,835	7,283	60,691
	328,348	330,455	2,753,791
	¥1,113,777	¥1,118,401	\$9,320,008

The accompanying notes are an integral part of the statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2003	2003
Current Liabilities:			
Short-term borrowings (Note 5)	¥ 8,950	¥ 6,470	\$ 53,917
Commercial paper (Note 5)	25,000	45,000	375,000
Current portion of long-term debt (Note 5)	93,636	28,920	241,000
Accounts payable	112,299	104,115	867,625
Income taxes payable (Note 2 (10))	11,980	17,075	142,292
Other current liabilities	31,651	49,550	412,916
Total current liabilities	283,516	251,130	2,092,750
Long-Term Debt (Note 5)	307,879	313,860	2,615,500
Provision for Retirement Benefits (Notes 2 (12) and 12)	108,048	114,882	957,350
Total liabilities	699,443	679,872	5,665,600
Minority Interests in Consolidated Subsidiaries	1,368	2,814	23,450
Commitments and Contingent Liabilities (Note 16)			
Shareholders' Equity:			
Common stock			
Authorized — 11,220,000 shares in 2002 and 2003			
Issued — 2,805,000 shares in 2002 and 2003	142,520	142,520	1,187,667
Capital surplus	139,300	139,300	1,160,833
Retained earnings	130,575	154,080	1,284,000
Unrealized gains on investment securities, net of taxes	571	(185)	(1,542)
Total shareholders' equity	412,966	435,715	3,630,958
	¥1,113,777	¥1,118,401	\$9,320,008

Consolidated Statements of Operations

NTT DATA CORPORATION AND SUBSIDIARIES
FOR THE YEARS ENDED 31ST MARCH, 2001, 2002 AND 2003

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2001	2002	2003	2003
Net Sales (Note 13)	¥801,045	¥801,967	¥832,109	\$6,934,242
Cost of Sales (Note 1 (2))	598,245	591,301	622,072	5,183,934
Gross profit	202,800	210,666	210,037	1,750,308
Selling, General and Administrative Expenses (Note 7)	144,022	151,220	148,493	1,237,441
Operating income	58,778	59,446	61,544	512,867
Non-Operating Income (Expenses):				
Interest and dividend income	174	131	125	1,042
Interest expenses	(9,716)	(8,621)	(6,987)	(58,225)
Loss on redemption of bonds	—	—	(1,990)	(16,583)
Lease rental income on buildings	960	—	—	—
Gains on sales of investments in securities	666	15	129	1,075
Life insurance premium	—	425	452	3,767
Loss on disposal of fixed assets	(2,222)	(1,347)	(993)	(8,275)
Loss on write-down of investments in securities	—	(1,098)	(3,989)	(33,242)
Gains on sales of investments in affiliates	—	—	3,617	30,142
Others, net	(2,557)	(1,788)	(975)	(8,126)
	(12,695)	(12,283)	(10,611)	(88,425)
Income before income taxes	46,083	47,163	50,933	424,442
Income Taxes (Note 2 (10)):				
Current	22,186	22,935	27,272	227,267
Deferred	(789)	(2,241)	(5,033)	(41,942)
	21,397	20,694	22,239	185,325
Income before minority interests	24,686	26,469	28,694	239,117
Minority Interests in Consolidated Subsidiaries	234	59	132	1,100
Net income	¥ 24,452	¥ 26,410	¥ 28,562	\$ 238,017

Per Share:	Yen			U.S. dollars
	Net income (Note 15)	¥ 8,680	¥ 9,382	¥ 10,152
Cash dividends	1,000	1,000	2,000	16.67

The accompanying notes are an integral part of the statements.

Consolidated Statements of Shareholders' Equity

NTT DATA CORPORATION AND SUBSIDIARIES
FOR THE YEARS ENDED 31ST MARCH, 2001, 2002 AND 2003

	Number of shares issued	Millions of yen		
		Common stock	Capital surplus	Retained earnings
Balance at 31st March, 2000	2,805,000	¥142,520	¥139,300	¥81,938
Increase due to inclusion of additional subsidiaries in the consolidation	—	—	—	2,464
Net income for the year ended 31st March, 2001	—	—	—	24,452
Cash dividends	—	—	—	(2,805)
Bonuses to directors and statutory auditors	—	—	—	(115)
Balance at 31st March, 2001	2,805,000	142,520	139,300	105,934
Increase due to inclusion of additional subsidiaries in the consolidation	—	—	—	665
Increase due to inclusion of additional affiliates accounted for by the equity method	—	—	—	554
Decrease due to the merger of consolidated subsidiaries	—	—	—	(79)
Net income for the year ended 31st March, 2002	—	—	—	26,410
Cash dividends	—	—	—	(2,805)
Bonuses to directors and statutory auditors	—	—	—	(104)
Balance at 31st March, 2002	2,805,000	142,520	139,300	130,575
Increase due to inclusion of additional subsidiaries in the consolidation	—	—	—	44
Decrease due to exclusion of affiliates accounted for by the equity method	—	—	—	(800)
Net income for the year ended 31st March, 2003	—	—	—	28,562
Cash dividends	—	—	—	(4,208)
Bonuses to directors and statutory auditors	—	—	—	(93)
Balance at 31st March, 2003	2,805,000	¥142,520	¥139,300	¥154,080

	Number of shares issued	Thousands of U.S. dollars (Note 3)		
		Common stock	Capital surplus	Retained earnings
Balance at 31st March, 2002	2,805,000	\$ 1,187,667	\$ 1,160,833	\$ 1,088,125
Increase due to inclusion of additional subsidiaries in the consolidation	—	—	—	367
Decrease due to exclusion of affiliates accounted for by the equity method	—	—	—	(6,667)
Net income for the year ended 31st March, 2003	—	—	—	238,017
Cash dividends	—	—	—	(35,067)
Bonuses to directors and statutory auditors	—	—	—	(775)
Balance at 31st March, 2003	2,805,000	\$ 1,187,667	\$ 1,160,833	\$ 1,284,000

The accompanying notes are an integral part of the statements.

Consolidated Statements of Cash Flows

NTT DATA CORPORATION AND SUBSIDIARIES
FOR THE YEARS ENDED 31ST MARCH, 2001, 2002 AND 2003

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2001	2002	2003	2003
Cash Flows from Operating Activities:				
Income before income taxes	¥ 46,083	¥ 47,163	¥ 50,933	\$ 424,442
Depreciation	87,822	86,805	81,967	683,058
Amortization	51,110	58,812	65,682	547,350
Loss on disposal of property and equipment	11,120	5,476	9,786	81,550
Loss on disposal of intangible assets	2,160	2,671	3,993	33,275
Increase in provision for retirement benefits	3,209	2,811	6,834	56,950
Unrealized loss on valuation of investments in securities	898	1,076	4,003	33,358
Interest expenses	9,716	8,625	6,987	58,225
(Increase)/decrease in accounts receivable	(17,120)	5,944	5,396	44,967
(Increase)/decrease in inventories	12,178	(3,250)	(4,808)	(40,067)
Increase/(decrease) in accounts payable	4,756	(7,313)	(5,920)	(49,333)
Increase/(decrease) in accrued consumption taxes	3,399	(1,442)	(805)	(6,708)
Others, net	13,582	(11,971)	23,265	193,875
Sub total	228,913	195,407	247,313	2,060,942
Interest and dividends received	181	143	126	1,050
Interest paid	(9,884)	(8,579)	(7,384)	(61,533)
Income taxes paid	(28,590)	(25,614)	(23,861)	(198,842)
Net cash provided by operating activities	190,620	161,357	216,194	1,801,617
Cash Flows from Investing Activities:				
Acquisition of property and equipment	(82,101)	(84,252)	(92,266)	(768,883)
Acquisition of intangible assets	(96,435)	(66,494)	(65,110)	(542,583)
Proceeds from sales of property and equipment	14,198	7,654	14,207	118,392
Acquisition of investments in securities and affiliates	(11,869)	(18,858)	(3,064)	(25,533)
Acquisition of investments in consolidated subsidiaries	—	—	(4,789)	(39,908)
Others, net	3,289	(1,183)	(2,008)	(16,732)
Net cash used in investing activities	(172,918)	(163,133)	(149,014)	(1,241,783)
Cash Flows from Financing Activities:				
Proceeds from issuance of bonds	29,819	29,841	39,847	332,058
Redemption of bonds at maturity	(40,000)	—	(90,000)	(750,000)
Borrowings of long-term debt	10,000	13,000	—	—
Repayments of long-term borrowings	(23,790)	(72,360)	(23,635)	(196,958)
Increase in commercial paper, net	5,000	20,000	20,000	166,667
Increase/(decrease) in short-term borrowings, net	(2,790)	5,681	(2,480)	(20,667)
Cash dividends	(2,795)	(2,791)	(4,192)	(34,933)
Cash dividends to minority shareholders	(7)	(15)	(15)	(125)
Net cash provided by financing activities	(24,563)	(6,644)	(60,475)	(503,958)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	13	(6)	91	757
Net Increase/(Decrease) in Cash and Cash Equivalents	(6,848)	(8,426)	6,796	56,633
Cash and Cash Equivalents at Beginning of Year	90,401	87,519	82,742	689,517
Cash and Cash Equivalents at Additional Consolidated Subsidiaries at Beginning of Year	3,966	3,649	586	4,883
Cash and Cash Equivalents at End of Year	¥ 87,519	¥ 82,742	¥ 90,124	\$ 751,033
(Reference)				
Free Cash Flow	¥ 17,702	¥ (1,776)	¥ 67,180	\$ 559,834

The accompanying notes are an integral part of the statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Accounting Principles

The accompanying consolidated financial statements of NTT DATA CORPORATION (the "Company") and subsidiaries have been prepared in conformity with accounting principles and practices generally accepted in Japan. The accounts of the Company and its consolidated subsidiaries (all domestic companies) are maintained in accordance with the provisions set forth in the Japanese Commercial Code, the Japanese Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Accounting Standards.

The accompanying consolidated financial statements of the Company and its subsidiaries are essentially the translation of those included in the Securities Annual Report filed with the Japanese Minister of Finance as required by the provisions of the Japanese Securities and Exchange Law.

Accordingly, the information disclosed in the accompanying consolidated financial statements is derived from the original text and the scope and nature of the information is limited to those disclosed therein. However, certain reclassification or summarization of accounts has been made to present the consolidated financial statements in a form which is more familiar to foreign readers.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Companies adopted the new provision for retirement benefits accounting, the new financial instruments accounting and the revised accounting standard for foreign currency translation for the year ended 31st March, 2001.

The Companies adopted "Accounting Standard for Treasury Stock and Reduction of Legal Reserve", "Accounting Standard for Net Income per Share" and "Implementation Guidance on Accounting Standard for Net Income per Share" for the year ended 31st March, 2003.

(2) Change of Accounting Policy

Presentation of lease rental income and expenses on buildings:

Until the year ended 31st March, 2001, the lease rental income (¥960 million) and expenses (¥640 million) were presented in "other income and expenses" on the consolidated statements of operations. From the year ended 31st March, 2002, the lease rental income (¥907 million) and expenses (¥756 million) are presented in net sales and cost of sales due to change of articles of incorporation of the Company.

2. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Scope of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and 37 of its subsidiaries (together, referred to as the "Companies") at 31st March, 2003 (34 subsidiaries in 2002). The names of consolidated subsidiaries are listed under Major Subsidiaries and Affiliates.

5 subsidiaries were newly consolidated in the fiscal year ended 31st March, 2003 due to establishment, additional investments or an increase in their significance.

Newly consolidated subsidiaries are listed below:

NTT DATA SANYO SYSTEM CORPORATION
NTT DATA 3C CORPORATION
NTT DATA UNIVERSITY CORPORATION
NTT DATA INTRA-MART CORPORATION
NTT DATA WAVE CORPORATION

NTT DATA OFFICEMART CORPORATION and DREAM NET Corporation were excluded from consolidation due to the sales of investments in subsidiaries at 31st July 2002 and 23rd January, 2003, respectively.

The accounts of the unconsolidated subsidiaries (ex. NTT DATA SECURITY CORPORATION) had total assets, net sales, net income (loss) and retained earnings and others, which in the aggregate are not significant in relation to the consolidated totals, and therefore have been excluded from consolidation with the Company.

All of the above consolidated subsidiaries use the fiscal year ending on 31st March of each year, which is in agreement with that of the Company.

(2) Equity Method of Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The equity method has been applied to the investment in two of the unconsolidated subsidiaries and affiliates, described below:

JAPAN NETWORK SYSTEM CORPORATION
NTT MEDIACROSS, Inc.

AD-DAM Inc. was excluded from accounting by the equity method due to the sale of investments in affiliates at 30th September 2002.

The remaining unconsolidated subsidiaries (ex. NTT DATA SECURITY CORPORATION) and affiliates (ex. HALEX CORPORATION) do not have a material effect on consolidated net income, retained earnings and others individually or in the aggregate.

(3) Elimination and Combination

For the purposes of preparing the consolidated financial statements of the Companies, all significant intercompany transactions, account balances and unrealized profits among the Companies have been entirely eliminated, and the portion applicable to minority interests is charged or credited to "Minority Interests in Consolidated Subsidiaries."

(4) Amortization of Goodwill

Goodwill arising from the consolidation process is amortized on a straight-line basis over five years, except minor goodwill which is expensed as incurred.

(5) Remeasurement of Assets and Liabilities of the Subsidiaries

The full portion of the assets and liabilities of the subsidiaries is marked to fair value as of the acquisition of control.

(6) Financial Instruments

Effective from the year ended 31st March, 2001, the Companies adopted the new Japanese accounting standard for financial instruments, which is effective for periods beginning on or after 1st April, 2000. As a result of adoption of the new standard, income before income taxes for the year ended 31st March, 2001 has decreased by ¥586 million, as compared with the amount which would have been reported if the previous standard had been applied consistently.

1) Derivatives

Under the new standard, all derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments."

2) Securities

Securities held by the Companies are, under the new standard, classified into three categories:

Held-to-maturity debt securities, that the Companies intend to hold to maturity, are stated at cost after accounting for premium or discount on acquisition, which are amortized over the period to maturity.

Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for by the equity method. Exceptionally, investments in certain unconsolidated subsidiaries and affiliates are stated at cost determined by the moving-average method because the effect of application of the equity method would be immaterial.

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in shareholders' equity at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost determined by the moving-average method, except as stated in the paragraph below.

In case where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

Under the new standard, debt securities due within one year are presented as "current" and all the other securities are presented as "non-current." The securities held by the Companies have been reclassified as of 1st April, 2000 (the beginning of the fiscal year).

3) Hedge Accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company are principally currency swaps, currency options, interest rate swaps, interest rate options and forward exchange contracts. The related hedged items are trade accounts receivable and payable, long-term bank loans, and debt securities issued by the Company.

The Company has a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of adverse fluctuations in foreign currency exchange rates and interest rates. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from commencement of the hedges.

The Company verifies the efficiency of hedge at every quarter year-end. Regarding to the hedge assets or liabilities and derivative transactions. If the condition of notional amount interest rate, contract period are same, the Company omitted the verification of efficiency by hedge.

(7) Inventories

"Inventories" are stated at cost, which is determined on an individual project basis.

Supplies are valued at cost, which is principally determined by the first-in, first-out method.

(8) Property and Equipment

Depreciation is computed by the declining-balance method, at rates based on the estimated useful lives of assets. However, depreciation of buildings (except for building improvements) acquired after 1st April, 1998 is computed by the straight-line method.

The range of useful lives is principally 6 years for "Data communication facilities," from 13 to 50 years for "Buildings and structures," from 6 to 15 years for "Machinery and equipment, vehicles" and from 4 to 10 years for "Furniture, fixtures and tools."

Normal repairs and maintenance, including minor renovations and improvements, are charged to expenses as incurred.

(9) Deferred Charges and Intangibles

1) Intangible Assets

Amortization of intangible assets, except for software, is computed by the straight-line method.

The range of useful lives is principally from 5 to 20 years.

Amortization of software is based on the following:

a) Software developed for sale

The amortization costs of software developed for external sale are computed as the higher of: (a) the amount based on sales in the year, as a proportion of total estimated sales over not more than a three-year sales period, or (b) the amount computed on a straight-line basis over the remaining sales period in which the software can be sold by the Company.

b) Software developed for internal use

Software for internal use is amortized on a straight-line basis over the estimated useful lives, not exceeding five years.

However, software which is exclusively developed for the purpose of tailor-made Data Communications Services to clients under specific contracts, is amortized on a straight-line basis over the relevant contract period.

2) Deferred Charges

Bond issue expenses are charged to income as incurred.

(10) Income Taxes

Income taxes of the Companies consist of corporate income taxes, local inhabitants taxes and enterprise taxes.

Income taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(11) Allowance for Doubtful Accounts

The allowance for doubtful accounts is principally provided, in amounts considered to be appropriate, based primarily upon the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(12) Provision for Retirement Benefits

Effective from the year ended 31st March, 2001, the Companies adopted the new Japanese accounting standard for retirement

benefits, which is effective for periods beginning on or after 1st April, 2000. In accordance with the new standard, the provision for retirement benefits as of 31st March, 2001 represents the estimated present value of projected benefit obligation in excess of the fair value of the plan assets except that, as permitted under the new standard, the unrecognized transition amount arising from adopting the new standard of ¥5,976 million at 1st April, 2000 (the beginning of the fiscal year) is amortized on a straight-line method for 15 years, and unrecognized actuarial differences are amortized on a straight-line method over the average remaining service period of employees from the next year in which they arise.

As a result of adopting the new standard, net pension expense for the year ended 31st March, 2001 was increased by ¥4,460 million and income before income taxes has decreased by ¥4,021 million as compared with the amount which would have been reported if the previous standard has been applied consistently.

And unrecognized prior service cost is amortized on a straight-line method over the average remaining service period of employees of each fiscal year in which it arises.

(13) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term investments with original maturities of three months or less and which represent a minor risk of fluctuations in value.

3. UNITED STATES DOLLAR AMOUNTS

The Companies maintain their accounting records in yen. The dollar amounts included in the financial statements and notes thereto represent the arithmetical results of translating yen to dollars on a basis of ¥120=U.S.\$1. The inclusion of such dollar

amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at ¥120=U.S.\$1 or at any other rate.

4. PROPERTY AND EQUIPMENT

Property and equipment at 31st March, 2002 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Data communication facilities	¥ 673,880	¥ 622,267	\$ 5,185,558
Buildings and structures	204,831	207,345	1,727,875
Machinery and equipment, vehicles	39,397	41,148	342,900
Furniture, fixtures and tools	30,431	33,311	277,592
Land	48,514	48,514	404,283
Construction in progress	37,510	56,206	468,383
	1,034,563	1,008,791	8,406,591
Less: accumulated depreciation	(632,917)	(607,447)	(5,062,058)
	¥ 401,646	¥ 401,344	\$ 3,344,533

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at 31st March, 2002 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Short-term borrowings	¥8,950	¥6,470	\$53,917

Short-term borrowings bore interest at weighted-average rates of 0.3% and 0.2% at 31st March, 2002 and 2003, respectively.

Commercial paper at 31st March, 2002 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Commercial paper	¥25,000	¥45,000	\$375,000

Commercial paper bore interest at weighted-average rates of 0.0% at 31st March, 2002 and 2003, respectively.

Long-term debt at 31st March, 2002 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Long-term borrowings from banks and other financial institutions	¥ 77,869	¥ 54,233	\$ 451,942
2.95% yen bonds due 10th November, 2006 ^{*1}	30,000	10,000	83,333
1.975% yen bonds due 20th March, 2003	20,000	—	—
2.075% yen bonds due 25th June, 2002	30,000	—	—
2.50% yen bonds due 22nd December, 2009	30,000	30,000	250,000
3.10% yen bonds due 26th February, 2008 ^{*2}	2,000	2,000	16,667
3.30% yen bonds due 26th February, 2010 ^{*2}	3,000	3,000	25,000
1.95% yen bonds due 27th February, 2003	20,000	—	—
1.86% yen bonds due 2nd October, 2008	30,000	30,000	250,000
1.72% yen bonds due 22nd December, 2008	30,000	30,000	250,000
2.10% yen bonds due 22nd September, 2009	30,000	30,000	250,000
1.09% yen bonds due 17th November, 2004	30,000	30,000	250,000
1.88% yen bonds due 21st June, 2010	30,000	30,000	250,000
1.44% yen bonds due 20th June, 2011	30,000	30,000	250,000
0.60% yen bonds due 20th June, 2007	—	40,000	333,333
	392,869	319,233	2,660,275
Less: portion due within one year	(93,636)	(28,920)	(241,000)
	¥299,233	¥290,313	\$2,419,275

^{*1} The Company has entered into underwriting contracts with financial institutions under which the counterparty agrees to fulfill bond obligations that satisfy the transitional provisions of Accounting Standards for Financial Instruments and the amounts is ¥20,000 (\$166,667 thousand).

^{*2} Interest is to be paid in U.S. dollars. Fixed annual interest payments in U.S. dollars are \$24,899.59 per ¥100 million for 3.10% yen bonds due 2008 and \$26,634.38 per ¥100 million for 3.30% yen bonds due 2010.

Note:

(1) All bonds were issued by NTT DATA CORPORATION.

Long-term borrowings from banks and other financial institutions were bearing interest at annual rates ranging from 0.4625% to 3.5% at 31st March, 2002 and 2003.

A breakdown of long-term borrowings from banks and other financial institutions outstanding at 31st March, 2003, classified by annual maturities during the next five years, is as follows:

Due in the years ended 31st March,

	Thousands of	
	Millions of yen	U.S. dollars
2004	¥28,920	\$241,000
2005	15,165	126,375
2006	37	308
2007	37	308
2008	37	308
Thereafter	10,037	83,643
	¥54,233	\$451,942

None of the Companies' assets were pledged as collateral for short-term or long-term borrowings from banks and bonds as at 31st March, 2003.

6. LEASES

All finance lease contracts other than those by which the ownership of the leased assets is to be transferred to lessees are accounted for by a method similar to the operating lease method.

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets (data communication facilities and other), which included the portion of interest thereon, are as follows:

	Millions of yen		Thousands of
	2002	2003	U.S. dollars
Acquisition cost:			2003
Data communication facilities	¥39,223	¥50,866	\$423,883
Buildings and structures	462	342	2,850
Machinery and equipment, vehicles	692	383	3,192
Furniture, fixtures and tools	11,918	17,317	144,308
Software	1,465	1,448	12,067
	53,760	70,356	586,300
Accumulated depreciation	(18,820)	(25,805)	(215,042)
Net book value	¥34,940	¥44,551	\$371,258
Depreciation*	¥ 8,400	¥10,120	\$ 84,333

* Depreciation is based on the straight-line method over the lease term of the leased assets, assuming no residual value.

Lease expenses on finance lease contracts without ownership transfer for the years ended 31st March, 2001, 2002 and 2003 are as follows:

	Millions of yen			Thousands of
	2001	2002	2003	U.S. dollars
Lease expenses	¥6,118	¥8,400	¥10,120	\$84,333

The amount of outstanding future lease payments due at 31st March, 2002 and 2003, which included the portion of interest thereon, is as follows:

	Millions of yen		Thousands of
	2002	2003	U.S. dollars
Future lease payments:			2003
Within one year	¥ 8,370	¥11,280	\$ 94,000
Over one year	26,570	33,271	277,258
	¥34,940	¥44,551	\$371,258

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses comprise the following:

	Millions of yen			Thousands of U.S. dollars
	2001	2002	2003	2003
Employees' salaries, wages and other payroll costs	¥ 39,131	¥ 46,957	¥ 48,383	\$ 403,192
Severance and pension cost	5,833	7,152	8,479	70,658
Subcontractor expenses	32,097	30,989	26,600	221,667
Research and development expenses	17,957	19,074	18,224	151,867
Other	49,004	47,048	46,807	390,057
	¥144,022	¥151,220	¥148,493	\$1,237,441

8. CASH FLOW INFORMATION

Reconciliation of "Cash and cash equivalents" to the amounts disclosed on balance sheets at 31st March, 2002 and 2003 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Cash on hand and at banks	¥82,848	¥90,130	\$751,083
Time deposits falling due in more than three months	(106)	(6)	(50)
Cash and cash equivalents	¥82,742	¥90,124	\$751,033

Summary information liabilities of newly consolidated subsidiaries at 31st March, 2003 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2003	2003
Current assets	¥6,021	\$50,175
Property and equipment	3,259	27,158
Goodwill	4,013	33,442
Current liabilities	(4,424)	(36,867)
Long-term debt	(2,210)	(18,417)
Minority interests	(1,203)	(10,025)
Acquisition costs of newly consolidated subsidiaries	5,456	45,466
Cash and cash equivalents	(667)	(5,558)
Net cash payments for acquisition of newly consolidated subsidiaries	¥4,789	\$39,908

9. INCOME TAXES

The Companies are subject to several taxes based on income, which, in the aggregate, resulted in the statutory tax rate of approximately 42.0%.

The significant components of deferred tax assets and liabilities at 31st March, 2002 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Deferred tax assets:			
Provision for retirement benefits	¥32,912	¥36,653	\$305,442
Depreciation	10,998	9,031	75,258
Loss on write-down of inventories	2,884	1,866	15,550
Other	11,374	14,413	120,108
Total	58,168	61,963	516,358
Less: valuation allowance	(1,627)	(52)	(433)
Total deferred tax assets	56,541	61,911	515,925
Deferred tax liabilities:			
Special tax-purpose reserve	(5,355)	(4,058)	(33,817)
Other	(1,379)	(1,330)	(11,083)
Total deferred tax liabilities	(6,734)	(5,388)	(44,900)
Deferred tax assets, net	¥49,807	¥56,523	\$471,025

A reconciliation between the statutory tax rate and effective income tax rate for the years ended 31st March, 2001, 2002 and 2003 is as follows:

	Percent		
	2001	2002	2003
Statutory tax rate:	42.04%	—	—
Increase (reduction) in taxes resulting from:			
Tax loss carry forward	2.28		
Non-deductible expenses	1.12		
Non-taxable dividends received	(0.05)		
Inhabitants tax per capita	0.39		
Other	0.65		
Effective income tax rate	46.43%		

For the years ended 31st March, 2002 and 2003, a reconciliation is not required to be disclosed because the difference between the rates is less than 5%.

Changes in deferred tax assets and liabilities due to changes in income tax rates is as follows:

On March 31, 2003, the Law for Partial Amendment of the Local Taxes Law was promulgated, stipulating the introduction of a pro forma taxation system for enterprise tax effective April 1, 2004. As a result, although the tax rate applicable to temporary differences expected to be settled by March 31, 2004 will remain unchanged in the fiscal year under review, the tax rate applied to temporary differences expected to be

settled thereafter will change pursuant to the new law. The statutory effective tax rate used to calculate deferred tax assets and liabilities was 42.05% in the previous fiscal year, ended 31st March, 2002, and 42.05% (Deferred income taxes (current assets)) and 40.69% (Deferred income taxes (non-current assets)) in the fiscal year, ended 31st March, 2003. As a result of this change, net deferred tax assets decreased ¥1,316 million (\$ 10,967 thousand), while deferred income taxes increased by the same amount.

10. MARKET VALUE INFORMATION OF INVESTMENTS IN SECURITIES

Information regarding marketable securities classified as other securities as of 31st March, 2002 is as follows:

(1) Other Securities for which Market Quotations are Available

	Millions of yen		
	2002		
	Acquisition cost	Book value	Unrealized gain (loss)
Securities (*1)	¥1,765	¥2,708	¥943
Securities (*2)	1,010	911	(99)
Total	¥2,775	¥3,619	¥844

Notes:

(*1) These types of securities consist of those for which the book value exceeds the acquisition cost.

(*2) These types of securities consist of those for which the book value is less than the acquisition cost.

(2) Other Securities Sold for the Year Ended 31st March, 2002

	Millions of yen
	2002
Securities:	
Sales amount	¥67
Total amount of gain on sale of other securities	¥15

(3) Major Components of Securities for which Market Quotations are Unavailable

	Millions of yen
	2002
Other securities:	
Unlisted securities (excluding over-the-counter securities)	¥17,486

Information regarding marketable securities classified as other securities as of 31st March, 2003 is as follows:

(1) Other Securities for which Market Quotations are Available

	Millions of yen			Thousands of U.S. dollars
	2003			2003
	Acquisition cost	Book value	Unrealized gain (loss)	Unrealized gain (loss)
Securities (*1)	¥ 468	¥ 767	¥299	\$ 2,492
Securities (*2)	1,579	1,183	(396)	(3,300)
Total	¥2,047	¥1,950	¥ (97)	\$ (808)

Notes:

(*1) These types of securities consist of those for which the book value exceeds the acquisition cost.

(*2) These types of securities consist of those for which the book value is less than the acquisition cost.

(2) Other Securities Sold for the Year Ended 31st March, 2003

	Millions of yen	Thousands of U.S. dollars
	2003	2003
Securities:		
Sales amount	¥994	\$8,283
Total amount of gain on sale of other securities	¥129	\$1,075
Total amount of loss on sale of other securities	¥ (12)	\$ (100)

(3) Major Components of Securities for which Market Quotations are Unavailable

	Millions of yen	Thousands of U.S. dollars
	2003	2003
Other securities:		
Unlisted securities (excluding over-the-counter securities)	¥16,243	\$135,358

11. INFORMATION ON DERIVATIVES

The Company uses derivative financial instruments, which comprise principally foreign forward exchange contracts and interest rate and currency swap agreements, to reduce its exposure to market risks from fluctuations in foreign currency exchange and interest rates. The Company does not hold or issue financial instruments for trading purposes.

Although the Company may be exposed to losses in the event of nonperformance by counterparties or interest and

currency fluctuations, it does not anticipate significant losses from the arrangements previously described.

All subsidiaries did not use derivative financial instruments as at 31st March, 2002 and 2003.

There were no derivative financial instruments except for financial instruments which applied for hedge accounting as at 31st March, 2002 and 2003.

12. PENSION AND SEVERANCE PLANS

(1) General Information about the Pension Plan

The Companies have a funded pension plan that mainly comprises three types of plans (Welfare Pension Plan, Severance Payment Plan and Lump-sum Severance Payment Plan).

The Company and 32 subsidiaries are members of NTT Employees Pension Fund as at 31st March, 2002, and the

Company and 33 subsidiaries are members of that as at 31st March, 2003.

The Company and 9 subsidiaries adopt Severance Payment Plan as at 31st March, 2002, and the Company and 8 subsidiaries adopt it as at 31st March, 2003.

(2) Benefit Obligation

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Benefit obligation	¥(207,181)	¥(205,103)	\$(1,709,191)
Plan assets	81,094	79,342	661,183
Benefit obligation in excess of plan assets	(126,087)	(125,761)	(1,048,008)
Unrecognized net transition obligation	(5,179)	(4,780)	(39,834)
Unrecognized actuarial loss	26,112	26,636	221,967
Unrecognized prior service cost	(2,894)	(10,977)	(91,475)
Net amount recognized	¥(108,048)	¥(114,882)	\$ (957,350)

Notes:

(1) The substitutional portion under Welfare Pension Plan is included.

(2) Due to a revision in regulation for Employee Pension Fund Insurance Law on March 2000, the Companies revised the regulation that raising benefit age for the substitutional portion under Welfare Pension Plan for the year ended 31st March, 2002. In March 2003, the Company also introduced a "point" system whereby a specified amount is contributed to an employee's pension account every year based on individual performance. As a result, pension benefit obligations decreased and unrecognized prior service cost is provided.

(3) Assumed Benefit Obligation, distribution to Severance Payment Plan made by consolidated subsidiaries adopting "simple approach" is included in "Benefit Obligation."

(3) Severance and Pension Cost

	Millions of yen			Thousands of U.S. dollars
	2001	2002	2003	2003
Service cost	¥ 9,515	¥10,203	¥ 9,533	\$ 79,442
Interest cost	5,189	5,595	5,112	42,600
Expected return on plan assets	(2,324)	(2,374)	(2,027)	(16,892)
Amortization of net transition obligation	(398)	(398)	(398)	(3,317)
Amortization of net actuarial loss	—	733	2,101	17,509
Amortization of prior service cost	—	—	(263)	(2,192)
Net periodic benefit cost	¥11,982	¥13,759	¥14,058	\$117,150

(4) Assumptions Used in the Accounting for the Benefit Plan

Assumptions used in the accounting for the benefit plan are as follows:

	2002	2003
Allocation method for the projected benefit obligation	Straight-line method	Straight-line method
Discount rate	2.50%	Mainly 2.50%
Expected return on plan assets	3.00%	Mainly 2.50%
Amortization of prior service cost	—	Unrecognized prior service cost is amortized on a straight-line method over the average remaining service period of employees of each fiscal year in which it arises
Amortization of unrecognized actuarial loss	Unrecognized actuarial differences are amortized on a straight-line method over the average remaining service period of employees from the next year in which they arise	Unrecognized actuarial differences are amortized on a straight-line method over the average remaining service period of employees from the next year in which they arise
Amortization of net transition obligation	Straight-line method for 15 years	Straight-line method for 15 years

13. SEGMENT INFORMATION

(1) Business Segment

For the year ended 31st March, 2001	Millions of yen					
	System Integration	Network System Services	Others	Total	Elimination or corporate	Consolidated
I Net sales and operating income (expenses)						
Net sales:						
(1) External customers	¥639,813	¥51,236	¥109,996	¥801,045	¥ —	¥ 801,045
(2) Intersegment or transfer	10,819	875	32,428	44,122	(44,122)	—
Total	¥650,632	¥52,111	¥142,424	¥845,167	¥ (44,122)	¥ 801,045
Operating expenses	¥587,496	¥51,506	¥131,398	¥770,400	¥ (28,133)	¥ 742,267
Operating income	¥ 63,136	¥ 605	¥ 11,026	¥ 74,767	¥ (15,989)	¥ 58,778
II Total assets, depreciation and capital expenditures						
Total assets	¥772,465	¥47,640	¥128,988	¥949,093	¥137,344	¥1,086,437
Depreciation	¥122,806	¥ 7,355	¥ 5,606	¥135,767	¥ 398	¥ 136,165
Capital expenditures	¥137,549	¥13,781	¥ 10,758	¥162,088	¥ 1,567	¥ 163,655

For the year ended 31st March, 2002	Millions of yen					
	System Integration	Network System Services	Others	Total	Elimination or corporate	Consolidated
I Net sales and operating income (expenses)						
Net sales:						
(1) External customers	¥614,354	¥56,083	¥131,530	¥801,967	¥ —	¥ 801,967
(2) Intersegment or transfer	10,567	2,160	78,020	90,747	(90,747)	—
Total	¥624,921	¥58,243	¥209,550	¥892,714	¥ (90,747)	¥ 801,967
Operating expenses	¥564,485	¥54,917	¥196,900	¥816,302	¥ (73,781)	¥ 742,521
Operating income	¥ 60,436	¥ 3,326	¥ 12,650	¥ 76,412	¥ (16,966)	¥ 59,446
II Total assets, depreciation and capital expenditures						
Total assets	¥760,456	¥45,817	¥175,489	¥981,762	¥132,015	¥1,113,777
Depreciation	¥126,881	¥ 8,974	¥ 6,998	¥142,853	¥ 488	¥ 143,341
Capital expenditures	¥149,475	¥ 9,458	¥ 11,325	¥170,258	¥ 319	¥ 170,577

For the year ended 31st March, 2003	Millions of yen					Thousands of U.S. dollars	
	System Integration	Network System Services	Others	Total	Elimination or corporate	Consolidated	Consolidated
I Net sales and operating income (expenses)							
Net sales:							
(1) External customers	¥643,449	¥57,818	¥130,842	¥832,109	¥ —	¥ 832,109	\$6,934,242
(2) Intersegment or transfer	27,807	2,444	43,041	73,292	(73,292)	—	—
Total	¥671,256	¥60,262	¥173,883	¥905,401	¥ (73,292)	¥ 832,109	\$6,934,242
Operating expenses	¥606,616	¥56,554	¥165,923	¥829,093	¥ (58,528)	¥ 770,565	\$6,421,375
Operating income	¥ 64,640	¥ 3,708	¥ 7,960	¥ 76,308	¥ (14,764)	¥ 61,544	\$ 512,867
II Total assets, depreciation and capital expenditures							
Total assets	¥768,500	¥38,544	¥158,123	¥965,167	¥153,234	¥1,118,401	\$9,320,008
Depreciation	¥130,659	¥ 9,117	¥ 7,557	¥147,333	¥ 789	¥ 148,122	\$1,234,350
Capital expenditures	¥148,975	¥ 6,415	¥ 15,507	¥170,897	¥ 120	¥ 171,017	\$1,425,142

Notes:

(1) Classification of business was based on the types of services provided and the similarity of related markets and relevant assets.

(2) Major products of each business type are as follows:

Business Type	Major Products
System Integration	In response to customers' unique needs, to develop data communications systems, sell and lease such systems and provide system integration and other related services
Network System Services	In accordance with market needs, to provide a variety of information as well as data-processing and other services based on the Internet and other computer networks
Others	To research, identify and evaluate customers' management issues, plan and propose strategic plans for data communications systems, perform maintenance and facility management and provide other related services

(3) Unallocated operating expenses, included in "Elimination or corporate," amounted to ¥15,383 million, ¥14,659 million and ¥16,311 million (\$135,925 thousand) for the years ended 31st March, 2001, 2002 and 2003. Such expenses primarily occurred in the administrative section of the General Affairs Department of the Company.

(4) Corporate assets, included in "Elimination or corporate," amounted to ¥137,344 million, ¥132,015 million and ¥153,234 million (\$1,276,950 thousand) for the years ended 31st March, 2001, 2002 and 2003. Such assets include temporary cash investments (cash on hand and at banks) and assets in the administrative division of the Company.

(5) Regarding to the presentation of lease rental income and expenses on buildings, the Company changed presentation policy. Until the year ended 31st March, 2001, the lease rental income and expenses presented in "other income and expenses" on the consolidated statements of operations. For the year ended 31st March, 2002, the lease rental income and expenses present in net sales and cost of sales. As a result of the change, operating income of "Other Segment" is increased in ¥151 million compared with last year.

(2) Geographic Information

Not applicable because there were no foreign consolidated subsidiaries or significant overseas branches for the years ended 31st March, 2001, 2002 and 2003.

(3) Overseas Sales

This information is not required to be disclosed because net sales overseas represent less than 10% of consolidated net sales for the years ended 31st March, 2001, 2002 and 2003.

14. RELATED PARTY TRANSACTIONS

Related party transactions for the years ended 31st March, 2002 and 2003 were as follows:

Group Company	2002
Type	Subsidiary of parent company
Name of the Company	NTT LEASING CO., LTD.
Address	Minato-ku, Tokyo
Common stock	¥6,774 million
Type of business	Providing a variety of leasing services
Equity ownership percentage	(own) direct 4.5% (owned) direct 0.0%
Relation	
Additional post of directors	One board member holds the additional post of board member in another subsidiaries
Operating relation	Development of data transfer system
Nature of transaction	System Integration Service Fee
Transaction amount	¥17,227 million
Account	Accounts receivable trade
Balance at year-end	¥12,230 million

Directors and Principal Individual Shareholders, etc.	2003
Type	Officer
Name of the Company	Michio Kikuta
Address	—
Common stock	—
Type of business	Directors
Equity ownership percentage	(owned) direct 0.0%
Relation	
Additional post of directors	—
Operating relation	—
Nature of transaction	Payment of annual fees
Transaction amount	¥7 million (\$58 thousand)
Account	—
Balance at year-end	—

15. NET INCOME PER SHARE

Effective from the year ended 31st March, 2003, the Companies adopted the new Japanese accounting standard for net income per share. Prior to adopting the new standard, the computation of basic net income per share and diluted net income per share were based on the net income shown on the consolidated statement of operations. The computation of basic net income per share and diluted net income per share therefore included bonuses to directors and statutory auditors, since under the Japanese Commercial Code, these are recognized as an appropriation of retained earnings, in the statement of shareholders' equity rather than as expenses in the statements of operations.

However, the new standard requires that net income should be adjusted by deducting bonuses paid to directors and statutory auditors as well as the payment of dividends to shareholders of preferred stocks to be recognized as an appropriation of retained earnings, from net income shown in the consolidated statements of operations, and the computation of basic net income per share and diluted net income per share be made on that adjusted net income basis. Basic net income per share for the year ended 31st March, 2001 and 2002 calculated using the new standard is ¥8,680 and ¥9,382.

16. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31st March, 2003, the Company was contingently liable for guarantees of loans borrowed by Nippon Leisure Card System Co., Ltd. in an amount of ¥2,749 million (\$22,908 thousand).

As at 31st March, 2003, the Company was contingently liable for rental payments on a building lease contracts made by NTT DATA USA L.L.C., which is an unconsolidated subsidiary of the Company in an amount of ¥916 million (\$ 7,633 thousand).

Contingent liabilities related to underwriting contracts for fulfillment of bonds obligations were as follows:

5th issue of unsecured ordinary yen bonds is ¥20,000 million (\$166,667 thousand)

The Company has entered into underwriting contracts with financial institutions under which the counterparty agrees to fulfill bond obligations that satisfy the transitional provisions of Accounting Standards for Financial Instruments.

17. SUBSEQUENT EVENTS

(1) Appropriations of Retained Earnings of the Company

The appropriation of retained earnings in respect of the year ended 31st March, 2003, which was proposed by the Board of Directors in the Company and approved at the shareholders' meeting held on 24th June, 2003, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at 31st March, 2003	¥27,116	\$225,967
Transfer from special tax-purpose reserve into retained earnings	1,946	16,216
Transfer from special tax-purpose reserve for specified communications equipment into retained earnings	53	442
Appropriations:		
Cash dividends (¥1,000 per share)	(2,805)	(23,375)
Bonuses to directors and statutory auditors	(87)	(725)
Transfer to special tax-purpose reserve	(384)	(3,200)
Transfer to special tax-purpose reserve for specified communication equipment	(4)	(33)
Transfer to general reserve	(20,000)	(166,667)
	(23,280)	(194,000)
Balance to be carried forward to the next year	¥ 5,835	\$ 48,625

(2) One-off Lump-sum Payments in the Structural Reform

At the Board of Directors in the Company held on 24th April, 2003, the Company decided to have salary levels that are competitive in each business domain in the new regional companies and companies for maintenance and operations. And the reorganization of group companies in the regional to provide maintenance and operations is a part of the structural reform on the progress in "Strengthening the structure for promoting middle-market SI business and maintenance and operations businesses." At the management meeting held on 19th June, 2003, the Company decided to make one-off lump-sum payments to some 900 employees expressed the desire to be assigned to particular companies on an individual basis. As a result, the management expects to record a loss of approximately ¥11,000 million in consolidated financial statements for the year ending 31st March, 2004.

(3) Alleviation of the Future Obligations to Disburse NTT Employees Pension Fund covering the Substitutional Portion

On 20th June 2003, under the Law Concerning Defined-Benefit Corporate Pension Plans, NTT Employees Pension Fund applied to the Minister of the Ministry of Health, Labour and Welfare for permission to be alleviated of the future obligations to disburse NTT Employees Pension Fund covering the substitutional portion. If permission is granted, NTT Employees Pension Fund will not only be exempt from the future obligations to disburse such pension benefits, but also, after September 2003, NTT Employees Pension Fund will be able to apply to be exempted from the existing obligations to disburse NTT Employees Pension Fund covering the substitutional portion, and if NTT Employees Pension Fund were granted the exemption, the substitutional portion of the benefit obligation and related assets would be transferred from NTT Employees Pension Fund to the Government. As a result, the Company expected that the transfer of the substitutional portion of the benefit obligations and related assets will be recorded as profit accompanying the difference benefit obligations and plan assets covering the substitutional portion. However, it is undetermined when the permission and the transfer of the substitutional portion of the benefit obligations and related assets will take place and what the sum accompanying the settlement will be.

ChuoAoyama Audit Corporation

PRICEWATERHOUSECOOPERS

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Report of Independent Certified Public Accountants

To the Board of Directors of
NTT DATA CORPORATION

We have audited the accompanying consolidated balance sheets of NTT DATA CORPORATION and its subsidiaries as of March 31, 2002 and 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended March 31, 2001, 2002 and 2003, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NTT DATA CORPORATION and its subsidiaries as of March 31, 2002 and 2003, and the consolidated results of their operations and their cash flows for the years ended March 31, 2001, 2002 and 2003 in conformity with accounting principles and practices generally accepted in Japan (see Note 1(1)) applied on a consistent basis, except for the changes, with which we concur, in accounting for provision for retirement benefits as described in detail in Note 2(12), "Provision for Retirement Benefits," of the Notes to the Consolidated Financial Statements.

As described in Note 2(6) and Note 2(12) and 12 of the Notes to the Consolidated Financial Statements, effective for the year ended March 31, 2001, NTT DATA CORPORATION and its subsidiaries have adopted new Japanese accounting standards for retirement benefits and financial instruments.

As described in Note 17(2), at the management meeting held on 19th June, 2003, the Company decided to make one-off lump-sum payments to employees expressed the desire to be assigned to particular companies on a individual basis as a part of the structural reform.

As described in Note 17(3), on 20th June 2003, under the Law Concerning Defined-Benefit Corporate Pension Plans, NTT Employees Pension Fund applied to the Minister of the Ministry of Health, Labour and Welfare for permission to be alleviated of the future obligations to disburse NTT Employees Pension Fund covering the substitutional portion.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation
Tokyo, Japan
June 24, 2003

Non-Consolidated Six-Year Summary

NTT DATA CORPORATION
YEARS ENDED 31ST MARCH

	Millions of yen						Thousands of U.S. dollars	
	1998	1999	2000	2001	2002	2003	2003	
For the Year:								
Net Sales	¥669,228	¥ 705,465	¥ 716,430	¥ 786,730	¥ 767,836	¥ 780,652	\$6,505,433	
System Integration	—	—	576,253	630,945	601,447	611,315	5,094,292	
Network System Services	—	—	48,751	50,146	52,930	54,315	452,625	
Others	—	—	91,426	105,639	113,459	115,022	958,516	
Cost of Sales	493,034	521,260	534,504	595,174	576,363	592,802	4,940,016	
Operating Income	53,242	56,205	50,498	58,376	56,267	57,297	477,475	
Income (Loss) before Income Taxes	33,492	37,181	(29,418)	45,525	43,990	44,359	369,658	
Net Income (Loss)	15,402	16,271	(17,997)	25,757	25,154	24,075	200,625	
New Orders Received	573,602	659,978	704,733	767,338	811,820	789,347	6,577,892	
Capital Expenditures	161,706	236,098	211,189	164,372	170,856	172,948	1,441,233	
Research and Development Expenses	15,874	14,042	22,703	17,918	19,210	18,439	153,658	
At Year-End:								
Property and Equipment, at Cost	932,539	1,068,958	991,344	971,442	1,032,302	1,002,184	8,351,533	
Less: Accumulated Depreciation	(500,565)	(551,298)	(564,804)	(576,896)	(631,351)	(603,071)	(5,025,591)	
Long-Term Debt	364,813	373,346	383,022	350,948	306,634	311,887	2,599,058	
Total Liabilities	690,694	628,578	701,839	688,723	693,861	666,961	5,558,008	
Total Shareholders' Equity	205,889	369,298	363,013	386,641	408,661	427,696	3,564,134	
Total Assets	896,583	997,876	1,064,852	1,075,364	1,102,522	1,094,657	9,122,142	
Yen								U.S. dollars
Per Share:								
Net Income (Loss)	¥ 6,040	¥ 5,847	¥ (6,455)	¥ 9,146	¥ 8,934	¥ 8,552	\$ 71.27	
Shareholders' Equity	81,331	131,615	129,377	137,803	145,657	152,445	1,270.38	
Cash Dividends	1,000	1,000	1,000	1,000	1,000	2,000	16.67	
Other Information:								
Operating Income Margin (%)	8.0	8.0	7.0	7.4	7.3	7.3	—	
Return on Sales (%)	2.3	2.3	(2.5)	3.3	3.3	3.1	—	
Return on Equity (%)	7.7	5.7	(4.9)	6.9	6.3	5.8	—	
Return on Assets (%)	1.8	1.7	(1.7)	2.4	2.3	2.2	—	
Payout Ratio (%)	16.4	17.2	—	10.9	11.2	23.4	—	
Dividends on Equity (%)	1.2	0.8	0.8	0.7	0.7	1.3	—	
Number of Employees	10,098	10,334	9,307	8,718	7,434	7,550	—	
Number of Shares Issued	253,000	2,805,000	2,805,000	2,805,000	2,805,000	2,805,000	—	

Notes:

- (1) Until fiscal 1999, ended 31st March, 1999, NTT DATA's net sales were classified according to three operation types: Data Communications Service, Systems Development Service, and Other Services. From fiscal 2000, NTT DATA has decided to classify its business according to three new business types: System Integration (SI), the Company's core business, Network System Services, which incorporates all high-growth Internet-related business, and Others. The reclassification has been undertaken to better reflect the actual state of the Company's business and thereby provide fuller disclosure of information in accordance with the Company's current management policies which emphasize the progressive upgrading of new businesses and the enhancement of competitiveness in the SI Business.
According to the classifications used previously, net sales were as follows:

	Millions of yen						Thousands of U.S. dollars
	1998	1999	2000	2001	2002	2003	2003
Data Communications Service	¥373,060	¥383,740	¥397,504	¥388,083	¥384,887	¥392,702	\$3,272,517
Systems Development Service	213,723	228,883	212,414	277,138	252,133	254,997	2,124,975
Other Services	82,445	92,842	106,512	121,509	130,816	132,953	1,107,941

- (2) Per share information for the fiscal year ended March 31, 1998 is retroactively adjusted to reflect a ten-for-one stock split conducted in August 1998. Effective from the fiscal year ended 31st March, 2003, net income per share and shareholders' equity per share will be calculated in accordance with "Accounting Standard for Net Income per Share" and "Implementation Guidance on Accounting Standard for Net Income per Share." Per share information for all previous fiscal years are retroactively adjusted in accordance with this change.
- (3) Until fiscal 1999, numbers of personnel have included NTT DATA employees seconded from NTT DATA to other companies and not employees of other companies seconded to NTT DATA. It has been decided that from fiscal 2000, employees seconded from NTT DATA to other companies will not be included but employees seconded to NTT DATA will be included in numbers of personnel.
- (4) Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March, 2003 of ¥120=U.S.\$1.

Non-Consolidated Balance SheetsNTT DATA CORPORATION
AS AT 31ST MARCH, 2002 AND 2003

ASSETS	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Current Assets:			
Cash on hand and at banks	¥ 72,654	¥ 83,467	\$ 695,558
Accounts receivable:			
Outside clients	114,365	101,881	849,008
"NTT"	—	5	42
Subsidiaries and affiliates	4,818	3,386	28,217
	119,183	105,272	877,267
Less: allowance for doubtful accounts	(971)	(366)	(3,050)
	118,212	104,906	874,217
Accounts due	18,199	15,014	125,117
Jobs and software in progress	30,867	33,466	278,883
Supplies	2,060	1,178	9,817
Prepaid expenses	4,792	5,270	43,917
Deferred income taxes	6,412	7,558	62,983
Other current assets	5,117	2,238	18,650
Total current assets	258,313	253,097	2,109,142
Investments and Advances:			
Investments in securities	21,010	17,996	149,967
Investments in subsidiaries and affiliates	20,595	24,728	206,067
Other investments	6,045	6,120	50,999
Total investments and advances	47,650	48,844	407,033
Property and Equipment, at Cost	1,032,302	1,002,184	8,351,533
Less: accumulated depreciation	(631,351)	(603,071)	(5,025,591)
	400,951	399,113	3,325,942
Fixed Leasehold Deposits	26,498	24,135	201,125
Deferred Income Taxes	39,069	41,406	345,050
Deferred Charges and Intangibles:			
Software	285,666	281,142	2,342,850
Development cost of software in progress	41,029	43,699	364,158
Other	3,346	3,221	26,842
	330,041	328,062	2,733,850
	¥1,102,522	¥1,094,657	\$9,122,142

Note: Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March 2003, of ¥120=U.S.\$1.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Current Liabilities:			
Short-term borrowings	¥ 7,000	¥ 6,000	\$ 50,000
Commercial paper	25,000	45,000	375,000
Current portion of long-term debt	93,636	28,920	241,000
Accounts payable:			
Suppliers	63,614	57,665	480,542
"NTT"	—	11	92
Subsidiaries and affiliates	21,957	23,417	195,142
Other	29,309	22,790	189,916
	114,880	103,883	865,692
Income taxes payable	9,593	13,898	115,817
Accrued expenses	7,407	7,558	62,983
Advances received	13,120	24,397	203,308
Other current liabilities	10,088	14,764	123,033
Total current liabilities	280,724	244,420	2,036,833
Long-Term Debt	306,634	311,887	2,599,058
Provision for Retirement Benefits	106,503	110,654	922,117
Total liabilities	693,861	666,961	5,558,008
Commitments and Contingent Liabilities			
Shareholders' Equity:			
Common stock			
Authorized — 11,220,000 shares in 2002 and 2003			
Issued — 2,805,000 shares in 2002 and 2003	142,520	142,520	1,187,667
Capital surplus			
Additional paid-in capital	139,300	139,300	1,160,833
Retained earnings			
Legal reserve	2,288	2,288	19,067
Special tax-purpose reserve	9,003	7,365	61,375
Special tax purpose reserve for specified communication equipment	338	285	2,375
General reserve	87,000	109,000	908,333
Unappropriated retained earnings	27,651	27,116	225,967
	126,280	146,054	1,217,117
Unrealized gains on investment securities, net of taxes	561	(178)	(1,483)
Total shareholders' equity	408,661	427,696	3,564,134
	¥1,102,522	¥1,094,657	\$9,122,142

Non-Consolidated Statements of OperationsNTT DATA CORPORATION
FOR THE YEARS ENDED 31ST MARCH, 2001, 2002 AND 2003

	Millions of yen			Thousands of U.S. dollars
	2001	2002	2003	2003
Net Sales	¥786,730	¥767,836	¥780,652	\$6,505,433
Cost of Sales	595,174	576,363	592,802	4,940,016
Gross profit	191,556	191,473	187,850	1,565,417
Selling, General and Administrative Expenses	133,180	135,206	130,553	1,087,942
Operating income	58,376	56,267	57,297	477,475
Non-Operating Income (Expenses):				
Interest income	94	33	33	275
Interest expenses	(9,687)	(8,592)	(6,971)	(58,092)
Loss on redemption of bonds	—	—	(1,990)	(16,583)
Lease rental income on buildings	1,173	—	—	—
Cost of lease rental buildings	(738)	(—)	(—)	(—)
Gains on sales of investments in securities	666	15	574	4,783
Life insurance premium	82	409	436	3,633
Loss on disposal of fixed assets	(2,183)	(1,288)	(865)	(7,208)
Loss on write-down of investments in securities	—	(833)	(3,163)	(26,358)
Loss on write-down of investments in affiliates	(248)	(1,778)	(815)	(6,792)
Others, net	(2,010)	(243)	(177)	(1,475)
	(12,851)	(12,277)	(12,938)	(107,817)
Income before income taxes	45,525	43,990	44,359	369,658
Income Taxes				
Current	20,224	19,326	23,230	193,583
Deferred	(456)	(490)	(2,946)	(24,550)
	19,768	18,836	20,284	169,033
Net income	¥ 25,757	¥ 25,154	¥ 24,075	\$ 200,625
		Yen		U.S. dollars
Per Share:				
Net income	¥ 9,146	¥ 8,934	¥ 8,552	\$ 71.27
Cash dividends	1,000	1,000	2,000	16.67

Note: Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March 2003, of ¥120=U.S.\$1.

Non-Consolidated Statements of Shareholders' Equity

NTT DATA CORPORATION
FOR THE YEARS ENDED 31ST MARCH, 2001, 2002 AND 2003

	Millions of yen							
	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Special tax-purpose reserve	Special tax-purpose reserve for specified communication equipment	General reserve	Unappropriated retained earnings
Balance at 31st March, 2000	2,805,000	¥142,520	¥139,300	¥1,845	¥12,252	¥ —	¥59,000	¥8,096
Net income for the year ended 31st March, 2001	—	—	—	—	—	—	—	25,757
Cash dividends	—	—	—	—	—	—	—	(2,805)
Transfer to legal reserve	—	—	—	292	—	—	—	(292)
Bonuses to directors and statutory auditors	—	—	—	—	—	—	—	(110)
Transfer from special tax-purpose reserve	—	—	—	—	(1,542)	—	—	1,542
Transfer to special tax-purpose reserve for specified communication equipment	—	—	—	—	—	209	—	(209)
Transfer to general reserve	—	—	—	—	—	—	4,000	(4,000)
Balance at 31st March, 2001	2,805,000	142,520	139,300	2,137	10,710	209	63,000	27,979
Net income for the year ended 31st March, 2002	—	—	—	—	—	—	—	25,154
Cash dividends	—	—	—	—	—	—	—	(2,805)
Transfer to legal reserve	—	—	—	151	—	—	—	(151)
Bonuses to directors and statutory auditors	—	—	—	—	—	—	—	(104)
Transfer from special tax-purpose reserve	—	—	—	—	(1,707)	—	—	1,707
Transfer to special tax-purpose reserve for specified communication equipment	—	—	—	—	—	129	—	(129)
Transfer to general reserve	—	—	—	—	—	—	24,000	(24,000)
Balance at 31st March, 2002	2,805,000	142,520	139,300	2,288	9,003	338	87,000	27,651
Net income for the year ended 31st March, 2003	—	—	—	—	—	—	—	24,075
Cash dividends	—	—	—	—	—	—	—	(4,208)
Bonuses to directors and statutory auditors	—	—	—	—	—	—	—	(93)
Transfer from special tax-purpose reserve	—	—	—	—	(1,638)	—	—	1,638
Transfer from special tax-purpose reserve for specified communication equipment	—	—	—	—	—	(53)	—	53
Transfer to general reserve	—	—	—	—	—	—	22,000	(22,000)
Balance at 31st March, 2003	2,805,000	¥142,520	¥139,300	¥2,288	¥7,365	¥285	¥109,000	¥27,116

	Thousands of U.S. dollars							
	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Special tax-purpose reserve	Special tax-purpose reserve for specified communication equipment	General reserve	Unappropriated retained earnings
Balance at 31st March, 2002	2,805,000	\$1,187,667	\$1,160,833	\$19,067	\$75,025	\$2,817	\$725,000	\$230,425
Net income for the year ended 31st March, 2003	—	—	—	—	—	—	—	200,625
Cash dividends	—	—	—	—	—	—	—	(35,067)
Bonuses to directors and statutory auditors	—	—	—	—	—	—	—	(775)
Transfer from special tax-purpose reserve	—	—	—	—	(13,650)	—	—	13,650
Transfer from special tax-purpose reserve for specified communication equipment	—	—	—	—	—	(442)	—	442
Transfer to general reserve	—	—	—	—	—	—	183,333	(183,333)
Balance at 31st March, 2003	2,805,000	\$1,187,667	\$1,160,833	\$19,067	\$61,375	\$2,375	\$908,333	\$225,967

Note: Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March 2003, of ¥120=U.S.\$1.

Major Subsidiaries and Affiliates

As of 31st March, 2003, the Company had 66 subsidiaries and 25 affiliates. In the consolidated financial statements of the Company, 37 major subsidiaries were consolidated and 2 affiliates were accounted for by the equity method. The following table provides information relating to the Company's consolidated subsidiaries and principal affiliates, all of which were engaged in business in Japan, as of 31st March, 2003.

Name	Issued Share Capital as at 31st March, 2003 (millions of yen)	Percentage Held (directly or indirectly) (%)	Principal Business
CONSOLIDATED SUBSIDIARIES			
NTT DATA SYSTEMS CORPORATION (Note 1-1)	800	75.0	Systems sales
KANSAI NTT DATA COMMUNICATIONS SYSTEMS CORPORATION (Note 2-1)	400	94.8	Systems sales
TOKAI NTT DATA COMMUNICATIONS SYSTEMS CORPORATION (Note 2-2)	300	96.8	Systems sales
CHUGOKU NTT DATA COMMUNICATIONS SYSTEMS CORPORATION (Note 2-3)	150	100.0	Systems sales
NAGANO NTT DATA COMMUNICATIONS SYSTEMS CORPORATION (Note 2-4)	100	100.0	Systems sales
NTT DATA System Technologies Inc.	200	75.0	Systems planning
NTT DATA System Service Corporation (Note 1-2)	200	65.0	Systems planning
NTT DATA TOKAI TECSYS CORPORATION (Note 2-2)	200	100.0	Systems design
NTT DATA KANSAI TECSYS CORPORATION (Note 2-1)	200	100.0	Systems design
NTT DATA KYUSHU TECSYS CORPORATION (Note 1-3)	114	100.0	Systems design
NTT DATA TOHOKU TECSYS CORPORATION (Note 1-4)	105	100.0	Systems design
NTT DATA HOKKAIDO TECSYS CORPORATION (Note 1-5)	100	100.0	Systems design
NTT DATA SHINETSU TECSYS CORPORATION (Note 2-4)	100	100.0	Systems design
NTT DATA HOKURIKU TECSYS CORPORATION (Note 1-6)	100	100.0	Systems design
NTT DATA CHUGOKU TECSYS CORPORATION (Note 2-3)	100	100.0	Systems design
NTT DATA SHIKOKU TECSYS CORPORATION (Note 1-7)	100	100.0	Systems design
NTT DATA TECHNOLOGY CORPORATION	100	100.0	Systems design
NTT DATA CREATION CORPORATION	100	80.0	Systems design
NTT DATA TOKYO SMS CORPORATION	30	100.0	Systems operation
NTT DATA KANSAI SMS CORPORATION (Note 2-5)	30	100.0	Systems operation
NTT DATA CUSTOMER SERVICE CORPORATION (Note 2-5)	2,000	100.0	Systems support
NTT DATA KANSAI CUSTOMER SERVICE CORPORATION (Note 2-5)	100	100.0	Systems support
NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, INC.	450	100.0	Consulting
NTT DATA FIT CORPORATION	300	100.0	Systems design
NTT DATA FORCE CORPORATION	285	100.0	Systems design
NTT DATA NETS CORPORATION	250	100.0	Systems design
NTT DATA QUALITY CORPORATION	200	100.0	Systems design
NTT DATA SOLUTION CORPORATION	200	100.0	Systems design
NTT DATA INTELLILINK CORPORATION	200	100.0	Systems design
NTT DATA FINANCIAL CORPORATION	200	74.0	Financial information services
NTT DATA SCIENCE CORPORATION	120	70.0	Systems design
NTT DATA MANAGEMENT SERVICE CORPORATION	100	100.0	General affairs outsourcing services
NTT DATA SANYO SYSTEM CORPORATION (Note 3)	586	50.0	Systems design
NTT DATA 3C CORPORATION (Note 3)	270	70.0	Contact center business
NTT DATA UNIVERSITY CORPORATION (Note 3)	120	100.0	Education and training service
NTT DATA INTRA-MART CORPORATION (Note 3)	120	74.5	Package software sales
NTT DATA WAVE CORPORATION (Note 3)	100	80.1	Systems design

Name	Issued Share Capital as at 31st March, 2003 (millions of yen)	Percentage Held (directly or indirectly) (%)	Principal Business
EQUITY METHOD AFFILIATES			
JAPAN NETWORK SYSTEM CORPORATION	1,375	29.1	Systems sales
NTT MEDIACROSS, INC.	9,000	30.0	Supplying platform services for digital broadcasting

(Notes)

1. 1-1 NTT DATA SYSTEMS CORPORATION changed its name from TOKYO NTT DATA COMMUNICATIONS SYSTEMS CORPORATION on 1st October, 2002.
- 1-2 NTT DATA System Service Corporation changed its name from NTT System Service Corporation on 1st April, 2002.
- 1-3 NTT DATA KYUSHU TECSYS CORPORATION changed its name to NTT DATA KYUSHU CORPORATION on 1st July, 2003.
- 1-4 NTT DATA TOHOKU TECSYS CORPORATION changed its name to NTT DATA TOHOKU CORPORATION on 1st July, 2003.
- 1-5 NTT DATA HOKKAIDO TECSYS CORPORATION changed its name to NTT DATA HOKKAIDO CORPORATION on 1st July, 2003.
- 1-6 NTT DATA HOKURIKU TECSYS CORPORATION changed its name to NTT DATA HOKURIKU CORPORATION on 1st July, 2003.
- 1-7 NTT DATA SHIKOKU TECSYS CORPORATION changed its name to NTT DATA SHIKOKU CORPORATION on 1st July, 2003.
2. 2-1 NTT DATA KANSAI TECSYS CORPORATION changed its name to NTT DATA KANSAI CORPORATION on 1st July, 2003 following its merger with KANSAI NTT DATA COMMUNICATIONS SYSTEMS CORPORATION.
- 2-2 NTT DATA TOKAI TECSYS CORPORATION changed its name to NTT DATA TOKAI CORPORATION on 1st July, 2003 following its merger with TOKAI NTT DATA COMMUNICATIONS SYSTEMS CORPORATION.
- 2-3 NTT DATA CHUGOKU TECSYS CORPORATION changed its name to NTT DATA CHUGOKU CORPORATION on 1st July, 2003 following its merger with CHUGOKU NTT DATA COMMUNICATIONS SYSTEMS CORPORATION.
- 2-4 NTT DATA SHINETSU TECSYS CORPORATION changed its name to NTT DATA SHINETSU CORPORATION on 1st July, 2003 following its merger with NAGANO NTT DATA COMMUNICATIONS SYSTEMS CORPORATION.
- 2-5 NTT DATA CUSTOMER SERVICE CORPORATION were merged with NTT DATA KANSAI SMS CORPORATION and NTT DATA KANSAI CUSTOMER SERVICE CORPORATION on 1st July, 2003.
3. Newly consolidated subsidiaries in the year ended 31st March, 2003.

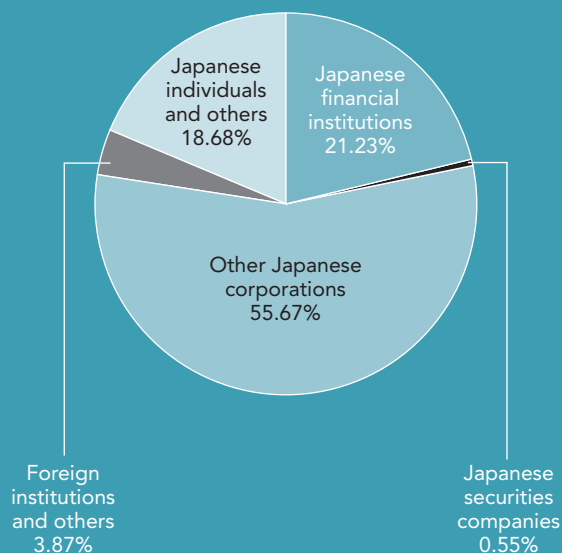
Investor Information

(As of 31st March, 2003)

LARGEST SHAREHOLDERS

Name (The 10 largest shareholders)	Number of Shares Held Shares in Issue	Percentage of Shares in Issue (%)
Nippon Telegraph and Telephone Corporation	1,520,010	54.18%
Japan Trustee Services Bank, Ltd., Trust Account	126,227	4.50
The Master Trust Bank of Japan, Ltd., Trust Account	90,942	3.24
UFJ Trust Bank Limited, Trust Account (A)	61,848	2.20
The Dai-ichi Mutual Life Insurance Company	31,562	1.12
The Norinchukin Trust & Banking Co., Ltd.	23,577	0.84
Investment Trust, Mitsui Asset Trust and Banking Company, Limited	22,370	0.79
Nippon Life Insurance Company	20,147	0.71
Pension Trust, Mitsui Asset Trust and Banking Company, Limited (No. 2 Account)	17,650	0.62
The Mitsubishi Trust and Banking Corporation, Trust Account	17,017	0.60
Total	1,931,350	68.85%

DISTRIBUTION OF OWNERSHIP AMONG SHAREHOLDERS (On a number of shares basis)



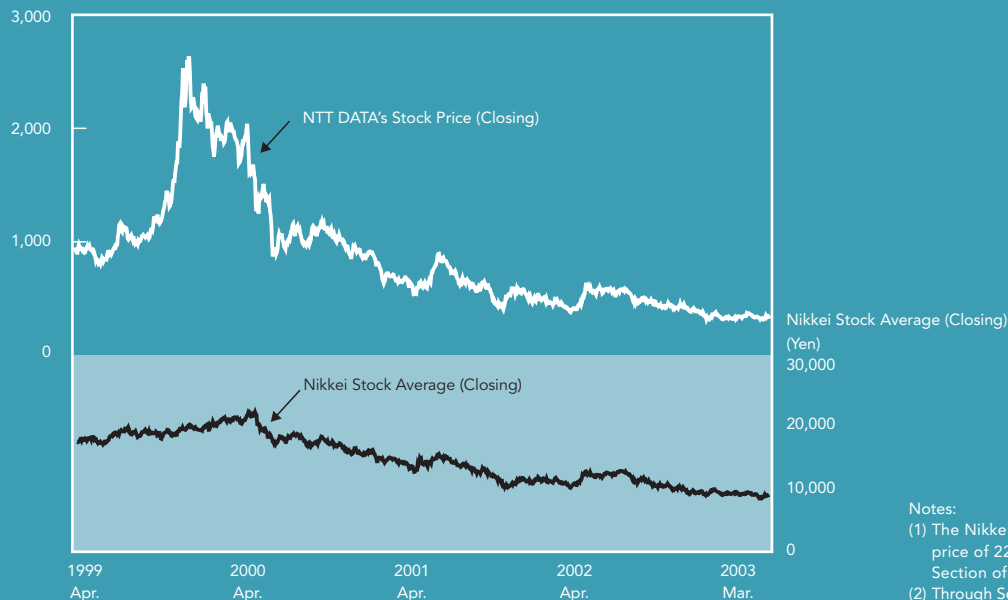
NUMBER OF SHARES ISSUED AND NUMBER OF SHAREHOLDERS

(1) Total Number of Authorized Shares	11,220,000
(2) Number of Shares Issued and Outstanding	2,805,000
(3) Number of Shareholders	206,410

STOCK PRICE CHART

NTT DATA's Stock Price (Closing)

(Thousands of yen)



Notes:

- (1) The Nikkei Stock Average is the average stock price of 225 companies listed on the First Section of the Tokyo Stock Exchange.
- (2) Through September 30, 2001, the Company's shares had a par value of ¥5,000.

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DATE OF ESTABLISHMENT:

23rd May, 1988

COMMON STOCK:

¥142,520 million

ACCOUNT SETTLEMENT DATE:

31st March

INDEPENDENT AUDITORS:

ChuoAoyama Audit Corporation

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Facsimile: +60-3-2026-4118

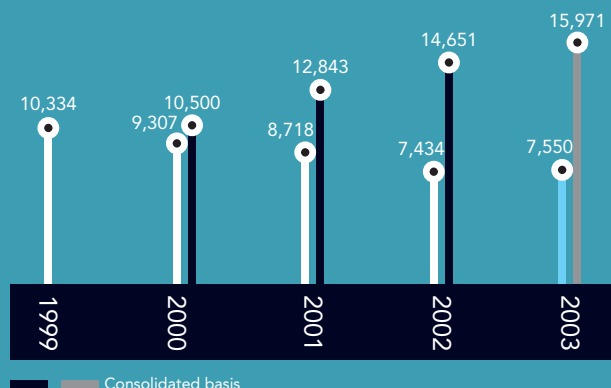
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Facsimile: +86-10-6590-9224

NUMBER OF EMPLOYEES AT FISCAL YEAR-END



Note: Until the fiscal year ended 31st March, 1999, the number of employees included NTT DATA employees seconded from NTT DATA to other companies, and not employees of other companies seconded to NTT DATA. To gain a clearer understanding of employment levels at NTT DATA, it has been decided that from the fiscal year ended 31st March, 2000, employees seconded from NTT DATA to other companies will not be included, but that employees seconded to NTT DATA will be included in the number of employees.

Directors and Auditors

(As of 24th June, 2003)



KANJI KOIDE TOMOKAZU HAMAGUCHI NAOSHI NAKAMURA MASATO SHINAGAWA

President and Chief Executive Officer
TOMOKAZU HAMAGUCHI

Senior Executive Vice Presidents
NAOSHI NAKAMURA
KANJI KOIDE
MASATO SHINAGAWA

Executive Vice Presidents
YOSHITAKA MAKITANI
SHOSAKU TANIGUCHI
TORU YAMASHITA
SHUNICHI KOMINAMI
NORITAKA UJI

Senior Vice Presidents
YOSHINORI SUZUKI
MASAHARU WATANABE
TORU OCHII
GENTARO SAWA
AKINOBU SHIGEKI
HIROO INOUE
HIDEHIRO TAKAKUSA
MICHIO KIKUTA
MITSUO MURAMATSU
KENTARO WADA
SHIINICHI YAMADA
SHINOBU UMINO
TAKASHI ENOMOTO
KENJI TERASHIMA

Counselor and Senior Vice President
TOSHIHARU AOKI

Senior Vice President
MASAYUKI YAMAMURA

Standing Corporate Auditors
HIROSHI HONGO
RITARO MATSUMOTO
MITSUO HAGA

Corporate Auditor
TOMONORI FUJII

Notes:
Mr. Masayuki Yamamura satisfies the requirements of outside Directors assigned in accordance with Paragraph 2, Item 7-2 of Article 188 of the Commercial Code.
Mr. Hiroshi Hongo, Mr. Ritaro Matsumoto and Mr. Mitsuo Haga are outside Corporate Auditors assigned in accordance with Item 1 of Article 18 of the Law of Special Exceptions to the Commercial Code regarding corporate auditing.

NTT DATA provides information on its own Website.

Available through a WWW server, the URLs are:

(in Japanese) <http://www.nttdata.co.jp/>

(in English) <http://www.nttdata.co.jp/en/index.html>

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NTT
Data



NTT DATA CORPORATION

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Printed in Japan using recycled
paper and soy ink.
2003.7.6000