



In Touch with Customers...

1,000,000,000,000

Our priorities are to demonstrate our ability to serve as a business partner for clients in a diverse spectrum of fields, and build a well-balanced business structure that is not over-reliant on any single domain.

3:3:3:1

15,000

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:

	1995	1996	1997	1998
Net Sales	¥479,939	¥562,227	¥611,603	¥676,581
Operating Income	43,866	55,411	51,862	54,197
Income (Loss) before Income Taxes	20,647	25,898	34,355	34,275
Net Income (Loss)	7,122	11,671	14,241	15,612
New Orders Received	—	—	—	—
Capital Expenditures	—	—	—	—
Depreciation and Amortization/Loss on Disposal of Property and Equipment and Intangibles	—	—	—	—
Research and Development Expenses	12,354	14,391	14,783	15,874
Free Cash Flow	—	—	—	—

At Year-End:

Total Assets	723,968	814,046	854,386	900,693
Total Shareholders' Equity	49,408	181,397	192,816	205,799
Interest-Bearing Debt	507,362	460,181	479,840	502,797

Per Share:

Net Income (Loss)	¥ 3,518	¥ 5,175	¥ 5,589	¥ 6,119
Cash Dividends	5,000	10,000	10,000	10,000

Number of Employees

1995 1996 1997 1998

Note: Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March, 2004, of ¥106=U.S.\$1.

- 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.

- 7/99 Awarded ISO14001 certification.

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

- 7/03 Implemented measures to strengthen the structure for promoting middle-market SI businesses and maintenance and operations businesses through structural reforms, including the realignment of both regional businesses, and maintenance and operations companies.
- 9/03 Nippon Sheet Glass Business Brains Co., Ltd. became a consolidated subsidiary of NTT DATA, and was renamed NTT DATA BUSINESS BRAINS CORPORATION.
- 12/03 SEIKO-ITEC Inc. became a consolidated subsidiary of NTT DATA, and was renamed NTT DATA ITEC CORPORATION.

Millions of yen

Thousands of U.S. dollars

1999	2000	2001	2002	2003	2004	2004
¥ 710,152	¥ 725,348	¥ 801,045	¥ 801,967	¥ 832,109	¥ 846,706	\$ 7,987,792
56,833	50,738	58,778	59,446	61,544	59,725	563,443
37,747	(29,177)	46,083	47,163	50,933	44,441	419,255
16,313	(18,114)	24,452	26,410	28,562	26,956	254,302
–	714,882	779,418	845,400	843,571	750,796	7,082,981
–	210,375	163,655	170,577	171,017	148,923	1,404,934
–	152,836	151,927	153,115	158,523	165,281	1,559,255
14,042	22,684	17,957	19,074	18,224	15,350	144,811
–	(23,763)	17,702	(1,776)	67,180	44,044	415,509
1,002,805	1,071,653	1,086,437	1,113,777	1,118,401	1,065,549	10,052,349
369,244	363,758	388,537	412,966	435,715	458,846	4,328,736
431,612	451,859	430,380	426,819	370,703	317,013	2,990,687

Yen

U.S. dollars

¥ 5,859	¥ (6,499)	¥ 8,680	¥ 9,382	¥ 10,152	¥ 9,578	\$ 90.36
1,000	1,000	1,000	1,000	2,000	2,000	18.87
–	10,500	12,843	14,651	15,971	17,389	–

1999 2000 2001 2002 2003 2004 2004

- 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.
- 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 SANYO Electric Software became a consolidated subsidiary of NTT DATA, and was renamed 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. Under the banner of "Insight for the New Paradigm," shaping the future with IT — 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.

... and the Pulse of Innovation

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements concerning NTT DATA Group'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.

To Our Shareholders



Customers are the starting point for further growth at NTT DATA.

NTT DATA aims to provide services that offer high customer satisfaction in order to become the company of first choice for customers. Our priorities are to demonstrate our ability to serve as a business partner for clients in a diverse spectrum of fields, and build a well-balanced business structure that is not over-reliant on any single domain. Over the next three years, NTT DATA will meet the challenge of driving forward sweeping reforms promising significant results.



In fiscal 2004, ended March 31, 2004, the NTT DATA Group posted net sales of ¥846.7 billion, an increase of 1.8% year on year. Operating income was down 3.0% at ¥59.7 billion, while net income decreased 5.6% to ¥27.0 billion. Despite a difficult business environment in which many companies held back on IT investments, NTT DATA was able to achieve results that were largely on target. However, new orders received decreased 11% to ¥750.8 billion, due to a decline of over 30% in the public administration sector. The main reason for this decline was a trough in cyclic demand for upgrading several large-scale systems that NTT DATA is involved with, compounded by the overlapping of these cycles. This period of soft demand is expected to continue for the next few years.

In a tough environment for winning new orders and a fast-changing business climate,

NTT DATA has formulated a new medium-term management plan covering the three-year period to 2007, with the goal of putting NTT DATA on a new growth path.

FY2004 RESULTS AND MEDIUM-TERM MANAGEMENT PLAN TARGETS		
	(¥ million)	
Years ended 31st March	2004 Results	2007 Targets
New Orders Received	750,796	900,000
Net Sales	846,706	1,000,000
Operating Income	59,725	75,000
ROE (%)	6	8
Free Cash Flow	44,044	10,000

Question: HOW DO YOU VIEW NTT DATA GROUP'S CURRENT SITUATION AND BUSINESS ENVIRONMENT, THE PREMISES OF YOUR MEDIUM-TERM MANAGEMENT PLAN?

Answer: Looking at the big picture, such as market developments, customer needs, and the group's operating structure, NTT DATA faces a number of issues that could pose problems in the future, alongside issues that should be dealt with immediately.

Looking first at our business environment, the downward pressure on prices, downsizing operations, and the adoption of open systems are the most notable changes. Falling hardware prices are dragging down those of software. Overseas software development in China and other countries is partly responsible for this trend.

There have also been remarkable changes in our customers' approach to and expectations for IT investments. It is difficult to satisfy customers with IT systems that merely raise administrative efficiency. Instead, customers are showing interest in and hope to develop systems that deliver tangible benefits in the form of improved operating efficiency and investment returns. There is now stronger demand for IT investments that deliver greater benefits. For NTT DATA, this means that it is essential that we provide systems that improve value for customers and thereby raise customer satisfaction.

Meanwhile, Japan's economic recovery is expected to support growth in IT investment, especially in the industrial and financial sectors. The NTT DATA Group's sales and earnings have grown in step with expanding demand for specific large-scale systems. Our strengths thus lie in the public administration and financial sectors, where we hold a large market share. However, our share in the industrial sector remains on the order of several percent, despite the fact that this sector represents 60% of Japan's IT services market and promises strong growth in the future. In large-scale systems, sales may be affected by the downsizing of software development operations, now that the construction of core system components is mostly finished. In light of these circumstances, it will be difficult to achieve sustainable growth from this earnings model alone. To ensure steady growth over the medium- and long-terms, it is essential for NTT DATA to enlarge its customer base mainly in the industrial sector and build a structure that can satisfy detailed customer needs, while flexibly responding to changes in those needs.

Now is the time to diversify our customer base and transform our business structure into a well-balanced one. This process will help us to establish a competitive edge, ahead of our competitors.

Question: WHAT IS YOUR BASIC THINKING BEHIND THE NEW 3-YEAR MEDIUM-TERM MANAGEMENT PLAN THROUGH FISCAL 2007?

Answer: The NTT DATA Group has not suffered a large decline in earnings, nor will its results suddenly worsen under the current framework. However, the continuation of conventional businesses offers only limited prospects for growth, considering the changes in our business environment and issues that we face, which I discussed earlier. Now that we are in a trough in the demand cycle and are still financially strong, we should build a strong foundation to drive further growth in the future. This will involve taking decisive actions aimed at the next phase of growth. The new medium-term management plan was formulated to guide these efforts over the next three years.

NTT DATA GROUP'S MID-TERM MANAGEMENT POLICY



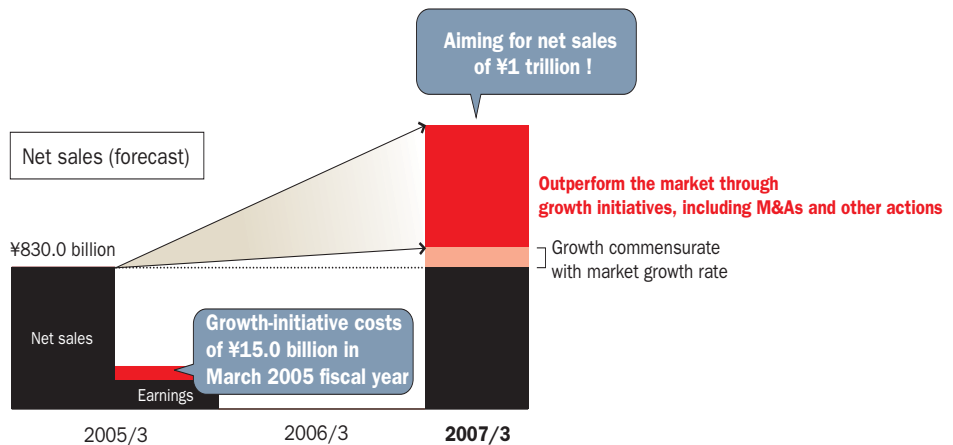
Our vision is to be the company that delivers the very best customer satisfaction. The key will be to provide systems and related services that offer greater value for customers. This process will help us become the company of first choice for customers, and lead to improved operating results.

To realize this vision, our fundamental strengths must be improved to reinforce our competitiveness. NTT DATA has positioned three measures as the pillars of this plan—strengthen marketing capabilities, strengthen competitiveness in SI and proactively create new products and services. These three measures will be underpinned by actions to more efficiently utilize selling, general and administrative expenses (SG&A), and provide an environment that nurtures human resources. Growth initiatives centered on expanding our customer base in the industrial sector will be implemented to drive further growth.

The main thrust of this plan is to shift the focus of our business structure to achieve further growth. In an environment where many companies are undertaking structural reforms to generate earnings even at the expense of sales declines, NTT DATA is still targeting top-line growth. In fiscal 2007, ending March 31, 2007, the final year of the plan, we are targeting net sales of ¥1 trillion, ¥150 billion higher than in fiscal 2004.

Important themes for further growth include the willingness of employees to boldly meet the challenge of expanding sales, along with developing a sharp awareness of costs.

IMPLEMENT GROWTH INITIATIVES TO LEAP AHEAD – BUDGET FOR GROWTH INITIATIVES



Question: WHAT CONCRETE ACTIONS WILL YOU TAKE IN ORDER TO IMPROVE FUNDAMENTAL STRENGTHS?

Answer: One particularly important focus is to strengthen marketing capabilities. Improving the quality of marketing activities, our interface with customers, is crucial to raising customer satisfaction. By fostering marketing staff who rapidly respond to customers, and proactively propose products and services, we aim to become the company of first choice for customers. To accomplish this goal, we have created two new roles within our marketing organization: client representatives (CRs) and solutions representatives (SRs). Appointing dedicated representatives has strengthened our marketing framework.

NTT DATA is also fostering talented project managers (PMs) to strengthen competitiveness in SI. Project Management Offices (PMOs) have been established to strengthen support for projects, and improve design and software development processes on a company-wide level. As many projects are

progressing in parallel within the NTT DATA Group, PMOs will help to monitor progress, share information, and structure a software development environment, to maximize NTT DATA's strengths as a system integrator.

From the standpoint of promoting the creation of new products and services, NTT DATA is systematically nurturing the seeds of new products and services, often derived from ideas offered by customers. As part of this drive, we are introducing pipeline management and establishing a new venture support fund to help start up independent new businesses.

By steadily implementing these basic actions, we will strengthen our competitiveness, the driving force behind growth.

Question: WHAT CONCRETE GROWTH INITIATIVES WILL YOU IMPLEMENT?

Answer: Our plan is to allocate approximately ¥15.0 billion per year in growth initiatives over the next three years. These allocations primarily target growth in the industrial sector. Although this will lead to lower earnings in the fiscal 2005, we will still take a range of actions to make the upfront investments needed to drive future growth in market share. These actions will be implemented to achieve rapid growth in excess of market growth rates.

In the March 2005 fiscal year, we plan to allocate ¥2.0 billion to enhancing key sales and development capabilities in the industrial sector and other areas, ¥7.0 billion in developing advanced products and services that anticipate the future, based on an understanding of customer needs, and ¥6.0 billion in developing and putting in place the infrastructure needed to construct next-generation enterprise and mission-critical systems.

More specifically, NTT DATA plans to recruit approximately 200 mid-career professionals with immediately applicable skills, such as operational expertise and consulting skills, mainly to reinforce sales and development capabilities in the industrial sector. Upfront investments will also target food traceability systems, shared systems that improve convenience and lower costs, and systems for healthcare and biotechnology, fields where greater use of IT is foreseen. We will construct open-source platforms that help to capture a growing volume of new orders. These platforms will leverage our expertise in constructing large-scale mission-critical systems and strengths in technologies and neutrality as a multi-vendor supplier.

Traditionally, order-made development has been mainstream at NTT DATA, since we have thus far mainly proposed optimal solutions in response to customer requests. We are now envisioning a new approach where model systems are developed in anticipation of customer needs. Through these and other actions, we hope to drive further growth in new orders.

Question: WHAT IS YOUR APPROACH TO IMPROVING PROFITABILITY?

Answer: While the main emphasis of our new medium-term management plan is to increase net sales, we will take clearly defined initiatives to build a strong organization.

We are targeting a cost-of-sales ratio of 76.5% for both fiscal 2005 and 2007. Looking at all projects, it would appear that the cost-of-sales ratio will simply stay flat. However, the cost-of-sales ratio for individual projects will be markedly different.

For conventional projects for traditional users, our target is to lower the cost-of-sales ratio for certain systems that have a relatively high cost-of-sales ratio by five percentage points. We will thoroughly improve upstream development processes through an emphasis on built-in quality, and workflow will be structured

more efficiently. These efforts will be supported by PMOs to promote higher efficiency. Work will be undertaken only after agreements on workflow have been made with customers in advance, to eliminate redundancies. We will apply engineering techniques such as business modeling to all processes, from operations analysis to software development. At the same time, we will expand software development overseas, where personnel expenses are much lower.

Meanwhile, systems for new customers or new types of business domains typically have high cost-of-sale ratios, since we must meet new skill requirements, particularly in terms of operating expertise. NTT DATA's cost-of-sales ratio may worsen should growth initiatives lead to more orders from new users.

In short, we will improve cost-of-sales ratios in existing businesses in order to offset higher cost-of-sales ratios for new systems, so as to keep the overall cost-of-sales ratio at 76.5%.

Another step to improve profitability is to utilize SG&A expenses more efficiently. Our main focus is on taking a clear approach to each type of expense. More specifically, fixed costs such as administrative costs will be lowered through a review of operations and efficiency improvements, while the benefits of growth initiative costs will be tracked in order to allocate investments effectively. Through this approach, we aim to lower the SG&A expenses ratio by two percentage points.

Question: WHAT IS YOUR VISION FOR NTT DATA AFTER THE MEDIUM-TERM MANAGEMENT PLAN AND ITS FUTURE?

Answer: NTT DATA will maximize customer satisfaction by expanding its customer base through proactive marketing, while capturing new orders by proposing new products that meet customer needs and carrying out properly managed product development. That is my vision for NTT DATA. I'm confident that if we put in place the proper functions for raising customer satisfaction, we will be able to meet our sales target. Currently, the public administration, financial, industrial and other sectors represent 40%, 30%, 20%, and 10% of net sales, respectively. Over the next three years, we will work to achieve a more balanced sales composition, with the view to realizing a proportion of 3: 3: 3: 1 for these respective business sectors in the future.

Our current priority is to concentrate on expanding net sales, while pouring energy into shifting the focus of our business structure and internal reforms. Of course, we will continue to take initiatives that build a stronger NTT DATA with the view to generating earnings.

After these reforms are finished, we will have transformed ourselves into a balanced organization that can generate strong growth irrespective of any type of change in the business environment. Investors can confidently expect much from NTT DATA.

We will continue to make every effort to raise our corporate value for shareholders.

July 2004



President and Chief Executive Officer

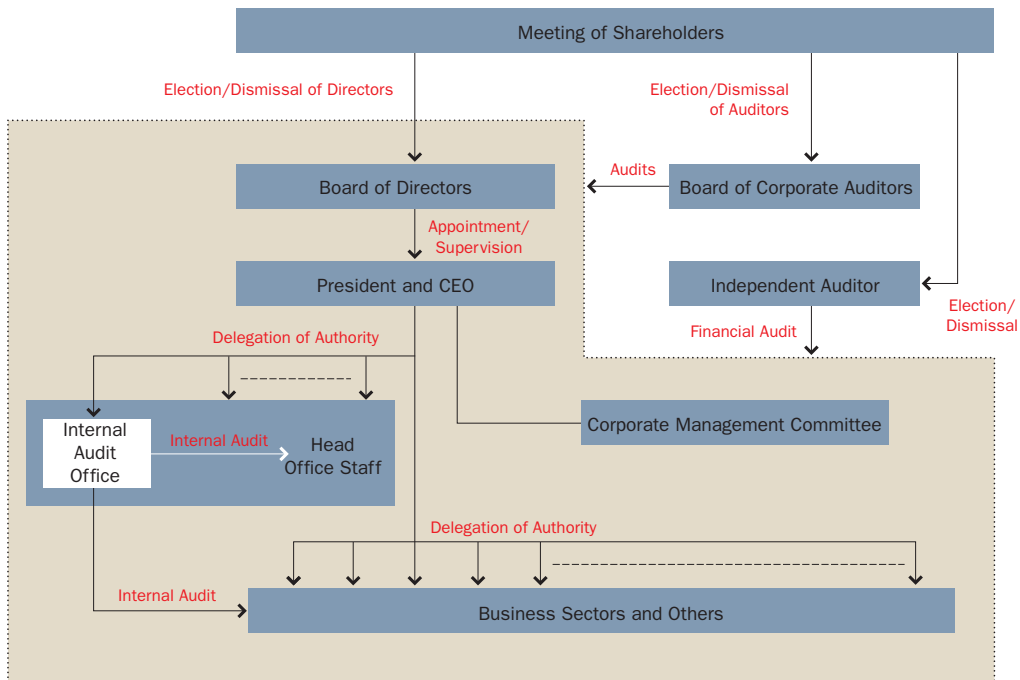
Tomokazu Hamaguchi

CORPORATE GOVERNANCE

NTT DATA has a corporate governance structure centered on corporate auditors. The Company has established three corporate entities, the General Meeting of Shareholders, the Board of Directors, and the Board of Corporate Auditors, as prescribed by the Japanese Commercial Code. In addition, NTT DATA also has a Corporate Management Committee to speed decision-making on matters related to business execution.

The Board of Directors has 24 members, one of whom is an outside director. The Board holds regular meetings once a month and additional special meetings as necessary, and is responsible for supervision and decision-making regarding important matters related to management, and regarding issues mandated by law. The one outside director satisfies the requirements for outside directors set forth by the Commercial Code. The Board of Corporate Auditors has four members, three of whom are outside corporate auditors. The Board meets once a month, in principle, to decide on various important matters, including audit policies, plans and methods. Each corporate auditor attends important meetings, such as meetings of the Board of Directors, and regularly monitors and audits business execution. The Corporate Auditor Office, a specialized organization, has been established to support these activities. The Corporate Management Committee consists of the president, senior executive vice presidents and the heads of other relevant important sections. This Committee meets once a week, in principle, to supervise and decide on matters of day-to-day operations in a rapid and efficient manner.

NTT DATA will work to ensure that directors and corporate auditors remain informed of the latest developments in corporate governance, while taking steps to further energize both the Board of Directors and Board of Corporate Auditors. In parallel, we are working to strengthen management by arranging an effective structure for management supervision.



COMPLIANCE

Systems for Internal Control

NTT DATA is taking steps to ensure sound business activities grounded on the observance of corporate ethics, with the view to becoming a trusted group. As part of these efforts, the Company has formulated the NTT DATA Group Code of Ethics to govern the behavior of directors and employees, including emphasis on legal compliance. Aiming to conduct operations in a proper and efficient manner, NTT DATA has set various internal regulations on decision-making and business execution that ensure a framework that clarifies authority while permitting the proper functioning of checks and balances.

Regarding the internal auditing function, NTT DATA has established an Audit Office to examine whether operations at business sectors and other sections conform with laws, internal regulations, and the Company's management policies and plans. Whenever necessary, the Audit Office provides specific advice and warnings to business sectors and other sections to preserve the soundness of the Company. Internal audits are implemented based on yearly plans deliberated and approved by the Management Committee. Audit results are reported to the Management Committee twice a year. Senior management is regularly kept informed of the implementation status and results of audits, and the heads of relevant sections follow up on the audit results. Important audit results are also reported to the Board of Directors and Board of Corporate Auditors. The Board of Directors keep informed of developments regarding important matters and follow up on them. In the fiscal year ended March 2005, priority issues for audits include actions to strengthen marketing capabilities and competitiveness in SI, to ensure proper purchasing operations, to protect personal information, and to prevent improprieties. To preserve sound management, a Whistle Line System has been put in place to facilitate internal reporting by employees and any other concerned persons. This system provides a third-party channel for internal reporting alongside conventional reporting channels linked to business execution.

Risk Management System

From the standpoint of raising corporate value and the necessity of properly understanding risk factors and reflecting them in business strategies, NTT DATA has structured a risk management system that enables business sectors and other sections to respond to risk factors in accordance with their respective roles and the nature of the risks in a proactive and autonomous manner.

The implementation of risk management entails the monitoring and supervision of risk factors on the part of relevant divisions, and the reporting of the results, as necessary, to the Board of Directors, Board of Corporate Auditors and Corporate Management Committee. The Board of Directors also directly monitors and supervises important matters. To ensure that this risk management system functions efficiently and effectively, it is also important to constantly revise and improve the system, as necessary. As part of these efforts, NTT DATA has appointed a chief risk officer (CRO) to oversee and promote risk management from a cross-company perspective. (See page 34 for further details on risk management.)

Directors and Auditors

(As of 24th June, 2004)



NAOSHI NAKAMURA

KANJI KOIDE

TOMOKAZU HAMAGUCHI

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

GENTARO SAWA

AKINOBU SHIGEKI

HIROO INOUE

MITSUO MURAMATSU

KENTARO WADA

SHINICHI YAMADA

SHINOBU UMINO

TAKASHI ENOMOTO

KENJI TERASHIMA

HIROSHIGE YANAGIE

TOSHIO IWAMOTO

KAZUYUKI ARATA

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. Rituro 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.

In Touch with Customers

3+2+1

NTT DATA aims for net sales of ¥1 trillion by the fiscal year ended March 31, 2007, by improving fundamental strengths through 3 measures to strengthen its competitiveness and 2 initiatives supporting these measures, and a growth-initiative program.

MID-TERM MANAGEMENT POLICY

No. 1 in Customer Satisfaction

Provide systems and services that improve value for customers

Growth initiatives

Strengthen marketing capabilities

Strengthen competitiveness in SI

Proactively create new products and services

Efficiently utilize SG&A expenses

Provide an environment that nurtures human resources

Improve fundamental strengths

TRENDS IN JAPAN'S IT SERVICES MARKET

Japan's IT services market has faced difficult market conditions in recent years. This has been mainly due to a slowing in cyclical demand for large-scale IT investment projects, such as system integration projects associated with the merger of financial institutions, as well as telecommunications systems, which were the key growth drivers behind the market. Another factor was that Japan's drawn-out economic downturn prompted many users to take a cautious approach toward investments in IT systems.

IT outsourcing, however, offers immediate benefits for companies in terms of cost reductions, one reason why there is firm demand for these services even during times of economic adversity. The outsourcing services field promises steady growth into the future. However, the prospects for an upturn in IT services other than outsourcing are still uncertain. Demand for these services is not expected to pick up until the second half of 2004 or later. From a medium-term perspective, however, e-government, G-to-B services and the advancement of digital home electronics and other developments are expected to fuel growth for the IT service market.

In this climate, the market is undergoing notable qualitative changes. Progress in downsizing operations is lowering the overall volume of orders for systems. In line with falling hardware prices, the market is beginning to feel that software prices are relatively overvalued. And in a difficult business environment, many customers are taking a more cautious stance toward the cost benefits of IT investments. On the technology front, advances in new technologies such as open systems and ubiquitous networking, and Web collaboration services, are leading to stronger needs for high-value-added systems that are cheaper, safer and more reliable.

A NEW STRATEGY FOR DYNAMIC GROWTH

Against this backdrop, NTT DATA has formulated a new medium-term management plan covering the three-year period from fiscal 2005 ending March 31, 2005, aimed at improving customer satisfaction and achieving dynamic growth. We must enhance our competitiveness by improving our fundamental strengths. To this end, we are working to efficiently utilize SG&A expenses and provide an environment that nurtures human resources. These measures will support three themes: strengthen marketing capabilities, strengthen competitiveness in SI, and proactively create new products and services. Furthermore, we will also allocate ¥15.0 billion per year to growth initiatives aimed at driving future growth. NTT DATA is determined to accomplish these goals for generating net sales of ¥1 trillion in fiscal 2007, the final year of the plan.

In fiscal 2005, growth initiative costs of ¥15.0 billion will include ¥2.0 billion to reinforce marketing and development capabilities in the industrial sector and other fields; ¥7.0 billion to develop advanced solution services; and ¥6.0 billion to develop and structure a base for next-generation system construction. We will take active steps to ensure that these growth initiatives lead to greater market share.

15,

Outperforming the Market

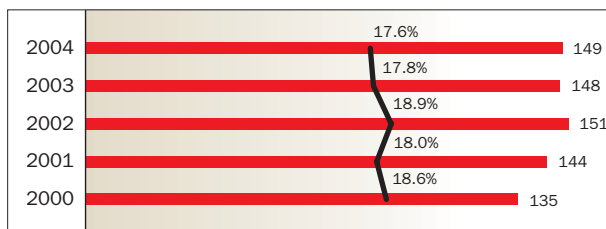
The purpose of using information systems at companies has shifted from raising administrative efficiency to strengthening businesses. In the future, the focus will be on using IT to link companies and optimize the entire value chain, extending all the way through end users. Through bold ideas and early investments that can satisfy the requirements of customers, NTT DATA now aims to achieve high levels of growth in excess of market growth rates. One key investment is to develop and build advanced solutions services and infrastructure toward next generation enterprise and mission-critical systems.

15,000,000,000

NTT DATA will allocate ¥15.0 billion per year in growth initiatives aimed at outperforming market growth rates over the next three years.

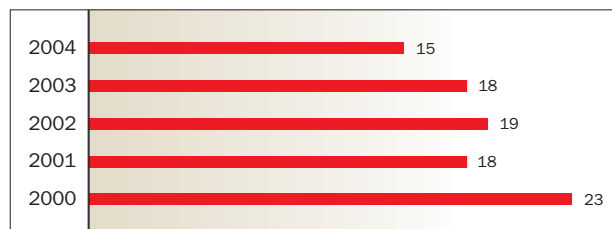
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

(Billions of Yen)



RESEARCH & DEVELOPMENT EXPENSES

(Billions of Yen)



■ Selling, General and Administrative Expenses — Percentage of Net Sales

ADVANCED SOLUTIONS THAT ANTICIPATE CUSTOMER NEEDS

To develop advanced solutions services, we will develop new business models based on collaboration between corporations, as well as between the public and private sectors, using IT; develop platforms using new technologies in the ubiquitous and mobile fields; develop shared systems that realize advanced functions and cost reductions; and strengthen our hand in promising growth fields that are expected to see greater use of IT, such as the healthcare and biotechnology fields.

REALIZING A UBIQUITOUS SOCIETY WITH CUSTOMERS

As an example of IT-driven collaboration, we will present two concepts to customers: e-collaboration and tangible future. Steady progress is being made on the technological front toward making these concepts a reality.

The e-collaboration concept will realize new win-win relationships between companies by processing information flows supporting commerce, distribution and finance functions over networks, and sharing that information. The tangible future concept will provide information that supports decision making in properly conducting risk management, and understanding consumer needs, through an analysis of reams of data gathered over networks. In short, e-collaboration is a structure for creating information flows, while tangible future is a technology for extracting value from that information.

A STRING OF SUCCESSFUL INDIVIDUAL PROJECTS

One illustration of the e-collaboration between government and corporations is a new one-stop service for automobile inspection and registration. This service provides a common center for handling all aspects of the service and interconnecting the various agencies involved in the inspection and registration process. These include the transport branch offices of the Ministry of Infrastructure, Land and Transport (MILT) which conducts inspections and registration; local tax offices, which oversee the payment of various auto taxes; police stations, which issue auto registration certificates; insurance companies; automakers; and financial institutions, who process electronic payments. Individuals can complete the entire automobile registration process at once by accessing the center via the Internet.

This form of interconnection among systems will facilitate collaboration between corporations, as well as between the public and private sectors. It will also produce entirely new value for people in various roles.

ADVANCED PROJECTS TRANSCEND INDUSTRIES

Another key initiative is the e-Airport project. Travelers benefit from safe and smooth at all stages from check-in to immigration control clearance and boarding gate checks through a process called e-Check-in, which employs biometric technology for personal identification. Meanwhile, by attaching e-tags to traveler baggage, traceability technology can be applied to baggage handling and delivery. These advances will greatly enhance the efficiency and speed up airport operations, eliminate bothersome procedures for travelers, and enable "hands-free" travel.

These activities promise applications that transcend industry lines, and will expand as a new means of creating new value for society. NTT DATA will make a range of proposals, such as those for the early development of systems.

RESPONDING TO OPEN SYSTEMS

Customers are seeking immediate solutions that make full use of open systems. They want to expand uses of open systems and improve cost performance. For these customers, NTT DATA will develop a range of SI services solutions.

For instance, we will provide "Prossimo" (development code), which is a fully open-source solution for constructing low-end to mid-range systems using open-source software. NTT DATA will offer one-stop maintenance/support services, including Prossimo middleware. These services will address customer concerns and help to realize cost savings. "PORTOMICS" (development code) is an open system infrastructure solution that realizes mainframe level quality and is designed for high-end mission-critical systems. This solution fully leverages NTT DATA's expertise in constructing large-scale social infrastructure systems. We have also reached agreement with six prominent vendors, namely Fujitsu, NEC, Hitachi, IBM, HP and Sun Microsystems, on providing them with system construction expertise and improving the reliability of their respective system infrastructures to the level required by mission-critical systems.

NTT DATA also plans to assemble a new team of about 200 open-source software engineers in the near future.

Listening to Customers

Our customers' business environments are changing day by day. In the future, we must satisfy their expectations by proposing business strategies using IT as their business partner. NTT DATA will offer high customer satisfaction by building a stronger workforce that can propose advanced systems and services to customers, and achieve further growth.

PERSONNEL WITH SPECIALIZED EXPERTISE WILL ADD VALUE TO SERVICES

Amid stronger demand for highly strategic and specialized systems that have a significant bearing on management strategy, customers are by no means satisfied with their existing investments in IT systems. To address this situation, it is essential that NTT DATA has the ability to understand the issues customers face and provide solutions that faithfully satisfy customer requirements. For this reason, in fiscal 2004, NTT DATA recruited 30 marketing employees for the first time.

And in fiscal 2005, plans call for recruiting about 200 professionals with immediately applicable skills in a year. Marketing professionals will have specialized knowledge in fields such as distribution or pharmaceuticals. These professionals will undoubtedly play a significant part in proactively capturing client needs and catalyzing growth in NTT DATA's operating results.

IMPROVING MARKETING QUALITY AND APPROACH

Essential to driving further top-line growth are initiatives to enhance fundamental strengths that improve the quality of marketing. Central initiatives will include actions to improve customer satisfaction and marketing processes, alongside recruitment in sufficient quantities.

Activities to improve marketing capabilities based on customer satisfaction survey are also under way at a company-wide level at NTT DATA. We began with a review of seemingly obvious marketing basics, such as responding quickly to customers and raising the frequency of proposals. NTT DATA will also shift to process-driven marketing. This involves improving and clarifying the entire marketing process, from initial responses to receiving orders. This will help to capture client needs and expand the scope of marketing activities.

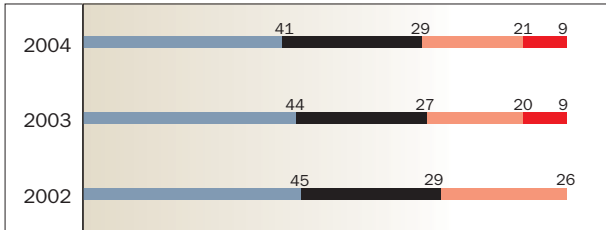
Our approach to marketing is also important. We will adopt a proactive stance for carrying out upbeat marketing activities,

MAJOR NEW ORDERS RECEIVED	
Cross-government one-stop electronic filing system	Japan's first one-stop electronic filing system for government agencies
Regional electronic tax filing system	Infrastructure for all aspects of processing local taxes that will form the nucleus of e-local government systems.
IT outsourcing for the Resona Group	Outsourcing services related to systems development and operation for the Resona Group.
Backup system for the i-mode gateway system	Back-up system for the i-mode gateway system, which is high-speed processing of e-mails and Web access for tens of millions of subscribers



NET SALES BY BUSINESS SECTORS

(%)

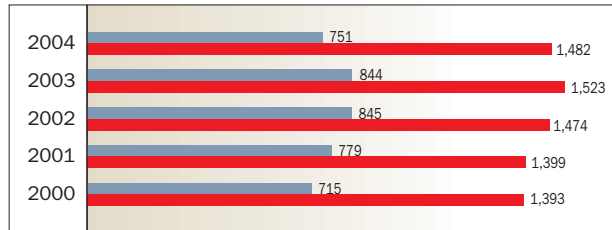


■ Public Administration Sector ■ Financial Sector ■ Industrial Sector ■ Others

(Note) The Industrial Sector in Fiscal 2002 includes "Others."

NEW ORDERS RECEIVED AND ORDER BACKLOG

(Billions of Yen)



■ New Orders Received ■ Order Backlog

presenting proposals to customers without hesitating to take risks. In the future, we will take actions such as developing model systems at an early stage in anticipation of customer needs. By doing so, we will actively take on risks before orders are received to respond to customer requests and capture orders.

MARKETING STRUCTURE: FROM INDIVIDUAL TO TEAM RESPONSES

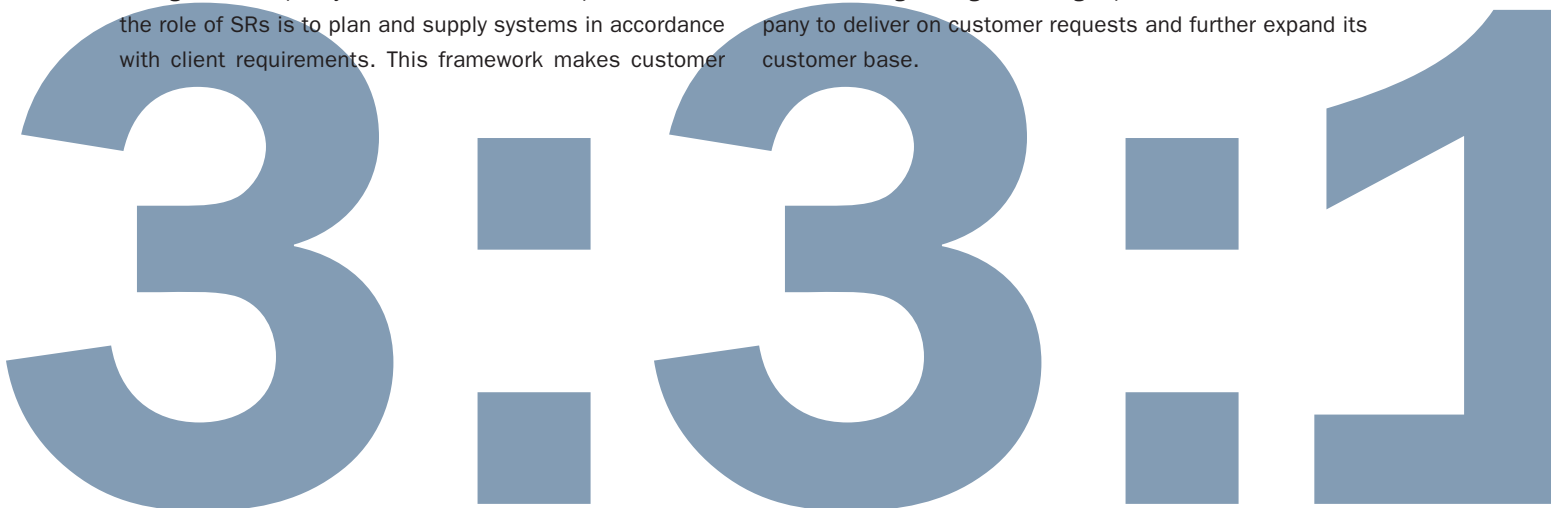
NTT DATA has also clarified the mission and organizational structure of customer and solutions marketing functions. Client Representatives (CRs) and Solutions Representatives (SRs) will be appointed on a company-wide level, to bolster a team-oriented marketing structure. CRs act as a common interface for customers, and are responsible for strategic marketing in this capacity. As business solution professionals, the role of SRs is to plan and supply systems in accordance with client requirements. This framework makes customer

requirements known in greater detail throughout the company, and will help us to take concrete steps to improve the quality of systems.

Marketing support teams were formed to support the activities of customer-facing sales teams at each business sector. These and other actions have put in place a marketing structure based on teams, rather than individuals, to add still more value to services.

NTT DATA has a company wide, systematic educational system that equips employees with the skills and expertise needed to immediately respond to customer requests, involving training seminars targeting divisions, and specific issues.

Ideas for new products and services lie at the operational frontline, where we face customers. These are the people who listen to customer requests and provide solutions. NTT DATA is strengthening marketing capabilities across the company to deliver on customer requests and further expand its customer base.



3:3:3:1

NTT DATA aims for a well-balanced sales composition where the public administration, financial, and industrial sectors represent 30% of sales each, while the other sector represents the remaining 10%.

1,000,000,000,000

1,000,000,000,000

Services offering the highest customer satisfaction will help NTT DATA to achieve targeted net sales of ¥1 trillion in fiscal 2007.

Focusing on Efficiency

NTT DATA is an industry pioneer in the SI business. But to achieve further growth, we must work to improve services in anticipation of changes in customer needs, while taking various initiatives to surmount current challenges so as to reinforce already strong businesses. Viewing changes taking place at client companies as an opportunity, NTT DATA will work to add more value to the SI business and strengthen cost competitiveness, which will lead to a strong profit structure.

NUMBER OF EMPLOYEES HOLDING QUALIFICATIONS (NON-CONSOLIDATED)		
	2003	2004
Systems Analyst	36	48
Systems Auditor	91	104
Application Systems Engineer	252	267
Project Manager	44	67
Systems Management Engineer	30	43
Database Systems Engineer	151	171
Network Systems Engineer	556	594
Embedded Systems Development Engineer	3	2
Software Design & Development Engineer	1,510	1,577
Fundamental Information Technology Engineer	3,237	3,465
Information Systems Security Administrator	20	76
Senior Systems Administrator	19	20
Systems Administrator	492	590
Microsoft Certified Professional	345	454
Oracle Master	178	381
PMP (Project Management Professional)	112	565

16.0%

16.0%

By fiscal 2007, the SG&A ratio will be lowered to 16.0% through cost-cutting initiatives across the company based on reviews of operations and efficiency improvements.

REINFORCING THE SI BUSINESS

To reinforce the SI business, we are focusing on sharpening project management skills, the centerpiece of the SI business, and improving design and development processes.

Our first step is to secure highly skilled human resources in terms of quality and quantity, centered on project managers (PMs). Nurturing highly skilled PMs will involve strictly running the in-house PM certification system, which was introduced in 2003, and assigning certified PMs to projects in order to assure project quality for customers. U.S. PMI-accredited PMP certification is a prerequisite for NTT DATA in-house PM certification. More than 500 staff members at NTT DATA already hold this certification, with that number expected to climb to 1,000 in a year.

Another key priority is to sharpen organizational management skills in order to carry out system development reliably without depending on the skills of any single individual, thereby enhancing project management skills across the Company. To accomplish this goal, NTT DATA established the SI Competency Headquarters in November 2003 to form the nucleus of newly formed PMOs (Project Management Offices). PMOs will strengthen support for projects, while continuously improving and raising the reliability of development processes.

IMPROVING PROFITABILITY

Actions are also being taken to improve profitability. Our first priority is to reinforce cost competitiveness in the SI business. The SI Competency Headquarters and various business sectors are working hand in hand to improve and raise the reliability of development processes, amass operating expertise, and assemble platform technologies and related

methodologies. Based on these three priorities, we aim to lower the cost-of-sales ratio for certain systems that have a relatively high cost-of-sales ratio by five percentage points over the next three years.

Measures to utilize SG&A expenses more efficiently are also under way. By lowering fixed costs through a review of operations and efficiency improvements, we aim to reduce the SG&A ratio from 17.6% in fiscal 2004 to 16.0% by fiscal 2007. Our focus is on clearly separating our budget into growth initiative costs and fixed expenses, and effectively using each type of expense to improve profitability.

EFFICIENTLY EXPANDING THE IT OUTSOURCING BUSINESS

The acquisition of the information systems subsidiaries of prominent companies and financial institutions, is also proceeding in parallel with allocations of ¥15.0 billion per year to drive growth. Through these acquisitions NTT DATA will take over system operation services for the former parent companies, obtain system construction expertise and resources specific to various industries and gain opportunities for future business expansion with parent companies. One illustration is the establishment of NTT DATA WAVE Corporation with Japan Tobacco Inc. (JT). This acquisition gave us access to long-standing expertise in JT's supply chain management (SCM) and system construction for core operations, and has led to new orders from heavy machinery and chemical manufacturers. Every acquired company is performing well.

RECENT M&AS		
	PARTNER	BUSINESS ACTIVITIES
NTT DATA WAVE CORPORATION Percentage of issued share capital: 80.1%	Japan Tobacco Inc.	Nationwide SI services linking trading, logistics, and production functions, leveraging sales channels
NTT DATA SANYO SYSTEM CORPORATION Percentage of issued share capital: 50.0%	SANYO Electric Co., Ltd.	SI services based on expertise in electronics manufacturing
NTT DATA BUSINESS BRAINS CORPORATION Percentage of issued share capital: 70.0%	Nippon Sheet Glass Co., Ltd.	SI services based on expertise in glass manufacturing
NTT DATA ITEC CORPORATION Percentage of issued share capital: 60.0%	Seiko Instruments Inc.	SI services based on expertise in processing and assembly-related manufacturing

Principal Systems and Outlook

Name	Description	Size
PUBLIC ADMINISTRATION SECTOR		
Central Government Agency Systems	Information systems for various central government agencies vital to Japanese society.	Nationwide
Residential Basic Ledger Network Systems	This system provides personal identification data over a nationwide network that links all prefectures with a national data center via communication servers placed in municipalities across Japan.	Nationwide
Medical Institution Data Verification Support System	This system automatically verifies electronic receipts used to apply for medical-fee reimbursements at medical institutions, to raise the efficiency and accuracy of verification procedures for receipts.	4 major companies, including Fujitsu Limited, act as sales agents.
FINANCIAL SECTOR		
The Zengin Data Telecommunications System	An online system that accurately and rapidly processes domestic exchange transactions	1,679 banks and 37,246 branches participated in the network as of November 2003. This is one of the world's largest financial systems in terms of its excellent track record in transaction volume.
Banking Center for Regional Banks	An outsourcing business model based on shared systems that helps to lower the cost of core systems and to add advanced functions	Ten banks had announced their intent to participate in this system as of June 2004, making this the largest shared center for regional banks in Japan.
ANSER / CAFIS	ANSER: This system handles financial operations such as notifications, including deposits; balance inquiries; and fund transfers and remittances for customers	More than 500 financial institutions throughout Japan use ANSER. Monthly traffic exceeds 71 million calls. ANSER is projected to gain a growing number of users, mostly centered on companies.
	CAFIS: This system connects a broad range of 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.
Multi-Payment Network	A next-generation payment settlement system that enables the payment of public utility fees and taxes and other bills anywhere, anytime from ATMs, PCs, mobile phones or through other means. Developed originally as private-sector infrastructure, this innovative system was later adopted by public sector.	Almost all of Japan's government agencies and more than 1,200 financial institutions in the country participate in the system. Growing numbers of companies and local governments are also taking part in this system.
INDUSTRIAL SECTOR		
i-mode gateway system CIRCUS	A platform that provides e-mail, Internet access, and other services for more than 41 million users of i-mode mobile phones.	One of the world's largest mission-critical client-server systems
Construction Industry Marketplace	An industry-wide system aimed at realizing cost reductions through e-procurement of construction machinery and other items	NTT DATA established a joint venture company with five major general contractors and Oracle Corporation Japan.
Pharmaceuticals Industry Data Exchange System	A shared-use data center for the pharmaceuticals industry that provides data exchange services for wholesalers and manufacturers targeting order receipt & placement and sales data exchanged between the two.	This system is one of the largest of its kind, used by all major players in the industry. Users include approx. 160 wholesaling companies and approx. 240 companies, as of the FY2004 year-end.
EDI for Home Electronics Industry	This system links major home electronics manufacturers, large discount retailers, and manufacturer-affiliated retailers to provide access to order receipt/placement data and inventory balances.	This is one of Japan's most prominent EDI systems, linking over 13,500 retailers, as of FY2004.

NTT DATA Strengths Demonstrated

Market Impact and Outlook

<p>Track record, trust, and neutrality developed through many years of experience in large-scale social infrastructure systems and leading-edge technologies.</p>	<p>The trust placed in NTT DATA by the market, built up over many years of experience in constructing core systems in the public administration sector, will be the driving force behind future business growth. NTT DATA will live up to this trust as it seeks to strengthen its presence in the e-government field.</p>
<p>System development expertise using IC cards, such as regional card systems, and expertise gained from IC card development.</p>	<p>In the future, systems based on IC cards are expected to spread to central government agencies and local governments. Greater adoption of Residential Basic Ledger cards will open up opportunities for the sale of systems that provide residential services, especially in regions where these cards are not yet in use.</p>
<p>Expertise gained from systems construction and systems operation related to electronic receipt processing systems provided to the All-Japan Federation of National Health Insurance Organizations and the Social Insurance Medical Fee Payment Fund, a payment agency that verifies and processes receipts.</p>	<p>NTT DATA will raise the efficiency of data verification operations at medical institutions and promote greater use of electronic receipt processing systems. This will be done by offering unrivalled, sophisticated computer-based verification systems and verification services specific to medical conditions. NTT DATA will collaborate with vendors of electronic receipt processing systems and sales companies seeking to expand sales, to make its system the industry standard, with the aim of driving further growth in receipt-related businesses.</p>
<p>Expertise accumulated in areas of strength: core and accounting systems for the financial sector, and social infrastructure systems.</p>	<p>This system has played a pioneering and central role in payment settlement systems. In November 2003, the fifth-generation system was launched, offering higher standards of reliability and confidence, along with improved processing power and security countermeasures.</p>
<p>Experience in constructing and operating core and accounting systems in the financial sector, shared centers and shared systems for various industries and strong track record.</p>	<p>Financial institutions will continue to seek cost reductions related to core systems. This trend will encourage more banks to participate in shared system centers. In the future, NTT DATA will actively plan and propose new products and services, including core systems, progressive strategic systems and business outsourcing to attract those banks.</p>
<p>Expertise in constructing large-scale systems; technologies for combining IT and Internet technologies; foresight; and the ability to create systems that meet customer requirements.</p>	<p>CAFIS can handle IC credit cards and debit cards (cash cards). IC card verification services for multiple credit card brands, including VISA, MasterCard and domestic cards, have also begun. Based on this track record, NTT DATA aims to further expand payment settlement services, while developing new products and services tailored to the diverse needs of financial institutions, government agencies, enterprises and the credit card industry.</p>
<p>Operational expertise in public, industrial and financial sectors, and the ability to oversee and advance large projects, and construct and operate large-scale mission critical payment settlement networks.</p>	<p>As a payment settlement infrastructure for e-government, this network has contributed to make Japan one of the world's leading countries in terms of e-government. NTT DATA expects to expand this network nationwide to include e-local governments, and forecasts growing participation on the part of companies seeking to raise administrative efficiency. Growing social concerns over privacy and security will be a chief factor behind a projected sharp increase in volume of use in the near future.</p>
<p>Platform construction, application development, project management, and other technologies for large-scale mission critical systems.</p>	<p>This system proves that NTT DATA can provide optimal systems irrespective of system format, such as mainframe or client-server systems. This project should have a large impact on future business developments, as we expand into other industries.</p>
<p>Expertise in safety, security, and other areas needed to create e-marketplaces where goods and information can be exchanged efficiently.</p>	<p>This field represents an important source of diverse expertise in the B-to-B field for NTT DATA. One current focus is e-contract solutions, which promises to generate strong demand. These solutions can also be applied to other industries. The expertise amassed will help NTT DATA seize new business opportunities.</p>
<p>Expertise needed to provide the high standards of security, reliability and neutrality required for systems for shared use that are used to build industry infrastructure.</p>	<p>NTT DATA has deepened its understanding of this industry, while taking steps to provide high standards of reliability, such as establishing a back-up center. These accomplishments will help NTT DATA expand businesses targeting the pharmaceuticals industry.</p>
<p>Expertise in planning and presentation, system development and operation based on a strong track record</p>	<p>This system is an industry platform for entire the home electronics industry. As such, major home electronics manufacturers and large-scale home electronics retailers participate in the system. Applying expertise to other industries will open up opportunities for further business growth.</p>

R&D Activities

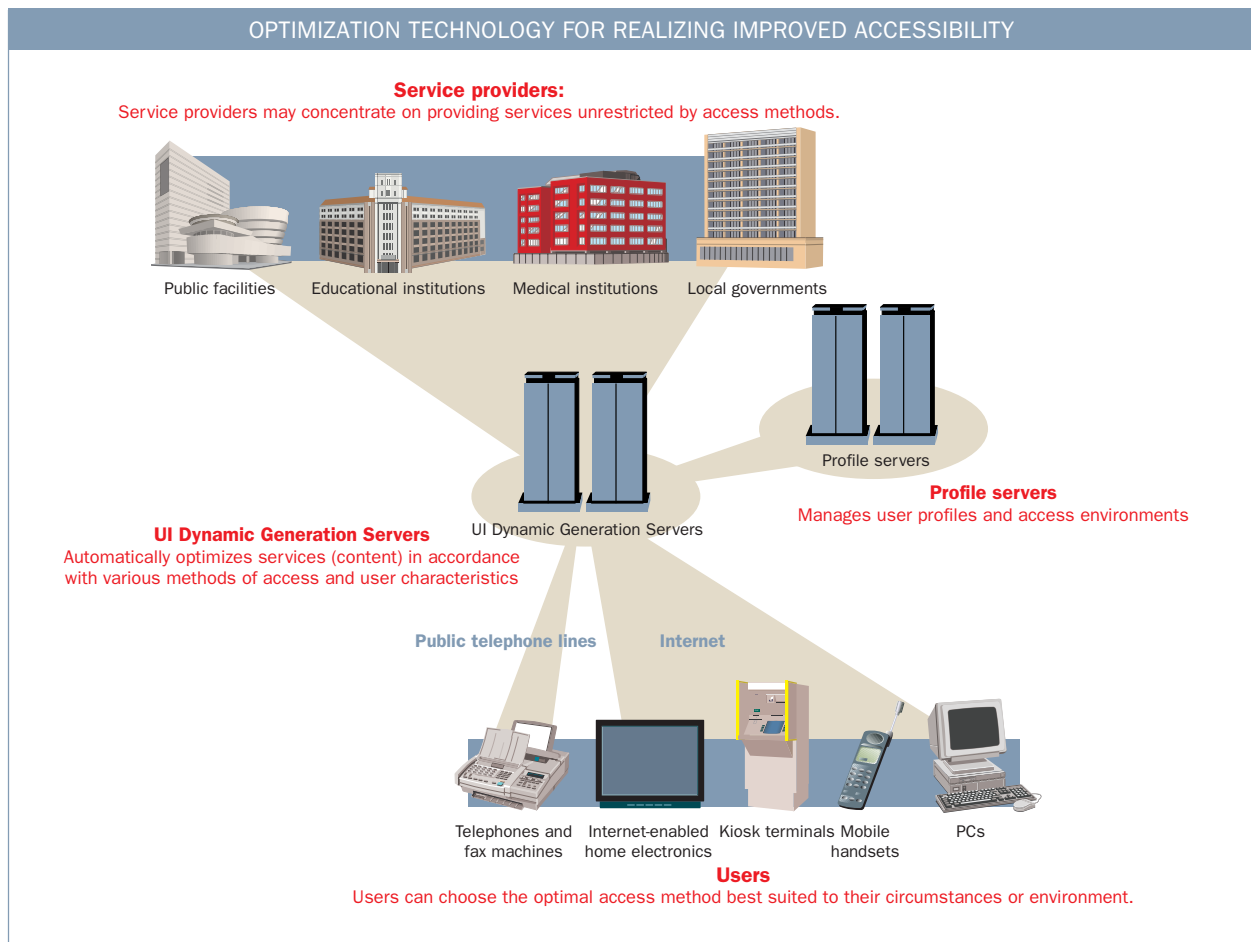
NTT DATA aspires to contribute to an IT-driven society. The future will see the advancement of ubiquitous technologies create a society where all social activities revolve around information closely interlinked over networks. Looking ahead to a society where IT provides access to services anywhere, NTT DATA will continue research activities so as to enable people to benefit from these services in a safe and sound manner.

DEVELOP CORE TECHNOLOGIES

Demand for open source software has been on the rise in recent years. But to apply this software to core systems at corporations, various issues must still be addressed, including reliability and scalability. Maximizing the low cost of open source software, one of its key strengths, NTT DATA is developing technologies that deliver excellent performance, functions and reliability. For e-government to find broad acceptance in society and weave its way into the fabric of daily life, convenience is certainly an important concern. But a more important requirement is to develop a user interface that helps the broadest cross-section of users utilize the system without difficulty. Because NTT DATA makes a point of constructing systems around people, it is well versed in

universal design techniques, along with developing technologies for evaluation systems and core infrastructure. One example of universal design at NTT DATA is optimization technology for user interfaces that improve accessibility. This technology automatically adjusts the presentation of services (content) and method of operation in accordance with the personal traits of users, based on user profiles and environmental settings stored on a profile server. Guidance for users who are not used to operating the system and optimal verbal expressions for voice-enabled software help to improve accessibility for senior citizens and disabled persons.

This technology promises to be put into practical use in the near future. Steady headway is being made toward developing a prototype, looking ahead to future business development.



FIELD TRIALS

Aiming to put into practical use systems that utilize IC tags (RFID tags), which are attracting attention as a technology that can effectively contribute to the ubiquitous networking society, we are developing platforms that will act as the foundation for these systems. These platforms will use IDs to link people and goods in the real world with information over virtual networks. Safely managing this information will pave the way for applications in a diverse array of fields, such as production management systems in the manufacturing sector, traceability systems in the distribution sector, and customer support systems in the traffic management and digital consumer electronics fields. The features of these systems include ① access control functions; ② conformity with standard specifications; ③ efficient application development; and ④ a distributive system architecture. As part of its R&D activities, NTT DATA conducted joint field trials of the effectiveness of IC tags in the food distribution field with Marubeni Corporation and The Maruetsu, Inc. for approximately two months starting in September 2003. These field trials examined how IC tags could raise the efficiency of various operations in the retailing and distribution fields, as well as in all stages of product logistics management, from food producers and processors to stores.

The field trials provided a wealth of invaluable data and expertise, which will be analyzed and applied to further upgrade and expand platforms. By responding to the advancement of standard specifications, we will develop technologies that give us a foothold for creating new value in cross-industry businesses and international distribution operations. These technologies and solutions will be applied to a variety of field trials to further investigate their practicality, with the view to putting them into practical use at an early stage.

TRANSLATING ACCOMPLISHMENTS INTO VIABLE BUSINESSES

The world of business is being dramatically reshaped by advancements in IT, intensified competition driven by globalization and other developments. In this environment, enterprises must take actions to incorporate inefficient means of exchanging data, such as from person-to-person or via various intermediate media, into their systems, implement BPR to reexamine operations flows in existing businesses, and immediately respond to a fast-changing business environment.

NTT DATA's R&D activities are aimed at providing IT-driven solutions to these issues. One key project is the development of "ΣServ," a platform that delivers new high-value-added services by linking multiple existing enterprise systems and services based on workflows. In fiscal 2004, NTT DATA's business units took actions to use the accomplishments of this project to develop viable businesses. Plans also call for applying these accomplishments to a one-stop service related to automobile inspection and registration.

CONSULTING /ADVISORY ACTIVITIES

As globalization gathers pace, it is important to consider the nature of e-government and e-local government in Japan from an international perspective. NTT DATA has advocated its vision for a networked society at international forums sponsored by the UN and OECD, addressing the need for public-private sector collaboration in the field of cyber security and introducing e-democracy in Japan.

NTT DATA has published three books on the subject of the networked society, to stimulate a broad range of discussion in these fields.

Global Operations

Since its establishment, NTT DATA has promoted a range of international business activities. We have established operating bases in the U.S., UK, China, Hong Kong and Malaysia to support customers, introduce advanced technologies, and lower costs, as part of efforts to promote international businesses.

GLOBAL BUSINESS STRATEGY

Our global business strategy is guided by the following key policies:

- Provide IT support for Japanese companies developing businesses overseas
- Gather information and import advanced technologies from leading markets in the U.S. and Europe to gain competitiveness
- Promote software development in Asia, with focus on China

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

BUSINESS OPERATIONS IN ASIA

In Asia, demand for IT services is expanding. Our primary activity is the provision of systems with proven track 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 played a significant role. In past 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 the trial Electronic Road Pricing System in Hong Kong.

In the fiscal year ended March 31, 2004, NTT DATA formed an alliance with Chinese mobile content provider PDAGER in the mobile content distribution field, targeting subscribers to China Unicom mobile phone services. This alliance will allow

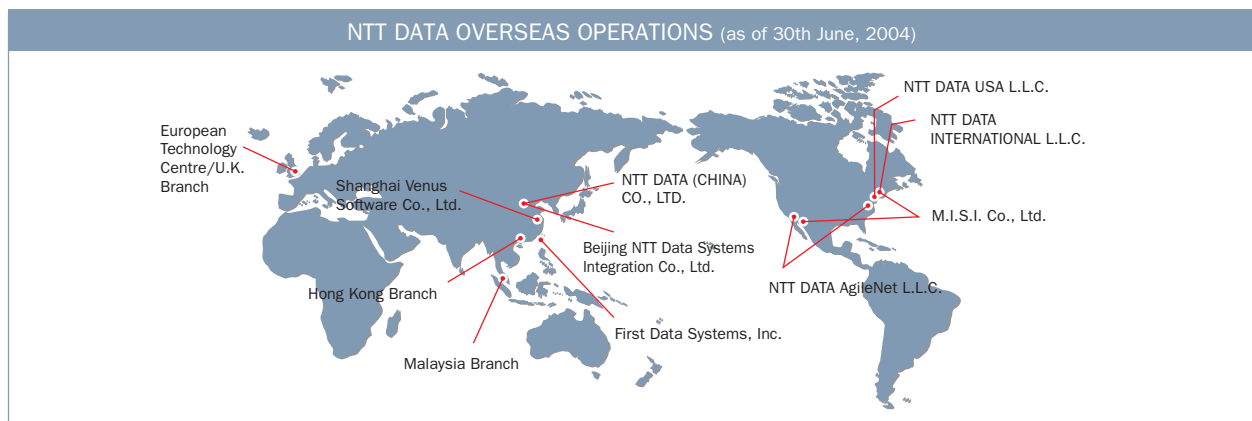
NTT DATA to provide quality mobile phone contents developed in Japan to China.

In Southeast Asia, NTT DATA designed a customs system for Indonesia, and developed the MSC project and an e-procurement system in Malaysia. We also promote the sale of packaged software in China and Southeast Asia. The main products are "CoreMount," (See Note) a Web solutions package, and "A.S.I.A.," a multi-currency, multilingual ERP software package. And to reduce the cost of developing software in Japan, NTT DATA is placing more orders with 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 administrative 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 an important role of our European Technology Centre in London 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. We are also aggressively seeking alliances with companies in these two regions in order to tap into leading-edge technologies for business. 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.



As a Corporate Citizen

The NTT DATA Group strives to anticipate and respond to the latest technological trends, customer needs, and market changes in a rapid and accurate manner.

NTT DATA'S BUSINESSES AND RELATIONSHIP WITH SOCIETY

In parallel with constructing information systems tailored to customer needs in the public administration, financial and industrial sectors, NTT DATA contributes to society as a whole as the standard bearer of Japan's IT services and telecommunications industry. In today's fast-evolving IT-driven society, NTT DATA carries out day-to-day operations from the standpoint of contributing to the future of society, through the construction of new infrastructure for future information systems.

For example, one important issue for Japan's IT-driven society will be to figure out how to reliably and safely exchange electronic information. To create secure IT-based social infrastructure, personal identification systems and systematic ways of ensuring the security of e-commerce will be required. R&D activities into public key infrastructure for personal identification and identification technologies for ubiquitous computing environments are under way at NTT DATA.

As IT weaves its way into the fabric of society, companies, individuals and government agencies will be linked over networks. This will eventually make IT a truly indispensable part of daily life.

The NTT DATA Group is committed to harnessing IT to provide enriched communities for many people and to directing its activities toward realizing a society where both service providers and users may feel safe and secure in using IT.

SOCIAL RESPONSIBILITY

NTT DATA is engaged in community support activities in fields such as public welfare, education, international relations, culture and the arts. The emphasis is on activities where participation by a broad range of employees is possible. Through these activities, NTT DATA hopes to play a part in building a new society and future as a good corporate citizen.

Donations and Volunteer Work

Every year, employees of NTT DATA take part in a wide range of fund raising activities and volunteer work, including an internal charity auction at Christmas via its intranet; fund raising through the sale of "NTT DATA-style Valentine" sweets; 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). The NTT DATA Group participates in the Ashinaga P-Walk 10, a charity walk that supports children orphaned by diseases or natural disasters.

Cultural Sponsorship Activities

As part of its cultural sponsorship activities, NTT DATA sponsors a popular annual classical music concert (known as "NTT DATA's Concert of Concerts") that is attended free of charge by numerous members of the public by application.



Escorting children for a day as part of the KIDS PROJECT



Charity auctions via NTT DATA's intranet

The Company also sponsors the Nature Network Project, an online venture that aims to communicate the splendors of the natural world by using IT, and the “Think Daily” webpage for the Think the Earth Project.

Together With Local Communities

As a local corporate citizen, NTT DATA is committed to promoting exchanges between employees and their local communities. Community activities are structured around themes befitting NTT DATA. For example, NTT DATA organizes career days that offer Workplace Learning Courses to junior high school students. The Company also runs beginner-oriented Internet Training Courses for the benefit of communities surrounding our facilities.

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. Information systems in many cases substitutes for the movement of people and goods, and to this extent the Company contributes to a reduction in environmental impact by both indirect and direct means. However, the process of developing these systems itself consumes large quantities of energy. As such, information systems impact on the environment in a significant manner. 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.

ISO14001 Certification

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. These activities will be extended to group companies.

Raising Our Presence

To raise its presence in the environmental field, NTT DATA began issuing annual environmental reports in 2000.

Fostering Environmental Awareness Among Employees

To foster a stronger awareness of environmental issues among employees, NTT DATA 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.

Environmental initiatives include separately disposing of recyclable paper within the Company and using recyclable products.

Finding solutions to environmental problems requires the accurate and rapid collection and analysis of information, disclosure and building consensus across society, and other factors. For this reason, NTT DATA believes that it is important that proposals for solving environmental problems are directed through businesses. Leveraging its experience, NTT DATA will use the latest telecommunications technologies and its worldwide human network to put forward new proposals based on IT solutions, such as environmental management and global warming countermeasures, that help to realize a sustainable society.



Ashinaga P-Walk 10: NTT DATA contributed banners and jackets for staff members.



NTT DATA Environment Report 2003

Financial Section

Consolidated Six-Year Summary

NTT DATA CORPORATION AND SUBSIDIARIES
YEARS ENDED 31ST MARCH

	Millions of yen						Thousands of
	1999	2000	2001	2002	2003	2004	U.S. dollars
For the Year:							2004
Net Sales	¥ 710,152	¥ 725,348	¥ 801,045	¥ 801,967	¥ 832,109	¥ 846,706	\$ 7,987,792
System Integration	—	586,829	650,632	624,921	671,256	685,454	6,466,547
Network System Services	—	49,108	52,111	58,243	60,262	57,794	545,226
Others	—	103,539	142,424	209,550	173,883	177,721	1,676,613
Elimination or Corporate	—	(14,128)	(44,122)	(90,747)	(73,292)	(74,263)	(700,594)
Cost of Sales	522,190	539,715	598,245	591,301	622,072	637,911	6,018,028
Operating Income	56,833	50,738	58,778	59,446	61,544	59,725	563,443
Income (Loss) before Income Taxes	37,747	(29,177)	46,083	47,163	50,933	44,441	419,255
Net Income (Loss)	16,313	(18,114)	24,452	26,410	28,562	26,956	254,302
New Orders Received	—	714,882	779,418	845,400	843,571	750,796	7,082,981
Capital Expenditures	—	210,375	163,655	170,577	171,017	148,923	1,404,934
Depreciation and Amortization/ Loss on Disposal of Property and Equipment and Intangibles	—	152,836	151,927	153,115	158,523	165,281	1,559,255
Research and Development Expenses	14,042	22,684	17,957	19,074	18,224	15,350	144,811
Free Cash Flow	—	(23,763)	17,702	(1,776)	67,180	44,044	415,509
EBITDA	—	203,574	210,705	212,561	220,067	225,006	2,122,698
At Year-End:							
Property and Equipment, at Cost	1,069,069	991,547	973,046	1,034,563	1,008,791	813,868	7,678,000
Less: Accumulated Depreciation	(551,688)	(565,383)	(577,951)	(632,917)	(607,447)	(468,534)	(4,420,132)
Long-Term Debt	382,079	385,462	351,354	307,879	313,860	271,920	2,565,283
Total Liabilities	632,662	706,739	696,848	699,443	679,872	600,318	5,663,377
Total Shareholders' Equity	369,244	363,758	388,537	412,966	435,715	458,846	4,328,736
Total Assets	1,002,805	1,071,653	1,086,437	1,113,777	1,118,401	1,065,549	10,052,349
				Yen			U.S. dollars
Per Share:							
Net Income (Loss)	¥ 5,859	¥ (6,499)	¥ 8,680	¥ 9,382	¥ 10,152	¥ 9,578	\$ 90.36
Shareholders' Equity	131,593	129,641	138,479	147,192	155,304	163,550	1,542.92
Other Information:							
Operating Income Margin (%)	8.0	7.0	7.3	7.4	7.4	7.1	—
Return on Sales (%)	2.3	(2.5)	3.1	3.3	3.4	3.2	—
Return on Equity (%)	5.7	(4.9)	6.5	6.6	6.7	6.0	—
Return on Assets (%)	1.7	(1.7)	2.3	2.4	2.6	2.5	—
EBITDA Margin (%)	—	28.1	26.3	26.5	26.4	26.6	—
Equity Ratio (%)	36.8	33.9	35.8	37.1	39.0	43.1	—
Number of Employees	—	10,500	12,843	14,651	15,971	17,389	—

Notes:

- (1) EBITDA refers to operating income before deducting depreciation and amortization/ loss on disposal of property and equipment and intangibles.
(2) 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, 2004 of ¥106=U.S.\$1.

Management's Discussion and Analysis

Market Conditions in Fiscal 2004, Ended 31st March, 2004

Japan's IT services market recorded high levels of growth until 2001, but has remained flat in recent years.

In fiscal 2004, Japan's economic recovery spread to outlying sectors, supported in part by improved business sentiment occasioned by a recovery in corporate earnings and rising stock prices. However, corporate earnings growth did not lead to a marked increase in capital expenditures, and the unemployment rate remained at high levels, sounding a note of caution for economic prospects. NTT DATA thus projects that a full-fledged recovery accompanied by market expansion will have to wait until the second half of 2004.

However, IT outsourcing services, a field where NTT DATA is currently concentrating resources, is projected to grow faster than the overall IT services market.

Review of Operations: the Year Ended 31st March, 2004 (Fiscal 2004) Compared With the Year Ended 31st March, 2003 (Fiscal 2003)

• Business Expansion and Net Sales

In fiscal 2004, the NTT DATA Group continued to strengthen its businesses under the key management policies of strengthening competitiveness in SI and promoting the creation of new businesses.

On the former theme, NTT DATA concentrated resources into reinforcing marketing capabilities in the large-scale SI business, a field that gives full play to the group's competitive advantages. Actions were also taken to lower costs, including placing more orders overseas. To strengthen its hand in the middle-market SI business, where the group aims to capture much more orders, NTT DATA implemented structural reforms. This involved the realignment of both the group's network of regional branch offices, group companies engaged in systems development and sales, and also those group companies offering systems maintenance and operations services. NTT DATA also took actions to improve processes across the Company and project management activities. The SI Competency Headquarters was established in November 2003 to bolster company-wide initiatives. PMOs (Project Management Offices) have also been established throughout the company to assist project managers in their duties and sharpen organizational project management skills.

We worked to continue to provide a steady stream of services for customers already running NTT DATA systems, while taking steps to prepare for the start of services using new systems and capture new orders.

As a result, net sales rose ¥14.6 billion, or 1.8%, to ¥846.7 billion. In fiscal 2004, 12 subsidiaries based in Japan and overseas were newly consolidated, including Nihon Card Processing Co., Ltd., SNT Software Co., Ltd. and NTT DATA INTERNATIONAL L.L.C., while 7 subsidiaries were excluded from consolidation. Consequently, the NTT DATA Group had 42 consolidated subsidiaries and 2 equity-method affiliates as of 31st March, 2004.

• Overview by Sector

Net Sales and New Orders Received by Customer Sector					(¥billion)
	Net Sales		New Orders Received		
	2003	2004	2003	2004	
Public Administration Sector	361.0	347.2	427.4	277.0	
Financial Sector	227.0	243.2	206.6	229.0	
Industrial Sector	163.9	176.9	157.8	174.6	
Others Sector	80.2	79.4	51.8	70.2	

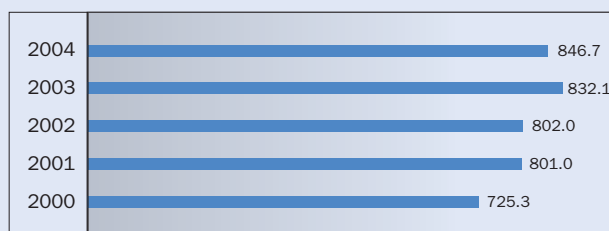
*Effective from the fiscal year ended 31st March, 2004, the industrial sector and others sector, which had both previously been included in the Industrial Sector and Others segment, will be shown separately. The others sector includes businesses that cannot be attributed to any single specific sector, such as system maintenance and operation services, and facility leases.

Public Administration Sector

IT investment in this sector remained on a downtrend, reflecting deteriorating government finances due to a fall in tax revenues brought on by weak economic conditions, the trend toward smaller government, a lapse in demand for e-government related investments, and other factors.

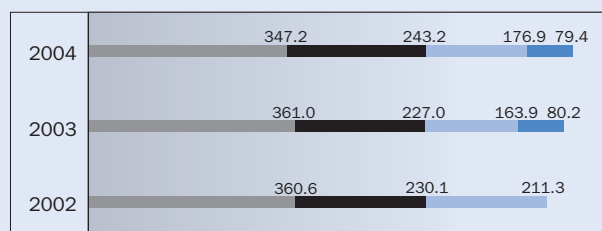
NET SALES

(Billions of Yen)



SALES BREAKDOWN

(Billions of Yen)



■ Public Administration Sector ■ Financial Sector ■ Industrial Sector ■ Others

(Note) The Industrial Sector in Fiscal 2002 includes "Others."

In this climate, NTT DATA worked to capture orders related to existing systems and continued to propose new services in the fiscal year under review. One result was a major order for Japan's first cross-government one-stop electronic filing system. NTT DATA also captured an order for a regional electronic tax filing system, which is an infrastructure for processing all aspects of local taxes that will form the nucleus of e-local government systems.

Despite these factors, overall net sales declined ¥13.8 billion, or 3.8%, to ¥347.2 billion in this sector. New orders received were also down ¥150.4 billion, or 35.2% year on year.

Financial Sector

Despite some signs of an improving business environment for financial institutions, this sector still faces difficulties. In this climate, NTT DATA worked to expand its business in line with changes in operating conditions.

Services for the NTT DATA Banking Center for Regional Banks, a shared system for regional banks, got under way in fiscal 2004. NTT DATA won an order from Resona Holdings for outsourcing services related to the development and operation of systems for the Resona Group. NTT DATA also started an Integrated ATM Switching Service, which centralizes the ATM/CD relay systems of disparate types of financial institutions.

As a result, net sales rose ¥16.2 billion, or 7.2%, to ¥243.2 billion. New orders received also climbed ¥22.4 billion, or 10.8% year on year.

Industrial Sector

Although some signs of economic recovery emerged, driven mainly by the digital electronics industry, this sector remained sluggish on the whole. IT outsourcing services are becoming mainstream and gaining traction as companies concentrate on their core businesses.

In this climate, NTT DATA focused resources on existing IT services markets and growth markets such as the broadband and IP fields.

In fiscal 2004, NTT DATA won a major order from NTT DoCoMo, Inc. for a backup system for the i-mode gateway system, which processes e-mails and Web access for tens of millions of subscribers at high speeds.

These and other factors lifted net sales 7.9%, or ¥13.0 billion to ¥176.9 billion. New orders also increased ¥16.8 billion, or 10.6% year on year.

In fiscal 2004, net sales at NTT DATA represented 13% of the sales of the NTT Group, down 1 percentage point from fiscal 2003.

• Promoting the Creation of New Businesses

NTT DATA continued the previous fiscal year's drive to develop an acquisition-oriented IT partner business in fiscal 2004. This business entails the acquisition of the information system subsidiaries of prominent companies and financial institutions. These acquisitions provide significant benefits in terms of enabling NTT DATA to assume system operations for the former parent companies and providing system construction expertise specific to various industries.

Concrete actions in fiscal 2004 included the establishment of NTT DATA BUSINESS BRAINS CORPORATION and NTT DATA ITEC CORPORATION, the respective former information system subsidiaries of Nippon Sheet Glass Co., Ltd. and Seiko Instruments Inc., through an acquisition of shares. These actions were aimed at obtaining operational expertise in systems for the manufacturing sector and system development resources.

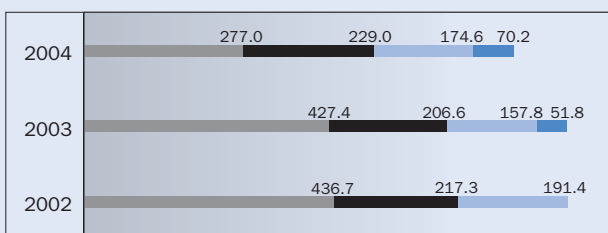
Businesses based on equity-based partnerships with customers are as follows:

Name	Established	Partner	NTT DATA's equity interest
NTT DATA WAVE CORPORATION	1st August, 2002	Japan Tobacco Inc.	80.1%
NTT DATA SANYO SYSTEM CORPORATION	6th January, 2003	SANYO Electric Co., Ltd.	50.0%
NTT DATA BUSINESS BRAINS CORPORATION	1st September, 2003	Nippon Sheet Glass, Co., Ltd.	70.0%
NTT DATA ITEC CORPORATION	1st December, 2003	Seiko Instruments Inc.	60.0%

We also expanded the Health Data Bank service, which helps companies and other organizations manage employee medical exam results over the Internet. This service is used by 13 institutions, including companies, and has approximately 300,000 registered users. NTT DATA also joined forces with BANDAI Co., Ltd. to develop the GUNDAM Network Operation business, a highly successful multi-player online game site that attracted much attention from the industry.

NEW ORDERS BREAKDOWN

(Billions of Yen)



■ Public Administration Sector ■ Financial Sector ■ Industrial Sector ■ Others

(Note) The Industrial Sector in Fiscal 2002 includes "Others."

OPERATING INCOME AND OPERATING INCOME MARGIN

(Billions of Yen)



■ Operating Income ■ Operating Income Margin

Operating Expenses and Operating Income

The cost of sales rose ¥15.8 billion, or 2.5%, to ¥637.9 billion year on year, due to an expanded scope of consolidation and an increase in depreciation accompanying system upgrades and other factors. This increase in costs was slightly greater than the growth in sales, pushing up the cost-of-sales ratio 0.5 of a percentage point to 75.3%. Again, this mainly reflected higher depreciation in connection with upgrades for large-scale systems.

Selling, general and administrative (SG&A) expenses rose ¥0.6 billion, or 0.4%, to ¥149.1 billion, reflecting the inclusion of general and administrative expenses and other expenses from newly consolidated subsidiaries, despite a decrease in R&D expenses. The SG&A ratio, however, improved 0.2 of a percentage point to 17.6%.

As a result, operating income decreased ¥1.8 billion, or 3.0%, to ¥59.7 billion. The operating income margin was 7.1%, down 0.3 of a percentage point from the previous fiscal year.

The reduction of SG&A expenses is a key management target. NTT DATA has clearly separated these expenses into fixed expenses and growth initiatives costs, in order to reduce fixed expenses through a review of operations, while clarifying the priority of growth initiative costs through cost-benefit analyses. This process will help us to achieve our goal of improving the SG&A ratio by two percentage points over the medium term.

Structural Reform Expenses

Structural reforms in fiscal 2004 involved the realignment of regional group companies and group companies offering systems maintenance and operations services. These measures were aimed at strengthening the structure for promoting middle-market SI businesses and maintenance and operations businesses, where we look to drive significant growth in orders. More specifically, in fiscal 2004, branch offices and regional subsidiaries were reorganized into nine companies, while system maintenance and operations subsidiaries were integrated into two companies. These actions were taken to provide services carefully tailored to customer needs. Some 3,000 employees at the NTT DATA head office were transferred to these subsidiaries in connection with structural reforms. NTT DATA booked structural reform expenses of ¥13.7 billion in fiscal 2004 as a non-operating expense. The main components of these expenses were a one-time charge for employees wishing to be permanently transferred to subsidiaries, office relocation expenses, and the disposal of assets.

As a result, NTT DATA projects annual savings in personnel expenses of at least ¥3.0 billion starting in fiscal 2005.

Non-Operating Income (Expenses), Income Before Income Taxes and Net Income

Net non-operating expenses decreased ¥4.7 billion to ¥15.3 billion. The primary reason was the above-mentioned structural reform expenses of ¥13.7 billion. Interest expenses decreased ¥1.7 billion to ¥5.3 billion due to a decline in interest-bearing debt. NTT DATA booked a gain of ¥8.0 billion on the sale of investment securities. This reflected the sale of securities whose holding purpose had diminished in significance following the achievement of initial investment objectives.

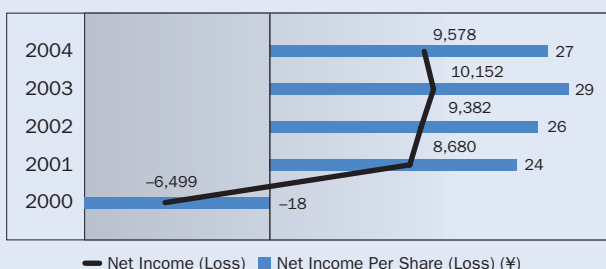
Due to these factors, income before income taxes decreased ¥6.5 billion, or 12.7%, to ¥44.4 billion.

Net income decreased ¥1.6 billion, or 5.6%, to ¥27 billion.

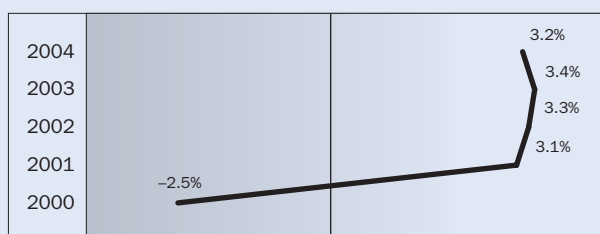
*The IT Investment Promotion Tax System is a tax-reduction program effective through the fiscal year ending 31st March, 2006 with an upper limit for tax reductions set at 20% of corporate income taxes. Companies that acquire IT-related facilities for commercial use in Japan are granted a tax deduction in the amount of 10% of the acquisition value of facilities or a 50% special depreciation of these facilities. The R&D-related tax cuts refers to a permanent tax reduction with an upper limit set at 20% of corporate income taxes that provides companies an income tax deduction in an amount equivalent to 8%-10% of total R&D expenses (10%-12% in the first three years).

NET INCOME AND NET INCOME PER SHARE

(Billions of Yen) (Yen)

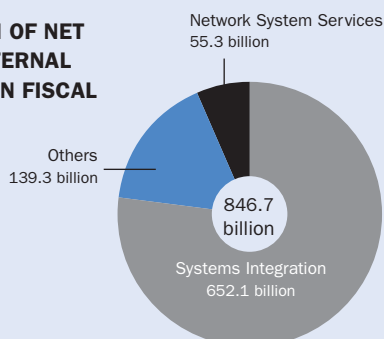


RETURN ON SALES



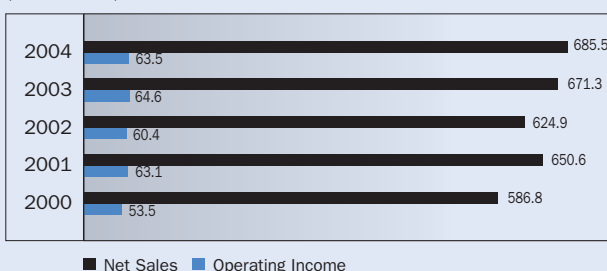
COMPOSITION OF NET SALES TO EXTERNAL CUSTOMERS IN FISCAL 2004

(Billions of Yen)



SYSTEMS INTEGRATION

(Billions of Yen)



Profitability and Dividends

Net income per share was down ¥573.23 per share, or 5.6%, to ¥9,578.34. The return on sales was 3.2%, down 0.2 of a percentage point from the previous fiscal year. The return on assets was 0.78, improving 0.03 times. The leverage ratio was 2.32 times, down 0.25 of a percentage point, due to an improvement in the equity ratio. ROE decreased 0.7 of a percentage point to 6.0%, from 6.7% in the previous fiscal year.

NTT DATA paid a dividend of ¥2,000 per share for fiscal 2004, including an interim dividend of ¥1,000 per share, doubling the annual dividend compared with the previous fiscal year.

Segment Review

• System Integration Business

The System Integration (SI) Business develops, sells, leases and services data communication systems tailored to the specific needs of customers.

In fiscal 2004, sales growth in the SI business was supported by the addition of newly consolidated subsidiaries, as part of NTT DATA's strategy for developing an IT partner business through acquisitions. However, operating income was down due to the effects of higher depreciation accompanying system upgrades and other factors.

As a result, sales to external customers rose 1.3%, or ¥8.7 billion, to ¥652.1 billion. Segment operating income decreased 1.8%, or ¥1.2 billion, to ¥63.5 billion.

• Network System Services

The Network System Services Business provides services such as information provision, data processing and other services matched to customer needs, using computer networks such as the Internet.

Steady sales from the CAFIS system, a credit and debit card infrastructure, were offset by the effects of the previous fiscal year's transfer of ISP operator DreamNet Corporation to the NTT Group, leading to declines in sales and operating income in this segment.

As a result, sales to external customers declined ¥2.5 billion, or 4.3%, to ¥55.3 billion. Segment operating income decreased ¥0.8 billion, or 22.2%, to ¥2.9 billion.

• Others

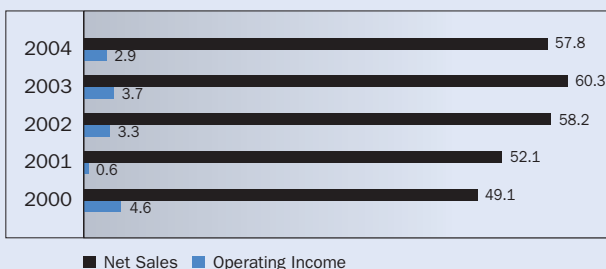
NTT DATA's Others Business researches and evaluates customer management issues, makes plans and proposals for optimization of data communications systems, and provides services that include maintenance and facility management.

Higher orders for maintenance and operations services for telecommunications systems helped to lift sales and operating income in this segment over the previous fiscal year's level.

As a result, sales to external customers rose ¥8.4 billion, or 6.4%, to ¥139.3 billion. Operating income climbed ¥0.9 billion, or 11.4%, to ¥8.9 billion.

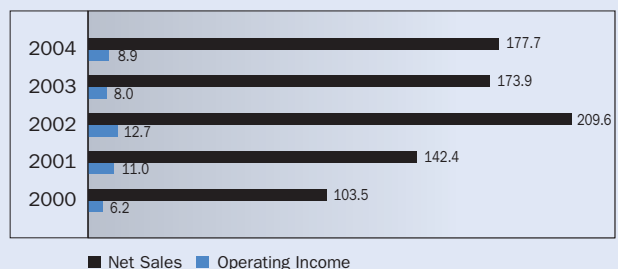
NETWORK SYSTEMS SERVICES

(Billions of Yen)



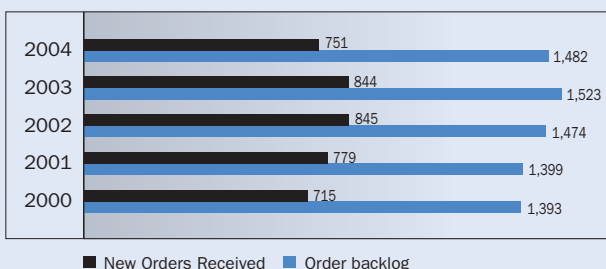
OTHERS

(Billions of Yen)



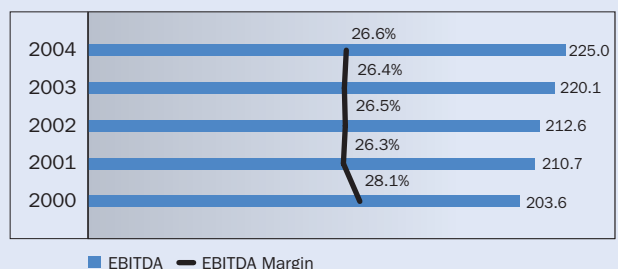
NEW ORDERS RECEIVED AND ORDER BACKLOG

(Billions of Yen)



EBITDA AND EBITDA MARGIN

(Billions of Yen)



(¥billion)				
Business segment	Net sales		Operating income	
	2003	2004	2003	2004
System Integration	671.3	685.5	64.6	63.5
Network System Services	60.3	57.8	3.7	2.9
Others	173.9	177.7	8.0	8.9
Elimination or corporate	(73.4)	(74.3)	(14.8)	(15.6)
Consolidated	832.1	846.7	61.5	59.7

New Orders Received and Order Backlog

(¥billion)				
Business segment	New Order Received		Order Backlog	
	2003	2004	2003	2004
System Integration	705.0	606.3	1,495.3	1,449.5
Others	138.6	144.5	27.7	32.9
Total	843.6	750.8	1,523.0	1,482.4

*The Network System Services business is not shown under new orders received because this segment is a service-oriented business based on usage fees for ANSER, CAFIS and other services.

In fiscal 2004, the order backlog fell ¥40.6 billion in line with a decrease in new orders received of ¥92.8 billion. The main reason was a sharp drop-off in orders due to a trough in cyclic demand for large-scale social infrastructure systems in the public administration sector. Meanwhile, new orders received in the financial and industrial sectors are steadily on the rise.

Comparison of the Fiscal Year Ended 31st March, 2003 (Fiscal 2003) with the Fiscal Year Ended 31st March, 2002 (Fiscal 2002)

• Description of Activities and Net Sales

In fiscal 2003, the NTT DATA Group continued to take action on the priority themes of strengthening competitiveness in SI and promoting the creation of new businesses.

Key measures to strengthen competitiveness in SI included placing more orders overseas and fostering skilled project managers, aimed also at consistently lowering the cost of sales. Key priorities for customers already running NTT DATA systems were to provide them with a steady stream of services and respond to demand for system upgrades, as well as enhance functions and develop peripheral operations.

To promote the creation of new businesses, NTT DATA advanced the IT partner business and service provider business to carve out new markets. As a result, net sales in fiscal 2003 climbed ¥30.1 billion, or 3.8%, to ¥832.1 billion.

• Operating expenses and operating income

In fiscal 2003, the cost of sales increased 5.2%, or ¥30.8 billion, to ¥622.1 billion. The cost-of-sales ratio climbed 1.1 percentage points from 73.7% to 74.8%. The main factors were a relatively high cost-of-sales ratio for the i-mode gateway system CiRCUS completed in fiscal 2003, due partly to the R&D-intensive aspects of this project; higher depreciation expenses for large-scale systems completed in the second half of fiscal 2003; and the effects of losses on the disposal of fixed assets related to existing systems.

As a result, gross profit decreased ¥0.6 billion, or 0.3%, to ¥210 billion.

Meanwhile, selling, general and administrative (SG&A) expenses decreased ¥2.7 billion, or 1.8%, to ¥148.5 billion. This was mainly due to a decline of ¥3.1 billion in selling expenses to ¥57.9 billion resulting from NTT DATA's efforts to more efficiently utilize these expenses for operating activities.

R&D expenses decreased ¥0.9 billion to ¥18.2 billion, compared with ¥19.1 billion in the previous fiscal year. This mainly reflected the termination of R&D into e-government related systems that had been undertaken throughout the previous fiscal year.

Administrative expenses edged up ¥1.2 billion to ¥72.4 billion due to the addition of administrative costs of newly consolidated subsidiaries.

As a result, the SG&A ratio decreased 1.1 percentage points from 18.9% to 17.8%.

Operating income increased ¥2.1 billion, or 3.5%, to ¥61.5 billion. The operating income margin was 7.4%, mostly the same as in fiscal 2002.

• **Non-Operating Income (Expenses) and Net Income**

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

As a result, 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.

• **Segment Review**

System Integration

The System Integration (SI) Business develops, sells, leases and services data communication systems tailored to the specific needs of customers. During fiscal 2003, NTT DATA completed major projects, including the aforementioned i-mode Gateway System and an e-government systems for the public sector. As a result, sales to external customers in this segment 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 no large capital investments in fiscal 2003. As a result, sales to external customers 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, sales to external customers were ¥130.8 billion, mostly the same as in fiscal 2002, 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.

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 ¥3.6 billion in gains on the sale of shares of former consolidated subsidiary DreamNet 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.

Key Management Indicators

Our businesses require that we make steady investments in large-scale systems owned by the Company. Depreciation of these facilities thus has a significant impact on earnings. For this reason, management believes it is important to measure core business earnings excluding the effect of depreciation, in the form of EBITDA, which represents earnings before interest, taxes, depreciation and amortization. In fiscal 2004, EBITDA rose ¥4.9 billion to ¥225.0 billion; the EBITDA margin improved 0.2 of a percentage point to 26.6%. This means that NTT DATA achieved earnings and profitability growth in fiscal 2004 on an EBITDA basis.

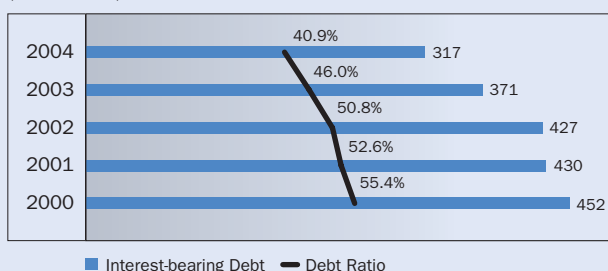
Another important requirement of our businesses, which entail large capital expenditures on a regular basis, is to control interest-bearing debt levels within a suitable range. Interest-bearing debt was reduced ¥53.7 billion to ¥317 billion in fiscal 2004. Consequently, the debt ratio (see note) improved 5.1 percentage points to 40.9%.

ROE is one of our most important management indicators. Our goal is to raise ROE to 8.0% over the medium term. In fiscal 2004, ROE decreased 0.7 of a percentage point to 6.0% due to the decline in net income.

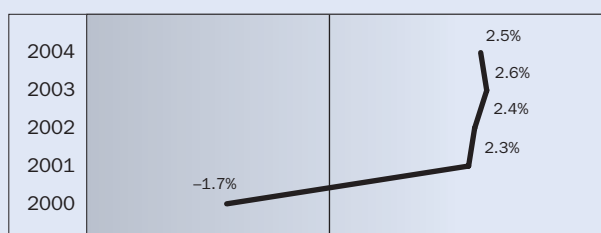
Note: The debt ratio is interest-bearing debt divided by the sum of interest-bearing debt and shareholders' equity.

INTEREST-BEARING DEBT AND DEBT RATIO

(Billions of Yen)



RETURN ON ASSETS (ROA)



Financial Policy

NTT DATA's financial policy is to reliably procure funds to finance investments in systems used to provide data telecommunication services, and recent acquisitions made to promote the IT partner business. Maintaining a sound financial position is critical to NTT DATA, since its business models require substantial funds. Through continuous improvements in operating cash flows, reductions in the debt ratio, and securing surplus procurement capacity, NTT DATA is able to procure funds in a flexible manner to seize investment opportunities.

Regarding interest-bearing debt, NTT DATA endeavors to lower the cost of capital by actively procuring funds from capital markets through bonds and commercial paper.

NTT DATA has very strong credit ratings, as shown below. Based on these strong ratings, NTT DATA issued the 19th series of unsecured bonds with a maturity of 3 years and an interest rate of 0.3% in fiscal 2004, raising ¥20 billion. These bonds represented NTT DATA's first issuance of bonds targeting individual investors. The issuance was aimed at diversifying funding methods and making NTT DATA better known to individual investors throughout Japan.

Credit Rating Agency	Long-term (unsecured bond) rating	Short-term (CP) rating
Rating and Investment Information, Inc.	AA+	a-1+
Japan Credit Rating Agency, Ltd.	AA+	J-1+

Liquidity

Total current assets rose ¥7.2 billion, or 2.6%, to ¥286.9 billion, while total current liabilities declined ¥39.3 billion, or 15.7%, to ¥211.8 billion. The current ratio improved from 1.11 times to 1.35 times. This mainly reflected the repayment of ¥45 billion in commercial paper issued in the previous fiscal year to source short-term funds.

Looking at the main components, trade notes and accounts receivable rose ¥34.6 billion, tracking higher telecommunications-related sales. Inventories decreased ¥19.2 billion, reflecting lower works in progress following the completion of systems for the financial sector and other factors. On the other hand, accounts payable rose ¥4.3 billion due to the addition of newly consolidated subsidiaries.

Cash and cash equivalents decreased ¥21 billion to ¥69.1 billion. However, NTT DATA retains ample alternative sources of liquidity, such as a ¥100 billion CP program.

Tangible / Intangible Fixed Assets

Tangible fixed assets totaled ¥345.3 billion as of March 31, 2004, down ¥56 billion, or 14%, from a year earlier. This mainly reflected a decline of ¥18.5 billion in data communications facilities, which represents more than half of the total. Another factor was that construction in progress, which represents the outstanding balance of such facilities under construction, decreased ¥35.8 billion from a year earlier.

Intangible fixed assets were ¥326.2 billion, down ¥3.5 billion, or 1.1% from a year ago. The majority of these assets are related to data communications services.

Tangible and intangible fixed assets will remain on a downtrend until the next large investment cycle, have peaked out in terms of asset volume due to lapse in demand for introducing large-scale systems in fiscal 2004. Since depreciation of data communications facilities is based on the declining-balance method, capital investments have a significant impact on earnings at an early stage. This is one reason for the decline in the operating margin in fiscal 2004.

Investments and Other Assets

Investments in securities were ¥26.8 billion, down ¥1.0 billion, or 3.6%, from a year earlier. The main components are shares in affiliated and non-consolidated companies of ¥8.1 billion, listed shares carried at fair value of ¥3.6 billion, and non-listed shares carried at book value of ¥15.1 billion.

NTT DATA booked an unrealized gain of ¥1.6 billion on shares carried at fair value due to the recovery in stock prices, compared with an unrealized loss of ¥0.1 billion in the previous fiscal year. This gain, net of taxes, is included in shareholders' equity as unrealized gains on investment securities, net of taxes, which totaled ¥0.7 billion as of March 31, 2004.

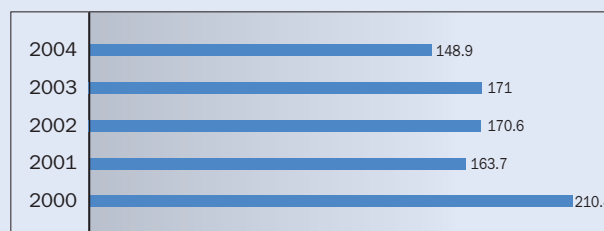
And in fiscal 2004, NTT DATA booked a gain of ¥8.0 billion on sales of investment securities.

RETURN ON EQUITY (ROE)



CAPITAL INVESTMENT

(Billions of Yen)



Minority Interests

In fiscal 2004, minority interests rose ¥3.6 billion to ¥6.4 billion, 2.3 times the level a year ago. This mainly reflected acquisitions related to the promotion of the IT partner business. In fiscal 2004, NTT DATA separately established joint ventures with Nippon Sheet Glass Co., Ltd. and Seiko Instruments, Inc., taking over the businesses of their information systems subsidiaries. These ventures became consolidated subsidiaries of NTT DATA.

Minority interests in earnings of consolidated subsidiaries increased eight-fold, or ¥0.9 billion, to ¥1.1 billion.

Shareholders' Equity

Total shareholders' equity rose 5.3%, or ¥23.1 billion, to ¥458.8 billion. The shareholders' equity ratio rose 4.1 percentage points from 39.0% to 43.1%.

Retained earnings increased ¥22.8 billion due to net income in fiscal 2004, while unrealized gains on investment securities, net of taxes, rose ¥8.0 billion.

Shareholders' equity per share was ¥163,549.89, an increase of ¥8,246.02, or 5.3%, from a year earlier.

Cash Flows

The Company is actively promoting greater management of its balance sheet to improve its ability to generate cash flows. NTT DATA has introduced a Group-wide system for managing cash, which was extended to include approximately 50 domestic subsidiaries and affiliates. The system pools the funds of the Group companies into a single master account controlled by NTT DATA, giving it the ability to efficiently manage funds.

Cash and cash equivalents decreased ¥21 billion to ¥69.1 billion as of the end of the fiscal 2003. This level is equivalent to 98% of the average monthly sales of ¥70.6 billion in fiscal 2004, and sufficiently meets NTT DATA's liquidity requirements for normal business operations.

Net cash provided by operating activities was ¥178.9 billion, ¥37.3 billion less than in the previous fiscal year. The decrease was mainly due to an outflow of ¥14.6 billion from the other, net account, which was ¥37.8 billion less than the cash provided by this account in the previous fiscal year. This mainly reflected the previous fiscal year's non-recurring proceeds from advances received. Looking at the primary components, although income before income taxes decreased ¥6.5 billion, depreciation increased ¥2.5 billion, making a strong contribution to cash flows. Changes in three components of working capital provided net cash of ¥3.8 billion, including non-cash inflows from a decrease in inventories and increase in accounts payable, partly offset by an increase in accounts receivable of ¥29.6 billion.

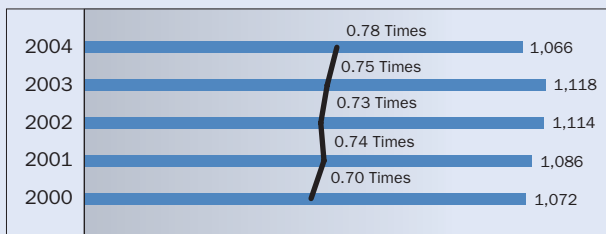
Net cash used in investing activities was ¥134.9 billion, ¥14.1 billion less than in the previous fiscal year. This mainly reflected a decrease of ¥1.0 billion in the acquisition of property and equipment and intangible assets, and a net ¥6.6 billion improvement in the acquisition and purchase of investments in securities, which provided cash of ¥5.8 billion.

As a result, NTT DATA recorded positive free cash flow of ¥44 billion, a decrease of ¥23.1 billion from the previous fiscal year.

Net cash provided by financing activities was ¥66.3 billion, ¥5.8 billion more than in the previous fiscal year. NTT DATA took actions to repay CP and long-term debt, using positive free cash flows principally to reduce interest-bearing debt. The company also issued bonds to raise ¥19.9 billion. Dividends paid were ¥5.6 billion, ¥1.4 billion higher than in the previous fiscal year.

TOTAL ASSETS AND TOTAL ASSETS TURNOVER

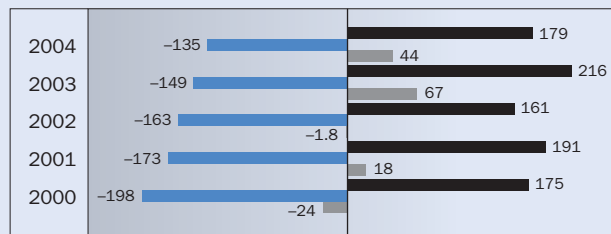
(Billions of Yen) (Times)



■ Total Assets — Total Assets Turnover

CASH FLOWS

(Billions of Yen)



■ Cash Flow from Operating Activities ■ Cash Flow from Investing Activities ■ Free Cash Flows

SHAREHOLDERS' EQUITY AND EQUITY RATIO

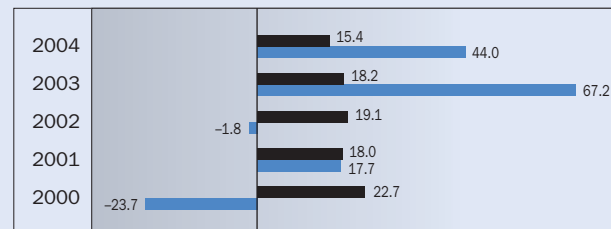
(Billions of Yen)



■ Shareholders' Equity — Equity Ratio

RESEARCH & DEVELOPMENT AND FREE CASH FLOWS

(Billions of Yen)



■ Research & Development ■ Free Cash flows

Capital Expenditures

NTT DATA's capital expenditures mainly consist of investments in systems related to data communications services, where NTT DATA retains ownership of systems and other assets while providing maintenance and management services for a client who pays a fixed fee for the use of those assets during the period of contract.

NTT DATA implements budgeted investments every year in accordance with market demand. In fiscal 2004, capital expenditures decreased ¥22.1 billion to ¥148.9 billion due to a lapse in demand for large-scale systems. This level of investment was in line with our initial budget. In fiscal 2005, we have budgeted ¥113 billion for capital expenditures, even less than in fiscal 2004.

Capital Expenditures by Segment	(¥billion)
System Integration	121.2
Network System Services	6.8
Others Business	20.9
Total	148.9

Research and Development

In fiscal 2004, R&D activities remained focused on three priority themes: promoting new businesses, strengthening competitiveness in SI, and developing new technologies for the future. From the standpoint of forming a strong portfolio of intellectual assets, NTT DATA also concentrated on protecting and applying the accomplishments of its R&D program.

Through collaboration with NTT Corporation in R&D, NTT DATA incorporates joint accomplishments that relate to fundamental R&D themes into its own R&D program, concentrating its resources on applied R&D themes.

In fiscal 2004, R&D expenses were ¥15.3 billion. R&D expenses are not allocated to business segments, since R&D accomplishments are applicable to both the System Integration and Network System Services businesses.

Outlook

In fiscal 2005, the NTT DATA Group projects a continuation of difficult operating conditions. Net sales are forecast to decline ¥16.7 billion, reflecting a trough in cyclic demand for large-scale systems. In addition, NTT DATA plans to book growth initiative costs of ¥15.0 billion accompanying various themes, including strengthening marketing and development capabilities mainly in the industrial sector; developing advanced solutions services; and developing and building core infrastructure for next-generation systems. These cost outlays are expected to result in a year-on-year decline in operating income of ¥24.7 billion.

By business segment, NTT DATA projects decreases in segment sales and operating income in the System Integration Business due to the effect of depreciation of large-scale systems completed in fiscal 2004, along with budgeted growth initiative costs for various measures aimed at driving further growth. The Network System Services Business is forecast to see steady business results generated by the mainstay ANSER and CAFIS systems, but the termination of contracts with certain customers in the network capacity resale business and other factors are expected to lower overall sales and operating income in this segment. The Others Business is expected to post sales on a par with fiscal 2004, but operating income is projected to decrease due to the effects of growth initiative costs.

Remuneration

• Remuneration for Directors and Corporate Auditors

The remuneration structure for directors and corporate auditors is partly linked to operating results in order to provide added incentive for senior management to conduct shareholder-oriented management and further improve enterprise value.

In fiscal 2004, the overall remuneration paid to NTT DATA's 30 directors was ¥0.5 billion (internal directors was 0.5 billion, no compensation was paid to external directors). The appropriation of earnings for fiscal 2004 included bonuses for 23 directors of ¥0.07 billion, and retirement bonuses for 6 retirees of ¥0.3 billion, based on a resolution by the general meeting of shareholders.

Remuneration paid to the Company's 5 corporate auditors was ¥0.06 billion. The appropriation of earnings for fiscal 2004 included bonuses of ¥0.02 billion for 4 corporate auditors, and retirement bonuses for 1 retiree of ¥0.02 billion, based on a resolution of the general meeting of shareholders.

• Remuneration for the Independent Auditor

NTT DATA and its subsidiaries paid remuneration to independent auditor ChuoAoyama Audit Corporation and its affiliates based on an audit contract concluded with this agency, as follows.

Based on the audit contract, remuneration paid for services related to the certificate of audit was ¥0.1 billion, while remuneration paid for other services totaled ¥0.04 billion.

Remuneration paid for services related to the certificate of audit principally involved audits of financial statements of NTT DATA and its subsidiaries. Remuneration paid for other services included fees for audit-related services, which included due diligence for acquisitions, tax-related services such as the preparation of tax returns and tax consulting, and other services such as audits of information systems.

Risk Factors and Management

The NTT DATA Group's business results and financial condition, including our share price, may be affected by the following risks relating to business conditions and accounting procedures.

• **Risks Relating to Price Declines and Intensified Competition**

The NTT DATA Group's business results and financial condition may be affected by declines in the sales prices of the systems and services we offer due to various environmental conditions, such as stronger lower-cost requirements on the part of customers, and the perceived overvaluation of software accompanying falling hardware prices.

Furthermore, the software business, our core business, is attracting attention as a promising growth field in the IT services industry. For this reason, hardware vendors and other companies are shifting the focus of their businesses on to this business. However, the growth prospects for the market are in some regards uncertain. Accordingly, the entry of competitors into this market may affect our business results and financial condition.

We intend to respond to these risks by advancing various initiatives aimed at strengthening marketing capabilities and competitiveness in the SI business, based on our key management policies. For example, changes in new orders received, an early indicator of trends such as price declines and intensified competition, are monitored daily at business units and other sections. The Management Committee monitors changes in new orders received throughout the Company every month, to ensure company-wide risk management.

• **Risks of Reviews of Government Procurement Policies for the e-Government Construction Plan**

The Japanese government is currently considering a sweeping review of government-related IT systems, following approval of the e-Government Construction Plan in July 2003.

As part of this plan, each government agency will formulate an optimization plan for the 41 systems owned by the government by fiscal 2007.

The NTT DATA Group's business results and financial condition may be affected by a review of government procurement policies as part of optimization plans, depending on the nature of the review.

• **System Malfunction Risk**

NTT DATA provides systems and services that include many key social infrastructure systems and services. In the event of a malfunction in these systems, there may be a significant effect on society, resulting in a loss of society's trust, harm to our brand image, payments for damages caused by system malfunctions and other consequences. These factors could affect the NTT DATA Group's business results and financial condition.

To prevent these risks, NTT DATA manages the risks of system malfunctions in tandem with risks associated with system construction, as the two have much in common. Regarding risk management after system malfunctions have occurred, NTT DATA takes actions to respond rapidly and smoothly to system malfunctions, arranging emergency hotlines mainly linking business units and formulating contingency plans for system malfunctions on a daily basis. NTT DATA analyzes the causes of system malfunctions to prevent reoccurrences, including those involving other systems, on a company-wide scale.

• **System Construction Risk**

In our mainstay SI business, we receive orders for system construction, typically in the form of contracts that make NTT DATA fully responsible for completing and delivering systems to customers by the delivery date. Discrepancies from initial estimates and project management issues at the development stage could give rise to unforeseeable costs and damages due to delays in delivery that may affect NTT DATA's business results and financial condition.

Regarding system construction, project managers assigned to each project are responsible for formulating project plans, quality assurance, as well as project and cost management. NTT DATA has a framework in place for properly confirming status and making decisions at every stage of system construction, from planning and marketing stages before projects get under way to the start of services, and ensuing maintenance and operations services.

NTT DATA positions increase in cost of sales and declines in revenues relative to initial plans as risk factors. Based on checklists for risks prepared in advance, NTT DATA screens risks at each stage of the process. The status of these screenings are reported to project managers and other personnel, and material risk factors are also reported to the Management Committee and other levels of senior management. This information is used to formulate countermeasures to lower company-wide risks.

• **Information Security Risks**

As part of its SI business, NTT DATA handles corporate clients' sales and customer information stored on information systems. In the event that this information is lost, destroyed, or leaked due to cyber terrorism or causes attributable to NTT DATA, this could result in a loss of society's trust, harm to our brand image, payments for damages and other consequences that may affect the NTT DATA Group's business results and financial condition.

In response, NTT DATA has formulated and adheres to internal regulations such as its Information Security Policy, to maintain adequate standards of security. Moreover, as close collaboration between NTT DATA Group companies has become crucial, NTT DATA has also formulated and adheres to a Standard Security Policy, which sets forth unified security policies for the entire group. These policies will guide our efforts in properly handling information in compliance with the Personal Information Protection Law and other laws and regulations.

To prevent the leakage or destruction of personal information and guard against cyber terrorism, NTT DATA has established a framework for promoting organized and effective security measures, which includes educational programs on information security for employees, security countermeasures during systems construction, and security countermeasures for systems constructed by NTT DATA.

NTT DATA has also established a framework for auditing information security initiatives, and is taking steps to continuously improve information security countermeasures within the Company.

• **Influence of Parent Company**

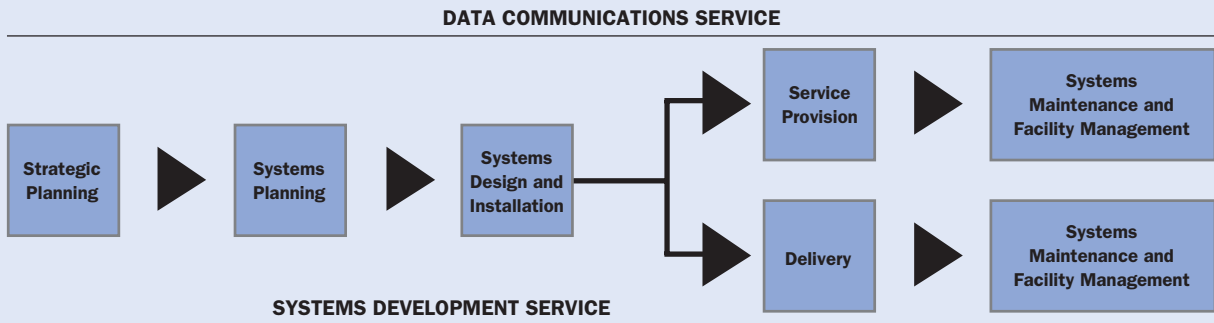
NTT Corporation ("NTT"), our parent company, is a principal shareholder of NTT DATA with ownership of 54.2% of our voting shares as of March 31, 2004. NTT DATA carries out operations independently of NTT and its other subsidiaries, but discusses and reports important issues to NTT. Against this backdrop of influence, NTT may take actions in its own interest that may not necessarily lie in the best interests of other shareholders of NTT DATA.

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.

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.



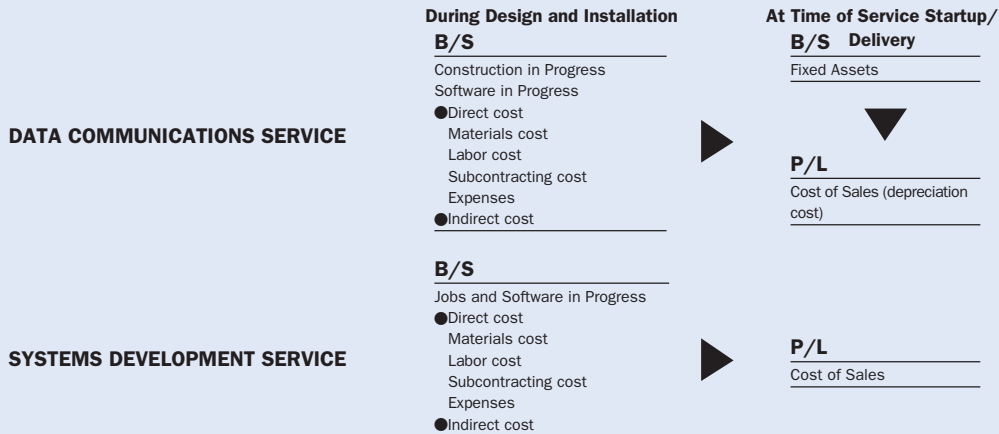
◆The Major Differences Between Data Communications Service and Systems Development Service

	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.

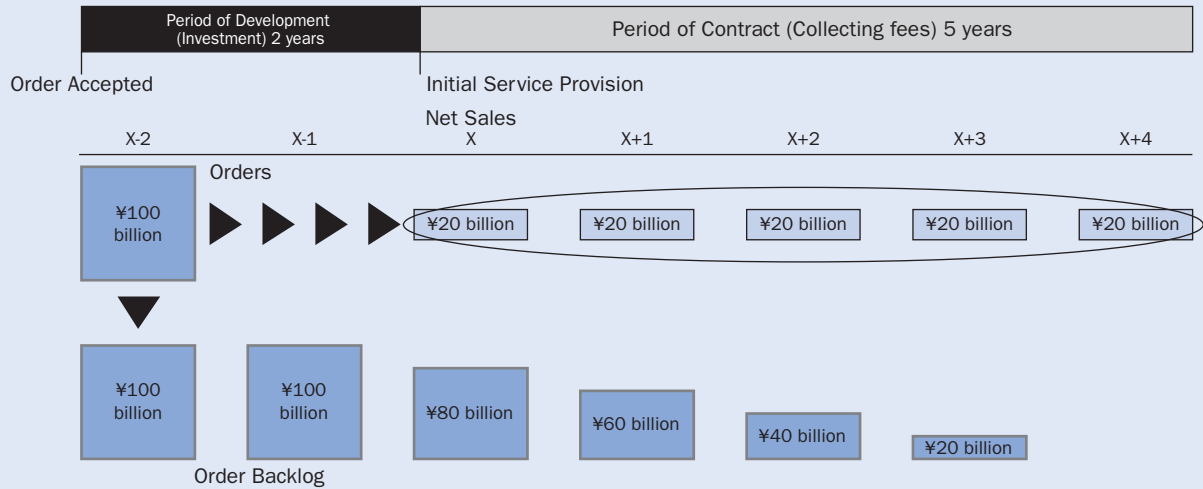
Cost Flow for Data Communications Service and Systems Development Service



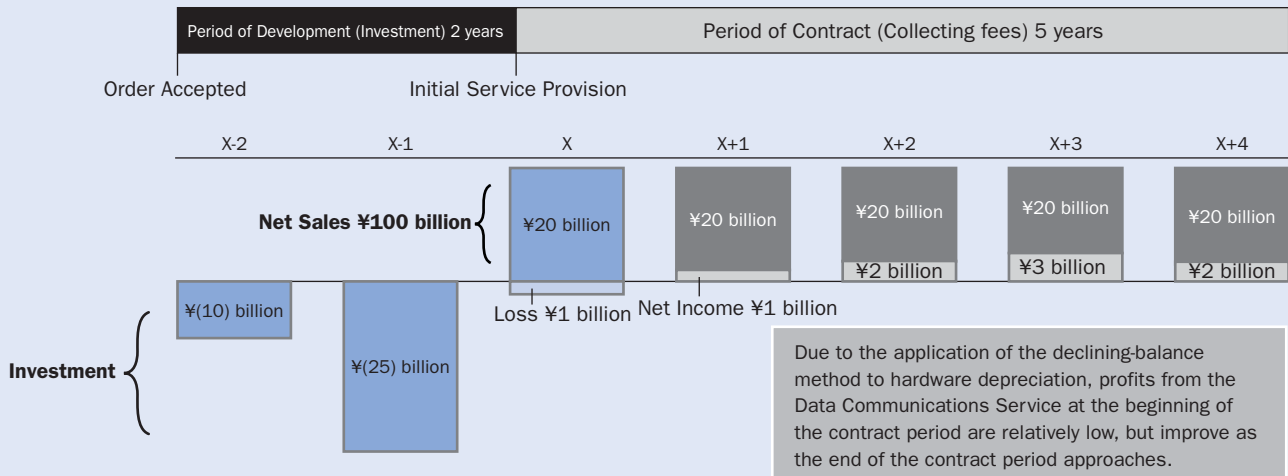
Depreciation/Amortization of Fixed Assets

	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

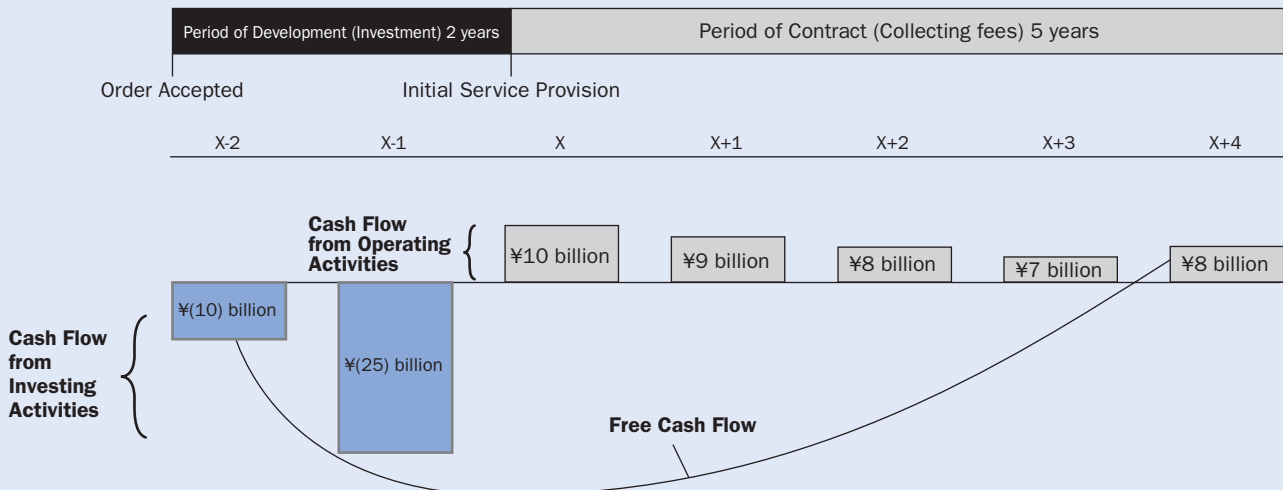
Orders, Net Sales, and Order Backlog in Data Communications Service (Model)



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, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2004	2004
ASSETS			
Current Assets:			
Cash on hand and at banks	¥ 90,130	¥ 69,135	\$ 652,217
Accounts receivable	121,092	155,693	1,468,802
Less: allowance for doubtful accounts	(415)	(523)	(4,934)
	120,677	155,170	1,463,868
Inventories	40,300	21,062	198,698
Deferred income taxes (Note 9)	10,233	9,708	91,585
Other current assets	18,385	31,822	300,207
Total current assets	279,725	286,897	2,706,575
Investments and Advances:			
Investments in securities (Note 10)	18,193	18,689	176,311
Investments in unconsolidated subsidiaries and affiliates	9,596	8,109	76,500
Other investments	32,798	30,401	286,802
Total investments and advances	60,587	57,199	539,613
Property and Equipment, at Cost (Note 4)	1,008,791	813,868	7,678,000
Less: accumulated depreciation	(607,447)	(468,534)	(4,420,132)
	401,344	345,334	3,257,868
Deferred Income Taxes (Note 9)	46,290	49,130	463,491
Deferred Charges and Intangibles:			
Software	280,353	299,520	2,825,660
Development costs of software in progress	42,819	21,383	201,726
Other	7,283	6,086	57,416
	330,455	326,989	3,084,802
	¥1,118,401	¥1,065,549	\$10,052,349

The accompanying notes are an integral part of the statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2004	2004
Current Liabilities:			
Short-term borrowings (Note 5)	¥ 6,470	¥ 3,319	\$ 31,311
Commercial paper (Note 5)	45,000	—	—
Current portion of long-term debt (Note 5)	28,920	46,846	441,943
Accounts payable	104,115	110,706	1,044,396
Income taxes payable (Note 2 (11))	17,075	13,158	124,132
Other current liabilities	49,550	37,794	356,548
Total current liabilities	251,130	211,823	1,998,330
Long-Term Debt (Note 5)	313,860	271,920	2,565,283
Provision for Retirement Benefits (Notes 2 (13) and 12)	114,882	116,575	1,099,764
Total liabilities	679,872	600,318	5,663,377
Minority Interests in Consolidated Subsidiaries	2,814	6,385	60,236
Commitments and Contingent Liabilities (Note 16)			
Shareholders' Equity:			
Common stock			
Authorized — 11,220,000 shares in 2003 and 2004			
Issued — 2,805,000 shares in 2003 and 2004	142,520	142,520	1,344,528
Capital surplus	139,300	139,300	1,314,151
Retained earnings	154,080	176,858	1,668,472
Unrealized gains on investment securities, net of taxes	(185)	655	6,179
Foreign currency translation adjustments	—	(487)	(4,594)
Total shareholders' equity	435,715	458,846	4,328,736
	¥1,118,401	¥1,065,549	\$10,052,349

Consolidated Statements of Operations

NTT DATA CORPORATION AND SUBSIDIARIES
For the years ended 31st March, 2002, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2002	2003	2004	2004
Net Sales (Note 13)	¥801,967	¥832,109	¥846,706	\$7,987,792
Cost of Sales (Note 1 (2))	591,301	622,072	637,911	6,018,028
Gross profit	210,666	210,037	208,795	1,969,764
Selling, General and Administrative Expenses (Note 7)	151,220	148,493	149,070	1,406,321
Operating income	59,446	61,544	59,725	563,443
Non-Operating Income (Expenses):				
Interest and dividend income	131	125	114	1,075
Interest expenses	(8,621)	(6,987)	(5,329)	(50,274)
Loss on redemption of bonds	—	(1,990)	—	—
Gains on sales of investments in securities	15	129	8,021	75,670
Gains on sales of investments in affiliates	—	3,617	—	—
Insurance income	—	549	717	6,764
Gains on the transfer to the Japanese Government of the substitutional portion of employee pension fund liabilities	—	—	439	4,142
Loss on disposal of fixed assets	(1,347)	(993)	(1,343)	(12,670)
Loss on write-down of investments in securities	(1,098)	(3,989)	(2,030)	(19,151)
Distribution of loss from SPC	—	(231)	(1,263)	(11,915)
Restructuring charge	—	—	(13,658)	(128,849)
Others, net	(1,363)	(841)	(952)	(8,980)
	(12,283)	(10,611)	(15,284)	(144,188)
Income before income taxes	47,163	50,933	44,441	419,255
Income Taxes (Note 2 (11)):				
Current	22,935	27,272	18,676	176,189
Deferred	(2,241)	(5,033)	(2,253)	(21,255)
	20,694	22,239	16,423	154,934
Income before minority interests	26,469	28,694	28,018	264,321
Minority Interests in Consolidated Subsidiaries	59	132	1,062	10,019
Net income	¥ 26,410	¥ 28,562	¥ 26,956	\$ 254,302

	Yen			U.S.dollars
Per Share:				
Net income (Note 15)	¥ 9,382	¥ 10,152	¥ 9,578	\$ 90.36
Cash dividends	1,000	2,000	2,000	18.87

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, 2002, 2003 and 2004

	Number of shares issued	Millions of yen		
		Common stock	Capital surplus	Retained earnings
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
Increase due to inclusion of additional subsidiaries in the consolidation	—	—	—	1,519
Net income for the year ended 31st March, 2004	—	—	—	26,956
Cash dividends	—	—	—	(5,610)
Bonuses to directors and statutory auditors	—	—	—	(87)
Balance at 31st March, 2004	2,805,000	¥142,520	¥139,300	¥176,858

	Number of shares issued	Thousands of U.S.dollars (Note 3)		
		Common stock	Capital surplus	Retained earnings
Balance at 31st March, 2003	2,805,000	\$1,344,528	\$1,314,151	\$1,453,585
Increase due to inclusion of additional subsidiaries in the consolidation	—	—	—	14,331
Net income for the year ended 31st March, 2004	—	—	—	254,302
Cash dividends	—	—	—	(52,925)
Bonuses to directors and statutory auditors	—	—	—	(821)
Balance at 31st March, 2004	2,805,000	\$1,344,528	\$1,314,151	\$1,668,472

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, 2002, 2003 AND 2004

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2002	2003	2004	2004
Cash Flows from Operating Activities:				
Income before income taxes	¥ 47,163	¥ 50,933	¥ 44,441	\$ 419,255
Depreciation	86,805	81,967	78,695	742,406
Amortization	58,812	65,682	71,413	673,708
Loss on disposal of property and equipment	5,476	9,786	15,732	148,415
Loss on disposal of intangible assets	2,671	3,993	3,294	31,075
Increase in provision for retirement benefits	2,811	6,834	1,125	10,613
Gains on sales of investments in securities	(15)	(129)	(8,021)	(75,670)
Unrealized loss on valuation of investments in securities	1,076	4,003	2,030	19,151
Interest expenses	8,625	6,987	5,329	50,274
(Increase)/decrease in accounts receivable	5,944	5,396	(29,647)	(279,689)
(Increase)/decrease in inventories	(3,250)	(4,808)	19,593	184,840
Increase/(decrease) in accounts payable	(7,313)	(5,920)	13,877	130,915
Increase/(decrease) in accrued consumption taxes	(1,442)	(805)	3,241	30,575
Others, net	(11,956)	23,394	(14,570)	(137,453)
Sub total	195,407	247,313	206,532	1,948,415
Interest and dividends received	143	126	114	1,075
Interest paid	(8,579)	(7,384)	(5,374)	(50,698)
Income taxes paid	(25,614)	(23,861)	(22,346)	(210,811)
Net cash provided by operating activities	161,357	216,194	178,926	1,687,981
Cash Flows from Investing Activities:				
Acquisition of property and equipment	(84,252)	(92,266)	(90,541)	(854,160)
Acquisition of intangible assets	(66,494)	(65,110)	(65,860)	(621,321)
Proceeds from sales of property and equipment	7,654	14,207	11,956	112,792
Acquisition of investments in securities and affiliates	(18,858)	(3,064)	(2,698)	(25,453)
Proceeds from investments in securities and affiliates	—	—	8,546	80,623
Acquisition of investments in consolidated subsidiaries	—	(4,789)	(1,256)	(11,849)
Proceeds from acquisition of subsidiary's stock	—	—	2,733	25,783
Others, net	(1,183)	2,008	2,238	21,113
Net cash used in investing activities	(163,133)	(149,014)	(134,882)	(1,272,472)
Cash Flows from Financing Activities:				
Proceeds from issuance of bonds	29,841	39,847	19,927	187,990
Redemption of bonds at maturity	—	(90,000)	—	—
Borrowings of long-term debt	13,000	—	—	—
Repayments of long-term borrowings	(72,360)	(23,635)	(30,580)	(288,491)
Increase/(decrease) in commercial paper, net	20,000	20,000	(45,000)	(424,528)
Increase/(decrease) in short-term borrowings, net	5,681	(2,480)	(3,520)	(33,208)
Cash dividends	(2,791)	(4,192)	(5,603)	(52,858)
Cash dividends to minority shareholders	(15)	(15)	(19)	(179)
Proceeds from minority shareholders' payments	—	—	10	94
Payments for acquisition of subsidiary's stock from minority shareholders	—	—	(1,510)	(14,245)
Net cash provided by financing activities	(6,644)	(60,475)	(66,295)	(625,425)
Effect of Exchange Rate Changes on Cash and Cash Equivalents				
	(6)	91	(359)	(3,386)
Net Increase/(Decrease) in Cash and Cash Equivalents	(8,426)	6,796	(22,610)	(213,302)
Cash and Cash Equivalents at Beginning of Year	87,519	82,742	90,124	850,226
Cash and Cash Equivalents at Additional Consolidated Subsidiaries at Beginning of Year				
	3,649	586	1,621	15,293
Cash and Cash Equivalents at End of Year	¥ 82,742	¥ 90,124	¥ 69,135	\$ 652,217
(Reference)				
Free Cash Flow	¥ (1,776)	¥ 67,180	¥ 44,044	\$ 415,509

The accompanying notes are an integral part of the statements.

Notes to the Consolidated Financial Statements

NTT DATA CORPORATION AND SUBSIDIARIES

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 "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. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Scope of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and 42 of its subsidiaries (together, referred to as the "Companies") at 31st March, 2004 (37 subsidiaries in 2003). The names of consolidated subsidiaries are listed under Major Subsidiaries and Affiliates.

12 subsidiaries were newly consolidated in the fiscal year ended 31st March, 2004 due to establishment, additional investments or an increase in their significance.

Newly consolidated subsidiaries are listed below:

- Nihon Card Processing Co., Ltd.
- SNT Software Co., Ltd.
- NTT DATA INTERNATIONAL L. L. C.
- NTT DATA USA L. L. C.
- NTT DATA FRONTIER CORPORATION
- NTT DATA (CHINA) CORPORATION
- BEIJING NTT DATA SYSTEMS INTEGRATION CO., LTD.
- NTT DATA AgileNet L. L. C.
- NTT DATA ITEC CORPORATION
- NTT DATA BUSINESS BRAINS CORPORATION
- M. I. S. I. Co., Ltd.
- MISICOM, Inc.

On July 1, 2003, the seven companies serving as NTT DATA's regional bases, the nine companies of the NTT DATA TECSYS Group, and the four companies of the NTT DATA COMMUNICATIONS SYSTEMS Group were reorganized, NTT DATA KANSAI CUSTOMER SERVICE CORPORATION and NTT DATA KANSAI SMS CORPORATION were merged with NTT DATA CUSTOMER SERVICE CORPORATION, and on September 1, 2003, NTT DATA QUALITY CORPORATION was merged with JAPAN NETWORK DEVELOPMENT CO., LTD.

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.

The fiscal years of following foreign subsidiaries end on December 31.

- NTT DATA (CHINA) CORPORATION
- BEIJING NTT DATA SYSTEMS INTEGRATION CO., LTD.

In the preparation of the consolidated financial statements, the financial statements of each consolidated subsidiary at the date of its closing accounts are used, and any significant subsequent transactions for the period from January 1 to March 31 were reflected in the result of operations.

(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.

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) Translation of Foreign Currency

Foreign currency receivables and payables are translated into Japanese yen at appropriate year-end current rates and the resulting translation gains or losses are taken into income currently. All asset and liability accounts of foreign subsidiaries and affiliates are translated at appropriate year-end current rates, all income and expense accounts are translated at the average exchange rates prevailing during the term. The resulting translation adjustments are included in "Minority Interests in Consolidated Subsidiaries" and in "Foreign Currency Translation Adjustments" in shareholders' equity.

(7) Financial Instruments

1) Derivatives

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 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.

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 hedged assets or liabilities and derivative transactions. If the condition of notional amount, interest rate and contract period is same, the Company omitted the verification of efficiency by hedge.

(8) 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.

(9) 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.

(10) 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 8 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.

(11) 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.

(12) 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.

(13) Provision for Retirement Benefits

In order to provide for employees' retirement benefits, the Company accrues the liability as of the end of the fiscal year in an amount calculated based on the estimated projected benefit obligation and plan assets at the end of the fiscal year. As regards consolidated subsidiaries except for several subsidiaries, "simple approach" is adopted; the accrued retirement benefits are recorded based on the amount that would be payable in the event that all employees voluntarily retire as of the end of the fiscal year. The unrecognized transition amount 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.

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.

On 1st September, 2003, under the Law concerning Defined-Benefit Corporate Pension Plans, NTT Employees Pension Fund received approval from the Minister of the Ministry of the Health, Labour and Welfare for exemption from the future pension benefit obligations to disburse NTT Employees Pension Fund covering the substitutional portion.

As of 31st March, 2004, the amount equivalent to the returned pension assets (minimum pension liability reserves) is measured to be ¥13,839 million (\$130,557 thousand). The estimated gain on the return of the substitutional portion of the Welfare Pension Fund is ¥11,356 (\$107,132 thousand), assuming the payment of the amount equivalent to the returned pension assets (minimum pension liability reserves) was made on 31st March, 2004, and implementing measures specified in Section 44-2 of the "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (JICPA Report No. 13).

(14) 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 ¥106=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 ¥106=U.S.\$1 or at any other rate.

4. PROPERTY AND EQUIPMENT

Property and equipment at 31st March, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Data communication facilities	¥ 622,267	¥ 456,443	\$ 4,306,066
Buildings and structures	207,345	213,248	2,011,774
Machinery and equipment, vehicles	41,148	42,172	397,849
Furniture, fixtures and tools	33,311	32,784	309,283
Land	48,514	48,835	460,707
Construction in progress	56,206	20,386	192,321
	1,008,791	813,868	7,678,000
Less: accumulated depreciation	(607,447)	(468,534)	(4,420,132)
	¥ 401,344	¥ 345,334	\$ 3,257,868

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at 31st March, 2003 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Short-term borrowings	¥6,470	¥3,319	\$31,311

Short-term borrowings bore interest at weighted-average rates of 0.2% and 0.3% at 31st March, 2003 and 2004, respectively.

Commercial paper at 31st March, 2003 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Commercial paper	¥ 45,000	¥ —	\$ —

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

Long-term debt at 31st March, 2003 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Long-term borrowings from banks and other financial institutions	¥ 54,233	¥ 28,694	\$ 270,698
2.95% yen bonds due 10th November, 2006 * ¹	10,000	10,000	94,340
2.50% yen bonds due 22nd December, 2009	30,000	30,000	283,019
3.10% yen bonds due 26th February, 2008 * ²	2,000	2,000	18,867
3.30% yen bonds due 26th February, 2010 * ²	3,000	3,000	28,302
1.86% yen bonds due 2nd October, 2008	30,000	30,000	283,019
1.72% yen bonds due 22nd December, 2008	30,000	30,000	283,019
2.10% yen bonds due 22nd September, 2009	30,000	30,000	283,019
1.09% yen bonds due 17th November, 2004	30,000	30,000	283,019
1.88% yen bonds due 21st June, 2010	30,000	30,000	283,019
1.44% yen bonds due 20th June, 2011	30,000	30,000	283,019
0.60% yen bonds due 20th June, 2007	40,000	40,000	377,358
0.30% yen bonds due 31st January, 2007	—	20,000	188,679
	319,233	313,694	2,959,377
Less: portion due within one year	(28,920)	(46,846)	(441,943)
	¥290,313	¥266,848	\$2,517,434

*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 million (\$188,679 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, 2003 and at annual rates ranging from 0.4625% to 3.4875% at 31st March, 2004.

A breakdown of long-term borrowings from banks and other financial institutions outstanding at 31st March, 2004, classified by annual maturities during the next five years, is as follows:

Due in the years ended 31st March,	Millions of yen	Thousands of U.S. dollars
2005	¥16,845	\$158,915
2006	1,738	16,396
2007	37	349
2008	37	349
2009	37	349
Thereafter	10,000	94,340
	¥28,694	\$270,698

The Companies' assets were pledged as collateral for short-term or long-term borrowings from banks and bonds as at 31st March, 2004.

Assets pledged as collateral are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2004	2004
Software	¥3,907		\$36,858

The following liabilities were collateralized by the above pledged assets:

	Millions of yen		Thousands of U.S. dollars
	2004	2004	2004
Current portion of long-term debt	¥1,680		\$15,849
Long-term debt	1,701		16,047
Total	¥3,381		\$31,896

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 U.S. dollars
	2003	2004	2004
Acquisition cost:			
Data communication facilities	¥ 50,866	¥ 71,917	\$ 678,462
Buildings and structures	342	357	3,368
Machinery and equipment, vehicles	383	244	2,302
Furniture, fixtures and tools	17,317	18,673	176,160
Software	1,448	2,021	19,066
	70,356	93,212	879,358
Accumulated depreciation	(25,805)	(35,517)	(335,066)
Net book value	¥ 44,551	¥ 57,695	\$ 544,292
Depreciation*	¥ 10,120	¥ 14,170	\$ 133,679

* 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, 2002, 2003 and 2004 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Lease expenses	¥8,400	¥10,120	¥ 14,170	\$ 133,679

The amount of outstanding future lease payments due at 31st March, 2003 and 2004, which included the portion of interest thereon, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Future lease payments:			
Within one year	¥11,280	¥14,305	\$134,953
Over one year	33,271	43,390	409,339
	¥44,551	¥57,695	\$544,292

Operating lease contract

The amount of outstanding future lease payments due at 31st March, 2004, which included the portion of interest thereon, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2004		2004
Future lease payments:			
Within one year		¥ 2,535	\$ 23,915
Over one year		29,674	279,943
		¥32,209	\$303,858

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses comprise the following:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Employees' salaries, wages and other payroll costs	¥ 46,957	¥ 48,383	¥ 48,891	\$ 461,236
Severance and pension cost	7,152	8,479	7,283	68,708
Subcontractor expenses	30,989	26,600	28,750	271,226
Research and development expenses	19,074	18,224	15,350	144,811
Other	47,048	46,807	48,796	460,340
	¥151,220	¥148,493	¥149,070	\$1,406,321

8. CASH FLOW INFORMATION

Reconciliation of "Cash and cash equivalents" to the amounts disclosed on balance sheets at 31st March, 2003 and 2004 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Cash on hand and at banks	¥82,848	¥90,130	¥69,135	\$652,217
Time deposits falling due in more than three months	(106)	(6)	—	—
Cash and cash equivalents	¥82,742	¥90,124	¥69,135	\$652,217

Summary information of newly consolidated subsidiaries at 31st March, 2003 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Current assets	¥ 6,021	¥ 1,318	\$12,434
Property and equipment	3,259	370	3,491
Goodwill	4,013	1,001	9,443
Current liabilities	(4,424)	(1,008)	(9,509)
Long-term debt	(2,210)	(195)	(1,840)
Minority interests	(1,203)	(169)	(1,594)
Acquisition costs of newly consolidated subsidiaries	5,456	1,317	12,425
Cash and cash equivalents	(667)	(61)	(576)
Net cash payments for acquisition of newly consolidated subsidiaries	¥ 4,789	¥ 1,256	\$11,849

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Current assets	¥ 6,010	\$ 56,698
Property and equipment	529	4,991
Goodwill	(1,472)	(13,887)
Current liabilities	(2,095)	(19,764)
Long-term debt	(418)	(3,943)
Minority interests	(2,020)	(19,057)
Company's shareholders' equity at the date of acquisition	(462)	(4,358)
Acquisition costs of newly consolidated subsidiaries	73	689
Cash and cash equivalents	(2,806)	(26,472)
Net proceeds from acquisition of newly consolidated subsidiaries	¥(2,733)	\$(25,783)

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, 2003 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Deferred tax assets:			
Provision for retirement benefits	¥36,653	¥39,940	\$376,792
Depreciation	9,031	7,809	73,670
Loss on write-down of inventories	1,866	1,174	11,075
Loss carry forwards at subsidiaries	—	3,458	32,623
Other	14,413	15,066	142,132
Total	61,963	67,447	636,292
Less: valuation allowance	(52)	(3,714)	(35,037)
Total deferred tax assets	61,911	63,733	601,255
Deferred tax liabilities:			
Special tax-purpose reserve	(4,058)	(2,831)	(26,708)
Other	(1,330)	(2,064)	(19,471)
Total deferred tax liabilities	(5,388)	(4,895)	(46,179)
Deferred tax assets, net	¥56,523	¥58,838	\$555,076

A reconciliation between the statutory tax rate and effective income tax rate for the years ended 31st March, 2002, 2003 and 2004 is as follows:

	Percent		
	2002	2003	2004
Statutory tax rate:	—	—	42.05%
Increase (reduction) in taxes resulting from:			
Non-deductible expenses			1.03
Non-taxable dividends received			(0.50)
Inhabitants tax per capita			0.47
Tax deductions from tax standards for promotion of IT investment			(6.18)
Tax deductions from tax standards for research and development expenses			(3.17)
Other			3.25
Effective income tax rate	—	—	36.95%

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, 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, 2003 is as follows:

(1) Other Securities for which Market Quotations are Available

	Millions of yen		
	2003		
	Acquisition cost	Book value	Unrealized gain(loss)
Securities (*1)	¥ 468	¥ 767	¥ 299
Securities (*2)	1,579	1,183	(396)
Total	¥2,047	¥1,950	¥ (97)

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
	2003
Securities:	
Sales amount	¥994
Total amount of gain on sale of other securities	¥129
Total amount of loss on sale of other securities	¥ (12)

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

	Millions of yen
	2003
Other securities:	
Unlisted securities (excluding over-the-counter securities)	¥16,243

Information regarding marketable securities classified as other securities as of 31st March, 2004 is as follows:

(1) Other Securities for which Market Quotations are Available

	Millions of yen			Thousands of U.S.dollars
	2004			2004
	Acquisition cost	Book value	Unrealized gain(loss)	Unrealized gain(loss)
Securities (*1)	¥1,575	¥3,214	¥1,639	\$15,463
Securities (*2)	481	413	(68)	(642)
Total	¥2,056	¥3,627	¥1,571	\$14,821

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, 2004

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Securities:		
Sales amount	¥8,546	\$80,623
Total amount of gain on sale of other securities	¥8,021	\$75,670
Total amount of loss on sale of other securities	¥ (230)	\$ (2,170)

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

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Other securities:		
Unlisted securities (excluding over-the-counter securities)	¥15,062	\$142,094

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, 2003 and 2004.

There were no derivative financial instruments except for financial instruments which applied for hedge accounting as at 31st March, 2003 and 2004.

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 33 subsidiaries are members of NTT Employees Pension Fund as at 31st March, 2003, and the Company and 28 subsidiaries are members of that as at 31st March, 2004.

The Company and 8 subsidiaries adopt Severance Payment Plan as at 31st March, 2003, and the Company and 7 subsidiaries adopt it as at 31st March, 2004.

(2) Benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Benefit obligation	¥(205,103)	¥(199,280)	\$(1,880,000)
Plan assets	79,342	92,439	872,066
Benefit obligation in excess of plan assets	(125,761)	(106,841)	(1,007,934)
Unrecognized transition obligation	(4,780)	(4,382)	(41,339)
Unrecognized net actuarial loss	26,636	14,341	135,292
Unrecognized prior service cost	(10,977)	(19,693)	(185,783)
Net amount recognized	¥(114,882)	¥(116,575)	\$(1,099,764)

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. On 1st September, 2003, under the Law Concerning Defined-Benefit Corporate Pension Plans, NTT Employees Pension Fund received approval from the Minister of the Ministry of the Health, Labour and Welfare for exemption from the future obligations to disburse NTT Employees Pension Fund covering the substitutional portion. As a result of the revision of corporate pension plan including the deduction of basic rate of pay in December, 2003, 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
	2002	2003	2004	2004
Service cost	¥10,203	¥ 9,533	¥ 9,205	\$ 86,840
Interest cost	5,595	5,112	4,806	45,339
Expected return on plan assets	(2,374)	(2,027)	(2,017)	(19,028)
Amortization of transition obligation	(398)	(398)	(398)	(3,755)
Amortization of net actuarial loss	733	2,101	2,477	23,368
Amortization of prior service cost	—	(263)	(1,131)	(10,670)
Net periodic benefit cost	¥13,759	¥14,058	¥12,942	\$122,094

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

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

	2003	2004
Allocation method for the projected benefit obligation	Straight-line method	Straight-line method
Discount rate	Mainly 2.50%	2.50%
Expected return on plan assets	Mainly 2.50%	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	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, 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					
	System Integration	Network System Services	Others	Total	Elimination or corporate	Consolidated
I Net sales and operating income (expenses)						
Net sales:						
(1) External customers	¥643,449	¥57,818	¥130,842	¥832,109	¥ —	¥ 832,109
(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
Operating expenses	¥606,616	¥56,554	¥165,923	¥829,093	¥ (58,528)	¥ 770,565
Operating income	¥ 64,640	¥ 3,708	¥ 7,960	¥ 76,308	¥ (14,764)	¥ 61,544
II Total assets, depreciation and capital expenditures						
Total assets	¥768,500	¥38,544	¥158,123	¥965,167	¥153,234	¥1,118,401
Depreciation	¥130,659	¥ 9,117	¥ 7,557	¥147,333	¥ 789	¥ 148,122
Capital expenditures	¥148,975	¥ 6,415	¥ 15,507	¥170,897	¥ 120	¥ 171,017

For the year ended 31st March, 2004	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	¥652,116	¥55,319	¥139,271	¥846,706	¥ —	¥ 846,706	\$ 7,987,792
(2) Intersegment or transfer	33,338	2,475	38,450	74,263	(74,263)	—	—
Total	¥685,454	¥57,794	¥177,721	¥920,969	¥ (74,263)	¥ 846,706	\$ 7,987,792
Operating expenses	¥621,993	¥54,907	¥168,854	¥845,754	¥ (58,773)	¥ 786,981	\$ 7,424,349
Operating income	¥ 63,461	¥ 2,887	¥ 8,867	¥ 75,215	¥ (15,490)	¥ 59,725	\$ 563,443
II Total assets, depreciation and capital expenditures							
Total assets	¥716,689	¥32,641	¥178,555	¥927,885	¥137,664	¥1,065,549	\$10,052,349
Depreciation	¥130,726	¥ 7,711	¥ 8,509	¥146,946	¥ 661	¥ 147,607	\$ 1,392,519
Capital expenditures	¥121,190	¥ 6,801	¥ 20,784	¥148,775	¥ 148	¥ 148,923	\$ 1,404,934

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 ¥14,659 million, ¥16,311 million and ¥15,644 million (\$147,585 thousand) for the years ended 31st March, 2002, 2003 and 2004. 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 ¥132,015 million, ¥153,234 million and ¥137,664 million (\$1,298,717 thousand) for the years ended 31st March, 2002, 2003 and 2004. Such assets include temporary cash investments (cash on hand and at banks) and assets in the administrative division of the Company.

(2) Geographic Information

Not applicable because there were no foreign consolidated subsidiaries or significant overseas branches for the years ended 31st March, 2002 and 2003. The information is not required to be disclosed because the amounts of net sales and assets in Japan exceeded 90% of the amounts of combined net sales for the year ended 31st March, 2004 and assets of all segments as at that date.

(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, 2002, 2003 and 2004.

14. RELATED PARTY TRANSACTIONS

Related party transactions for the year ended 31st March, 2003 were as follows:

Directors and Principal Individual Shareholders, etc.	2003
Type	Officer
Name of the Related Party	Michio Kikuta
Address	—
Common stock	—
Type of business	Senior Vice President
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
Account	—
Balance at year-end	—

Related party transactions for the year ended 31st March, 2004 were as follows:

Directors and Principal Individual Shareholders, etc.	2004	
Type	Officer	Officer
Name of the Related Party	Toshiharu Aoki	Michio Kikuta
Address	—	—
Common stock	—	—
Type of business	Counselor and Senior Vice President	Senior Vice President
Equity ownership percentage	(owned) direct 0.0%	(owned) direct 0.0%
Relation		
Additional post of directors	—	—
Operating relation	—	—
Nature of transaction	Payment of annual fees	Payment of annual fees
Transaction amount	¥3 million (\$28 thousand)	¥2 million (\$19 thousand)
Account	—	—
Balance at year-end	—	—

Group Companies	2004	
Type	Subsidiary of parent company	Subsidiary of parent company
Name of the Related Party	NTT DoCoMo, Inc.	NTT BUSINESS ASSOCIE Co., Ltd.
Address	Chiyoda-ku, Tokyo	Shinjuku-ku, Tokyo
Common stock	¥949,679 million (\$8,959,236 thousand)	¥7,750 million (\$73,113 thousand)
Type of business	Mobile telecommunications business	Real estate-related and outsourcing business
Equity ownership percentage	Not applicable	Not applicable
Relation		
Additional post of directors	Not applicable	Not applicable
Operating relation	Development of data transfer system	Funds settlement for inter-company transactions among NTT Group companies
Nature of transaction	System Integration Service Fee	Funds settlement for inter-company transactions among NTT Group companies
Transaction amount	¥69,337 million (\$654,123 thousand)	¥66,262 million (\$625,113 thousand)
Account	Accounts receivable	Accounts due
Balance at year-end	¥31,176 million (\$294,113 thousand)	¥15,508 million (\$146,302 thousand)

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, 2002 calculated using the new standard is ¥9,382.

16. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31st March, 2004, the Company was contingently liable for guarantees of loans borrowed by Nippon Leisure Card System Co., Ltd. in an amount of ¥4,517 million (\$42,613 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 (\$188,679 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

Appropriations of Retained Earnings of the Company

The appropriation of retained earnings in respect of the year ended 31st March, 2004, which was proposed by the Board of Directors in the Company and approved at the shareholders' meeting held on 24th June, 2004, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at 31st March, 2004	¥ 26,250	\$ 247,642
Transfer from special tax-purpose reserve into retained earnings	1,711	16,141
Transfer from special tax-purpose reserve for specified communications equipment into retained earnings	52	490
Appropriations:		
Cash dividends (¥1,000 per share)	(2,805)	(26,462)
Bonuses to directors and statutory auditors	(89)	(840)
Transfer to special tax purpose reserve for R&D facilities	(44)	(415)
Transfer to general reserve	(19,000)	(179,245)
	(21,938)	(206,962)
Balance to be carried forward to the next year	¥ 6,075	\$ 57,311

Report of Independent Auditors

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, JapanReport of Independent Auditors

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, 2003 and 2004, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended March 31, 2002, 2003 and 2004, 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. These 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, 2003 and 2004, and the consolidated results of their operations and their cash flows for the years ended March 31, 2002, 2003 and 2004 in conformity with accounting principles generally accepted in Japan.

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.

Tokyo, Japan
June 24, 2004

SUPPLEMENTAL INFORMATION

Non-Consolidated Six-Year Summary

NTT DATA CORPORATION
YEARS ENDED 31ST MARCH

	Millions of yen						Thousands of U.S. dollars	
	1999	2000	2001	2002	2003	2004	2004	
For the Year:								
Net Sales	¥ 705,465	¥ 716,430	¥ 786,730	¥ 767,836	¥ 780,652	¥ 750,703	\$ 7,082,104	
System Integration	—	576,253	630,945	601,447	611,315	576,537	5,439,028	
Network System Services	—	48,751	50,146	52,930	54,315	54,272	512,000	
Others	—	91,426	105,639	113,459	115,022	119,894	1,131,076	
Cost of Sales	521,260	534,504	595,174	576,363	592,802	574,347	5,418,368	
Operating Income	56,205	50,498	58,376	56,267	57,297	51,178	482,811	
Income (Loss) before Income Taxes	37,181	(29,418)	45,525	43,990	44,359	35,403	333,991	
Net Income (Loss)	16,271	(17,997)	25,757	25,154	24,075	23,220	219,057	
New Orders Received	659,978	704,733	767,338	811,820	789,347	650,302	6,134,925	
Capital Expenditures	236,098	211,189	164,372	170,856	172,948	148,902	1,404,736	
Research and Development Expenses	14,042	22,703	17,918	19,210	18,439	15,291	144,255	
At Year-End:								
Property and Equipment, at Cost	1,068,958	991,344	971,442	1,032,302	1,002,184	805,755	7,601,462	
Less: Accumulated Depreciation	(551,298)	(564,804)	(576,896)	(631,351)	(603,071)	(463,170)	(4,369,528)	
Long-Term Debt	373,346	383,022	350,948	306,634	311,887	267,316	2,521,849	
Total Liabilities	628,578	701,839	688,723	693,861	666,961	588,378	5,550,736	
Total Shareholders' Equity	369,298	363,013	386,641	408,661	427,696	445,985	4,207,406	
Total Assets	997,876	1,064,852	1,075,364	1,102,522	1,094,657	1,034,363	9,758,142	
Yen								
U.S. dollars								
Per Share:								
Net Income (Loss)	¥ 5,847	¥ (6,455)	¥ 9,146	¥ 8,934	¥ 8,552	¥ 8,246	\$ 77.79	
Shareholders' Equity	131,615	129,377	137,803	145,657	152,445	158,965	1,499,669.81	
Cash Dividends	1,000	1,000	1,000	1,000	2,000	2,000	18.87	
Other Information:								
Operating Income Margin (%)	8.0	7.0	7.4	7.3	7.3	6.8	—	
Return on Sales (%)	2.3	(2.5)	3.3	3.3	3.1	3.1	—	
Return on Equity (%)	5.7	(4.9)	6.9	6.3	5.8	5.3	—	
Return on Assets (%)	1.7	(1.7)	2.4	2.3	2.2	2.2	—	
Payout Ratio (%)	17.2	—	10.9	11.2	23.4	24.3	—	
Dividends on Equity (%)	0.8	0.8	0.7	0.7	1.3	1.3	—	
Number of Employees	10,334	9,307	8,718	7,434	7,550	7,232	—	
Number of Shares Issued	2,805,000	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	
	1999	2000	2001	2002	2003	2004	2004	
Data Communications Service	¥383,740	¥397,504	¥388,083	¥384,887	¥392,702	¥390,274	\$3,681,830	
Systems Development Service	228,883	212,414	277,138	252,133	254,997	221,988	2,094,227	
Other Services	92,842	106,512	121,509	130,816	132,953	138,441	1,306,047	

- (2) 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, 2004 of ¥106=U.S.\$1.

SUPPLEMENTAL INFORMATION

Non-Consolidated Balance Sheets

NTT DATA CORPORATION
As at 31st March, 2003 and 2004

ASSETS	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Current Assets:			
Cash on hand and at banks	¥ 83,467	¥ 64,052	\$ 604,264
Accounts receivable:			
Outside clients	101,881	130,702	1,233,038
“NTT”	5	—	—
Subsidiaries and affiliates	3,386	5,369	50,651
	105,272	136,071	1,283,689
Less: allowance for doubtful accounts	(366)	(428)	(4,038)
	104,906	135,643	1,279,651
Accounts due	15,014	25,670	242,170
Jobs and software in progress	33,466	13,314	125,604
Supplies	1,178	906	8,547
Prepaid expenses	5,270	4,889	46,123
Deferred income taxes	7,558	6,491	61,236
Other current assets	2,238	3,603	33,990
Total current assets	253,097	254,568	2,401,585
Investments and Advances:			
Investments in securities	17,996	18,157	171,292
Investments in subsidiaries and affiliates	24,728	24,994	235,792
Other investments	6,120	6,125	57,784
Total investments and advances	48,844	49,276	464,868
Property and Equipment, at Cost	1,002,184	805,755	7,601,462
Less: accumulated depreciation	(603,071)	(463,170)	(4,369,528)
	399,113	342,585	3,231,934
Fixed Leasehold Deposits	24,135	22,625	213,444
Deferred Income Taxes	41,406	42,969	405,368
Deferred Charges and Intangibles:			
Software	281,142	296,985	2,801,745
Development cost of software in progress	43,699	22,455	211,840
Other	3,221	2,900	27,358
	328,062	322,340	3,040,943
	¥1,094,657	¥1,034,363	\$ 9,758,142

Note: Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March 2004, of ¥106 = U.S.\$1.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Current Liabilities:			
Short-term borrowings	¥ 6,000	¥ 3,000	\$ 28,302
Commercial paper	45,000	—	—
Current portion of long-term debt	28,920	45,165	426,085
Accounts payable:			
Suppliers	57,665	53,726	506,849
“NTT”	11	—	—
Subsidiaries and affiliates	23,417	23,283	219,651
Other	22,790	25,268	238,377
	103,883	102,277	964,877
Income taxes payable	13,898	9,798	92,434
Accrued expenses	7,558	7,167	67,613
Advances received	24,397	10,687	100,821
Other current liabilities	14,764	31,928	301,208
Total current liabilities	244,420	210,022	1,981,340
Long-Term Debt	311,887	267,316	2,521,849
Provision for Retirement Benefits	110,654	111,040	1,047,547
Total liabilities	666,961	588,378	5,550,736
Commitments and Contingent Liabilities			
Shareholders' Equity:			
Common stock			
Authorized — 11,220,000 shares in 2003 and 2004			
Issued — 2,805,000 shares in 2003 and 2004	142,520	142,520	1,344,528
Capital Surplus			
Additional paid-in capital	139,300	139,300	1,314,151
Retained earnings			
Legal reserve	2,288	2,288	21,585
Special tax-purpose reserve	7,365	5,802	54,736
Special tax-purpose reserve for specified communication equipment	285	237	2,236
General reserve	109,000	129,000	1,216,981
Unappropriated retained earnings	27,116	26,250	247,642
	146,054	163,577	1,543,180
Unrealized gains on investment securities, net of taxes	(178)	588	5,547
Total shareholders' equity	427,696	445,985	4,207,406
	¥1,094,657	¥1,034,363	\$9,758,142

SUPPLEMENTAL INFORMATION

Non-Consolidated Statements of Operations

NTT DATA CORPORATION

For the years ended 31st March, 2002, 2003 and 2004

	2002	Millions of yen		Thousands of
		2003	2004	U.S. dollars
				2004
Net Sales	¥767,836	¥780,652	¥750,703	\$7,082,104
Cost of Sales	576,363	592,802	574,347	5,418,368
Gross profit	191,473	187,850	176,356	1,663,736
Selling, General and Administrative Expenses	135,206	130,553	125,178	1,180,925
Operating income	56,267	57,297	51,178	482,811
Non-Operating Income (Expenses):				
Interest income	33	33	23	217
Interest expenses	(8,592)	(6,971)	(5,269)	(49,708)
Loss on redemption of bonds	—	(1,990)	—	—
Gains on sales of securities	15	574	8,021	75,670
Insurance income	—	576	698	6,585
Loss on disposal of fixed assets	(1,288)	(865)	(1,106)	(10,434)
Loss on write-down of investments in securities	(833)	(3,163)	(1,031)	(9,726)
Loss on write-down of investments in affiliates	(1,778)	(815)	(2,438)	(23,000)
Distribution of loss from SPC	—	(231)	(1,263)	(11,915)
Restructuring charge	—	—	(12,979)	(122,443)
Others, net	166	(86)	(431)	(4,066)
	(12,277)	(12,938)	(15,775)	(148,820)
Income before income taxes	43,990	44,359	35,403	333,991
Income Taxes				
Current	19,326	23,230	13,235	124,859
Deferred	(490)	(2,946)	(1,052)	(9,925)
	18,836	20,284	12,183	114,934
Net income	¥ 25,154	¥ 24,075	¥ 23,220	\$ 219,057

Per Share:	Yen			U.S.dollars
Net income	¥ 8,934	¥ 8,552	¥ 8,246	\$ 77.79
Cash dividends	1,000	2,000	2,000	18.87

Note: Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March 2004, of ¥106 = U.S.\$1.

SUPPLEMENTAL INFORMATION

Non-Consolidated Statements of Shareholders' Equity

NTT DATA CORPORATION

For the years ended 31st March, 2002, 2003 and 2004

	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, 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
Net income for the year ended 31st March, 2004	—	—	—	—	—	—	—	23,220
Cash dividends	—	—	—	—	—	—	—	(5,610)
Bonuses to directors and statutory auditors	—	—	—	—	—	—	—	(87)
Transfer from special tax-purpose reserve	—	—	—	—	(1,563)	—	—	1,563
Transfer from special tax-purpose reserve for specified communication equipment	—	—	—	—	—	(48)	—	48
Transfer to general reserve	—	—	—	—	—	—	20,000	(20,000)
Balance at 31st March, 2004	2,805,000	¥142,520	¥139,300	¥2,288	¥ 5,802	¥237	¥129,000	¥ 26,250

	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, 2003	2,805,000	\$1,344,528	\$1,314,151	\$21,585	\$ 69,482	\$ 2,689	\$1,028,302	\$ 255,811
Net income for the year ended 31st March, 2004	—	—	—	—	—	—	—	219,057
Cash dividends	—	—	—	—	—	—	—	(52,925)
Bonuses to directors and statutory auditors	—	—	—	—	—	—	—	(821)
Transfer from special tax-purpose reserve	—	—	—	—	(14,746)	—	—	14,746
Transfer from special tax-purpose reserve for specified communication equipment	—	—	—	—	—	(453)	—	453
Transfer to general reserve	—	—	—	—	—	—	188,679	(188,679)
Balance at 31st March, 2004	2,805,000	\$1,344,528	\$1,314,151	\$21,585	\$ 54,736	\$2,236	\$1,216,981	\$ 247,642

Note: Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March 2004, of ¥106 = U.S.\$1.

Major Subsidiaries and Affiliates

As of 31st March, 2004, the Company had 68 subsidiaries and 22 affiliates. In the consolidated financial statements of the Company, 42 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.

Name	Issued Share Capital as at 31st March, 2004 (millions of yen)	Percentage Held (directly or indirectly) (%)	Principal Business
CONSOLIDATED SUBSIDIARIES			
NTT DATA SYSTEMS CORPORATION	800	75.0	Systems sales
NTT DATA SYSTEM TECHNOLOGIES INC.	200	75.0	Systems design
NTT DATA SYSTEM SERVICE CORPORATION	200	65.0	Systems design
NTT DATA KANSAI CORPORATION (Note 1-1)	400	99.7	Systems design and sales
NTT DATA TOKAI CORPORATION (Note 1-2)	200	99.8	Systems design and sales
NTT DATA KYUSHU CORPORATION (Note 2-1)	114	100.0	Systems design and sales
NTT DATA TOHOKU CORPORATION (Note 2-2)	105	100.0	Systems design and sales
NTT DATA HOKKAIDO CORPORATION (Note 2-3)	100	100.0	Systems design and sales
NTT DATA SHINETSU CORPORATION (Note 1-3)	100	100.0	Systems design and sales
NTT DATA HOKURIKU CORPORATION (Note 2-4)	100	100.0	Systems design and sales
NTT DATA CHUGOKU CORPORATION (Note 1-4)	100	100.0	Systems design and sales
NTT DATA SHIKOKU CORPORATION (Note 2-5)	100	100.0	Systems design and sales
NTT DATA TECHNOLOGY CORPORATION	100	100.0	Systems design
NTT DATA TOKYO SMS CORPORATION	100	100.0	Systems operation
NTT DATA CREATION CORPORATION	100	80.0	Systems design
NTT DATA CUSTOMER SERVICE CORPORATION (Note 1-5)	2,000	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 Net's CORPORATION	250	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	125	69.3	Systems design
NTT DATA MANAGEMENT SERVICE CORPORATION	100	100.0	General affairs outsourcing services
NTT DATA SANYO SYSTEM CORPORATION	586	50.0	Systems design
NTT DATA 3C CORPORATION	270	70.0	Contact center businesses
NTT DATA UNIVERSITY CORPORATION	120	100.0	Education and training services
NTT DATA INTRAMART CORPORATION	120	74.5	Package software sales
NTT DATA WAVE CORPORATION	100	80.1	Systems design
Nihon Card Processing Co., Ltd. (Note 3)	2,675	71.5	Various services related to credit card operations
SNT Software Co., Ltd. (Note 3) (Note 4)	3	0.0	Licensing of software for credit card operations
NTT DATA INTERNATIONAL L.L.C. (Note 3)	\$12,610 thousands	100.0	General affairs and accounting outsourcing services
NTT DATA USA L.L.C. (Note 3)	\$5,991 thousands	100.0	Facility management
NTT DATA FRONTIER CORPORATION (Note 1-6) (Note 3)	280	52.5	Systems design

Name	Issued Share Capital as at 31st March, 2004 (millions of yen)	Percentage Held (directly or indirectly) (%)	Principal Business
NTT DATA (CHINA) Co., LTD. (Note 3)	\$1,500 thousands	100.0	Market survey / product sales
Beijing NTT Data Systems Integration Co., Ltd. (Note 3)	12,277 thousands Yuan	83.1	Software design
NTT DATA AgileNet L.L.C. (Note 3)	\$850 thousands	100.0	Survey / partnership support
NTT DATA ITEC CORPORATION (Note 3)	90	60.0	Software development and maintenance
NTT DATA BUSINESS BRAINS CORPORATION (Note 3)	70	70.0	Systems design
M.I.S.I. Co., Ltd. (Note 3)	\$356 thousands	100.0	Staffing and recruitment agency Systems design
MISICOM, Inc. (Note 3)	\$20 thousands	100.0	Staffing agency
EQUITY METHOD AFFILIATES			
JAPAN NETWORK SYSTEM CORPORATION	1,375	31.1	Systems sales
NTT MediaCross, Inc.	100	30.0	Supplying platform services for digital broadcasting

(Notes)

1. 1-1 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.
- 1-2 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 CORPORATION.
- 1-3 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 CORPORATION.
- 1-4 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.
- 1-5 NTT DATA CUSTOMERS SERVICE CORPORATION was merged with NTT DATA KANSAI SMS CORPORATION and NTT DATA KANSAI CUSTOMER SERVICE CORPORATION on 1st July, 2003.
- 1-6 JAPAN NETWORK SYSTEM CORPORATION changed its name to NTT DATA FRONTIER CORPORATION on 1st September, 2003 following its merger with NTT DATA QUALITY CORPORATION.
2. 2-1 NTT DATA KYUSHU TECSYS CORPORATION changed its name to NTT DATA KYUSHU CORPORATION on 1st July, 2003.
- 2-2 NTT DATA TOHOKU TECSYS CORPORATION changed its name to NTT DATA TOHOKU CORPORATION on 1st July, 2003.
- 2-3 NTT DATA HOKKAIDO TECSYS CORPORATION changed its name to NTT DATA HOKKAIDO CORPORATION on 1st July, 2003.
- 2-4 NTT DATA HOKURIKU TECSYS CORPORATION changed its name to NTT DATA HOKURIKU CORPORATION on 1st July, 2003.
- 2-5 NTT DATA SHIKOKU TECSYS CORPORATION changed its name to NTT DATA SHIKOKU CORPORATION on 1st July, 2003.
3. *3 newly consolidated subsidiaries in the year ended 31st March, 2004.
4. *4 These companies became consolidated subsidiaries after satisfying criteria for effective control.

Investor Information

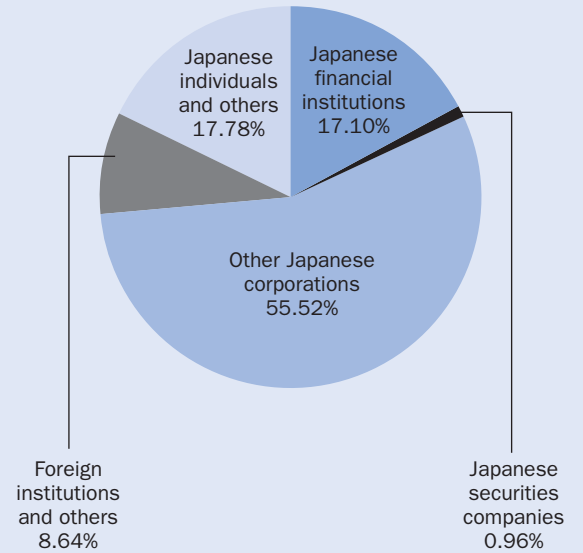
(As of 31st March, 2004)

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	153,558	5.47
The Master Trust Bank of Japan, Ltd., Trust Account	108,468	3.86
The Dai-ichi Mutual Life Insurance Company	31,562	1.12
Barclays Bank PLC, Barclays Capital Securities Limited	20,461	0.72
Nippon Life Insurance Company	20,147	0.71
BNP PARIBAS Securities (Japan) Limited	18,586	0.66
Societe Generale Paris O. B. E. Dept	14,855	0.52
Credit Suisse First Boston Securities Japan Limited	14,447	0.51
NTT DATA Employee Share-Holding Association	13,705	0.48
Total	1,915,799	68.29%

DISTRIBUTION OF OWNERSHIP AMONG SHAREHOLDERS

(On a number of shares basis)



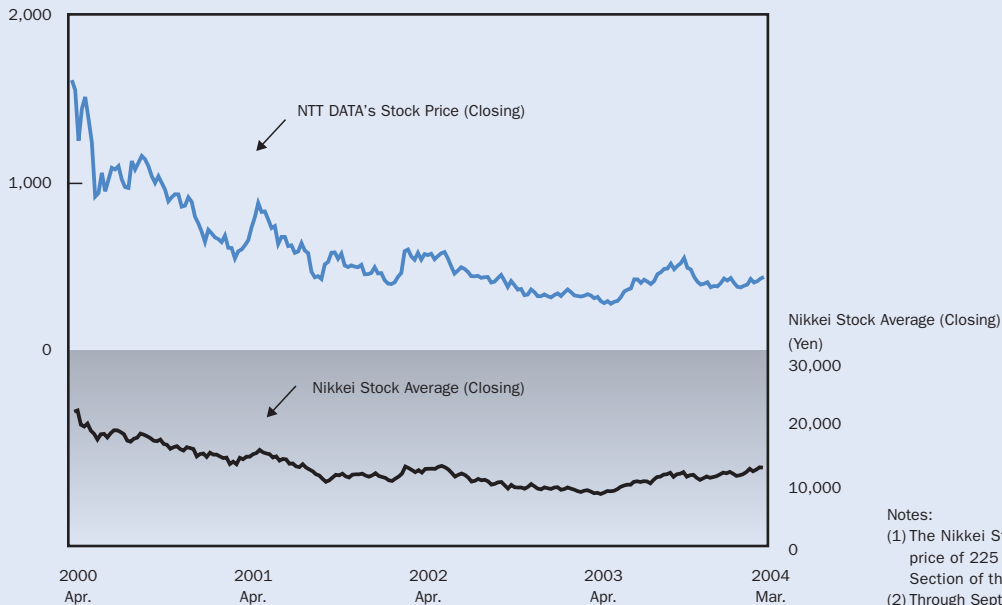
NUMBER OF SHARES ISSUED AND NUMBER OF SHAREHOLDERS

(1) Total Number of Authorized Shares	11,220,000
(2) Number of Shares Issued and Outstanding	2,805,000
(3) Number of Shareholders	191,088

STOCK PRICE CHART

NTT DATA's Stock Price (Closing)

(Thousands of yen)



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DATE OF ESTABLISHMENT:

23rd May, 1988

COMMON STOCK:

¥142,520 million

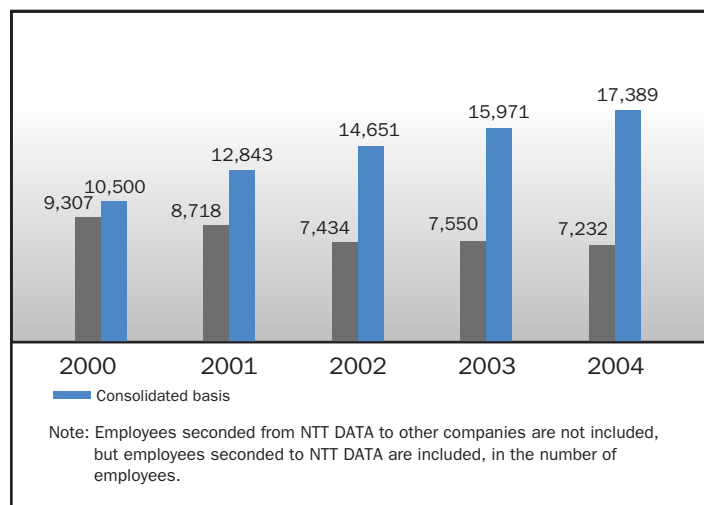
ACCOUNT SETTLEMENT DATE:

31st March

INDEPENDENT AUDITORS:

ChuoAoyama Audit Corporation

NUMBER OF EMPLOYEES AT FISCAL YEAR-END



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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 CORPORATION

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