



# Working as One



The NTT DATA Group is making steady progress on developing businesses in order to achieve the goals of its medium-term management plan. This process has catalyzed management and frontline staff to work as one to transform the Group's operating structure so that NTT DATA can respond more precisely to market needs.



# NTT DATA ANNUAL REPORT 2005

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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 Group therefore wishes to caution readers that actual results may differ materially from its expectations.



# Building a Synchronized Company

The NTT DATA Group is taking the initiative to alter the structure of its businesses in response to developments in its markets, such as the advent of broadband networks, transition to open systems, and demand for higher value-added systems. Aiming to achieve dynamic growth, we continue to take proactive, forward-looking initiatives, including investments in growing fields and the development of advanced technologies, the promotion of new businesses, and measures to strengthen competitiveness in the SI business, where we exert our competitive strengths, such as our neutrality, technologies and trust, and foresight. Guided by the concept of Insight for the New Paradigm—Shaping the Future With IT, NTT DATA Group is sharpening its management skills and focusing on frontline operations more than ever in anticipation of the future. In this spirit, we will respond to market trends and customer needs with speed and accuracy in order to continue to deliver sustained growth.

## Consolidated Financial Highlights

- 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.

- 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.

Years ended 31st March

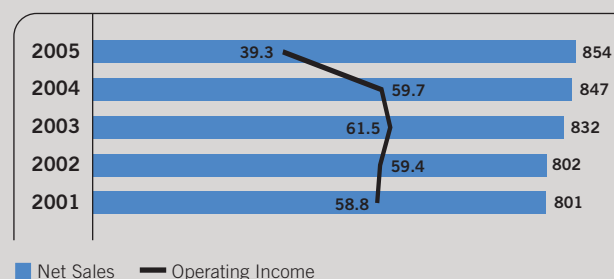
	1996	1997	1998	1999
<b>For the Year:</b>				
Net Sales .....	¥562,227	¥611,603	¥676,581	¥ 710,152
Operating Income .....	55,411	51,862	54,197	56,833
Income (Loss) before Income Taxes .....	25,898	34,355	34,275	37,747
Net Income (Loss) .....	11,671	14,241	15,612	16,313
New Orders Received .....	—	—	—	—
Capital Expenditures .....	—	—	—	—
Depreciation and Amortization/Loss on Disposal of Property and Equipment and Intangibles .....	—	—	—	—
Research and Development Expenses .....	14,391	14,783	15,874	14,042
Free Cash Flow .....	—	—	—	—
<b>At Year-End:</b>				
Total Assets .....	814,046	854,386	900,693	1,002,805
Total Shareholders' Equity .....	181,397	192,816	205,799	369,244
Interest-Bearing Debt .....	460,181	479,840	502,797	431,612
<b>Per Share:</b>				
Net Income (Loss) .....	¥ 5,175	¥ 5,589	¥ 6,119	¥ 5,859
Cash Dividends .....	10,000	10,000	10,000	1,000
Number of Employees .....	—	—	—	—

Note: Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March, 2005, of ¥107=U.S.\$1.

- 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 share 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 ISO 9001 certification.
- 3/99 Established NTT DATA (CHINA) CO., LTD.

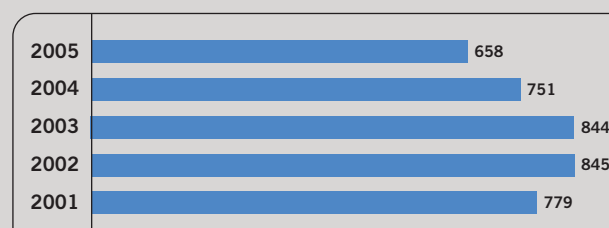
### Net Sales and Operating Income

(Billions of Yen)



### New Orders Received

(Billions of Yen)



• 7/99 Awarded ISO 14001 certification.

• 8/01 Expanded ISO 9001 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
2000	2001	2002	2003	2004	2005	2005
¥ 725,348	¥ 801,045	¥ 801,967	¥ 832,109	¥ 846,706	¥ 854,154	\$7,982,748
50,738	58,778	59,446	61,544	59,725	39,288	367,178
(29,177)	46,083	47,163	50,933	44,441	32,144	300,411
(18,114)	24,452	26,410	28,562	26,956	20,110	187,944
714,882	779,418	845,400	843,571	750,796	658,161	6,151,037
210,375	163,655	170,577	171,017	148,923	110,821	1,035,710
152,836	151,927	153,115	158,523	165,281	161,942	1,513,477
22,684	17,957	19,074	18,224	15,350	16,542	154,598
(23,763)	17,702	(1,776)	67,180	44,044	60,712	567,402
1,071,653	1,086,437	1,113,777	1,118,401	1,065,549	1,038,571	9,706,271
363,758	388,537	412,966	435,715	458,846	473,982	4,429,738
451,859	430,380	426,819	370,703	317,013	295,341	2,760,196
Yen						U.S. dollars
¥ (6,499)	¥ 8,680	¥ 9,382	¥ 10,152	¥ 9,578	¥ 7,139	\$ 66.72
1,000	1,000	1,000	2,000	2,000	2,000	18.69
10,500	12,843	14,651	15,971	17,389	18,720	
2000	2001	2002	2003	2004	2005	2005

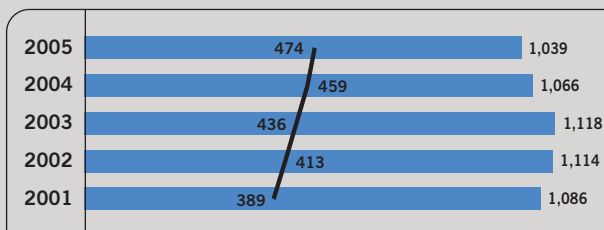
• 4/00 Established **NTT DATA INTERNATIONAL L.L.C.**  
• 8/00 Expanded ISO 14001 certification to additional company sites.

• 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**.

• 5/04 Announced Mid-term Management Plan (from FY05 to FY07)  
• 1/05 **Sekisui Systems Corporation** became a consolidated subsidiary of NTT DATA, and was renamed **NTT DATA SEKISUI SYSTEMS CORPORATION**.

**Total Assets and Shareholders' Equity**

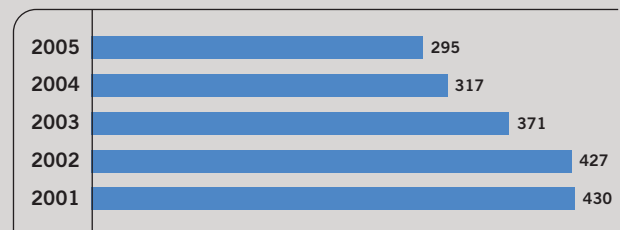
(Billions of Yen)



■ Total Assets — Shareholders' Equity

**Interest-Bearing Debt**

(Billions of Yen)



To Our Shareholders

# Expanding Our Customer Base With a Clear Strategy and Decisiveness

## Consolidated Operating Results for Fiscal 2005 and Medium-term Management Plan Targets

(Millions of Yen)

For the year ended/ending March 31	FY2005 Results	FY2007 Targets
Net sales	854,154	1,000,000
Operating income	39,288	75,000
ROE(%)	4.3%	8%
Free cash flow	60,712	10,000
New orders received	658,161	900,000

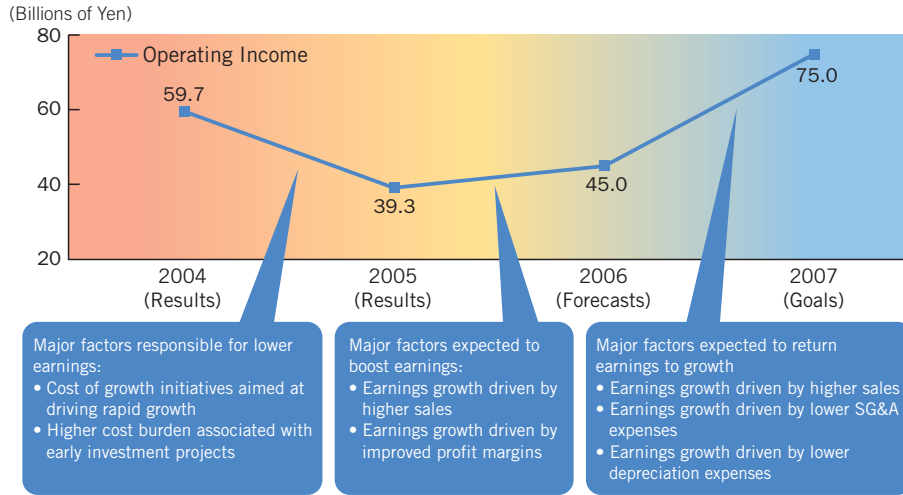
In fiscal 2005, the year ended March 31, 2005, the NTT DATA Group passed a crucial turning point in returning to earnings growth, as it moves closer to achieving the various targets set out in its medium-term management plan. We are in strong financial health, command leadership in the construction of large-scale systems in the public administration and financial sectors and are making progress with initiatives to expand our customer base in the industrial sector, which promises to grow as a market in line with expansion in the IT market. Considering these factors in light of a gradual recovery in Japan's economy, I believe that the NTT DATA Group can maintain its solid industry-leading position and continue to grow.

### Fiscal 2005 Operating Results: a Turning Point to Earnings Growth

For fiscal 2005, net income decreased to ¥20.1 billion year on year. However, this was mainly a reflection of a temporary deterioration in the cost-of-sales ratio associated with the initial period of operation of shared systems for financial institutions, a key NTT DATA Group's strength, and higher costs due to growth initiatives. Both of these factors resulted in declines in earnings that were within a range we deem strategically acceptable. On the other hand, net sales, which will be a key driving force behind future earnings growth, grew to ¥854.2 billion. This was mainly the result of sales growth primarily at consolidated subsidiaries.

In fiscal 2005, NTT DATA recorded higher free cash flow than the previous fiscal year. This was due to sharply lower cash used in investing activities, reflecting a decrease in capital investments in step with the end of an investment cycle in

**Earnings Trends and Prospects for Achieving Medium-term Management Plan Targets**



large-scale systems, despite lower operating cash flow. We will use this positive free cash flow to repay interest-bearing debt, to further strengthen our financial position.

**Confidence in Our Growth Potential: Toward Achieving Medium-term Management Plan Targets**

NTT DATA Group is targeting net sales of ¥1 trillion and operating income of ¥75 billion for fiscal 2007, the final year of our medium-term management plan. This represents an increase of ¥145.8 billion, or 17%, over net sales of ¥854.2 billion in fiscal 2005. One growth initiative to achieve this target will see us continue investments of ¥15.0 billion every fiscal year, following on from the same investment made in the previous fiscal year. This process is projected to culminate in an increase of roughly ¥40.0 billion in net sales in the final fiscal year of the plan. We are also projecting additional sales growth of roughly ¥60.0 billion through alliances and acquisitions of companies with specialized expertise in upstream consulting and other fields and IT services companies with strong customer bases, in addition to continuing acquisitions of information systems subsidiaries of various operating companies. On top of estimated growth of ¥20.0 billion in sales from the commercialization of new products and services we have created, NTT DATA is expecting existing businesses to make an additional contribution of roughly ¥26.0 billion to net sales, helped by the tailwind of expanding markets.

On the earnings front, NTT DATA is projecting an increase of ¥35.7 billion, or 91%, in operating income relative to operating income of ¥39.3 billion in fiscal 2005. This mainly reflects our outlook for continued earnings growth in the near term, helped by the absence of large depreciation charges on capital investments due to a cyclic downturn in demand for upgrading large-scale systems and a decrease in depreciation on hardware equipment for large-scale systems and other costs, due to the adoption of the declining-balance method of depreciation. We therefore believe that we can generate earnings growth in excess of investments in growth initiatives, even if all of these investments were included in SG&A expenses.

July 2005

President and Chief Executive Officer  
Tomokazu Hamaguchi



## Interview With the President



**Q1: Please describe your net sales target of ¥1 trillion in terms of the public administration, financial and industrial sectors.**

A: The net sales target of ¥1 trillion represents approximate sales increases of ¥6.0 billion in the public administration sector, ¥50.0 billion in the financial sector, ¥92.0 billion in the industrial sector and ¥6.0 billion in the other sector, compared with net sales of ¥846.7 billion in fiscal 2004, before the first year of our medium-term management plan. In terms of share, the public administration sector will decline from 41% to 35%, the financial sector will remain the same at 29% and the industrial sector will climb from 21% to 27%.

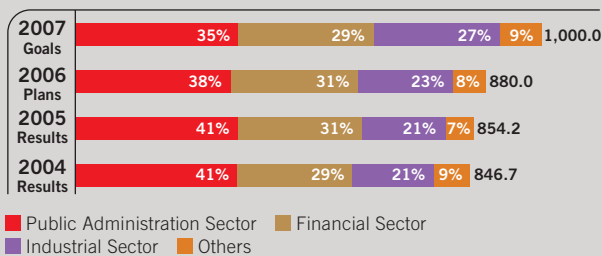
Although sales in the public administration sector will remain the same, this reflects both growing and declining sales from different segments of the market. In the financial sector, NTT DATA can apply its expertise in shared systems, IT outsourcing and other areas where we have many years of experience, to financial institutions on an individual basis. At

the same time, we can expand business by proactively marketing many of our hallmarks, such as our impartial standing and multi-vendor technology, to these customers. In the industrial sector, focusing attention on the fact that very few competitors, in practice, can take on the risks involved in the construction of large-scale systems, I believe we are in a position to proactively create inter-company collaborative systems and cultivate demand for total outsourcing services.

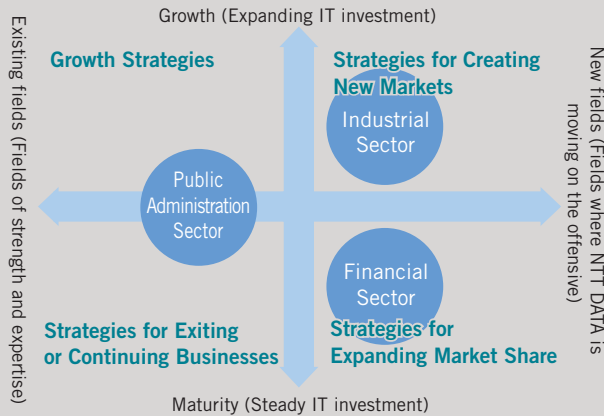
**Q2: Although sales in the public administration sector are projected to remain flat, there have been much stronger calls for national government agencies to reduce IT budgets and local governments to tighten public spending. Won't it be difficult to maintain sales in this sector?**

A: In the public administration sector, NTT DATA is targeting growth strategies at certain segments and strategies for exiting or continuing businesses at others. Your concerns certainly apply to the latter. With respect to national government agencies, IT budgets have been flat or on a slight downtrend, and intensified competition is expected to continue due to tighter budgets at local governments and the adoption of open bidding for public works projects. Although NTT DATA may receive new orders to upgrade systems and for other projects amid increasing moves to adopt open systems, we cannot avoid a decrease in sales volume. By responding properly to optimization plans under consideration, I hope to secure a consistent stream of orders and steady profitability with respect to existing businesses.

**Net Sales by Sector**  
(Billions of Yen)







Looking ahead, there will also be domains where new sources of demand will appear, such as systems that improve public services. We will steadily build up a track record in cultivating these growing domains.

One particular area of focus is to proactively respond to demand for the construction of new social infrastructure bridging the private and public sectors together. Equally promising is the opportunity to propose new business models using PFI (Private Finance Initiative) schemes. One example is the one-stop service system for procedures related to automobile ownership scheduled for full launch in December 2005. The role NTT DATA plays in this project will lay the groundwork for future success. The current environment is ripe for PFI schemes to gain broad acceptance as a means for local governments to reduce public spending. This has paved the way for opportunities to propose project schemes where success will depend on NTT DATA's scale and trustworthiness. Other fields like Health care and welfare still offer plenty of segments with lots of room for growth. In this field too, NTT DATA can be counted on to deliver excellent progress.

**Q3: Where in the financial sector do you believe there is further room to capture additional market share?**

A: In the financial sector, our expertise in shared systems and IT outsourcing, areas where we have many years of experience, can be successfully applied to financial institutions on an individual basis. Over many years, NTT DATA has been a reliable supplier of shared systems for the financial services industry, including the Zengin Data Telecommunications System and many other shared systems. For this reason, one major competitive edge we have in expanding business to financial institutions and other customers on an individual basis is that we can proactively

market many of our hallmarks, such as our impartial standing and multi-vendor technology, to these customers.

Furthermore, we are witnessing the final stages of industry realignment and restructuring across a broad spectrum of financial services providers, ranging from city banks to credit card companies, securities firms, life and non-life insurers, and stock exchanges. Once this process comes to an end, these customers can be expected to align IT investments with differentiation strategies. NTT DATA is already addressing these needs. We have captured orders for individual systems from Resona Bank, Ltd. and the Tokyo Stock Exchange and provide a shared system for credit-card companies. Building on these accomplishments, our sights are set on leaping to the next stage of growth in this sector.

**Q4: Your ambitious targets in the industrial sector envision growth of approximately ¥92.0 billion, or 52%, over three years, despite the fact that NTT DATA is a latecomer to this sector. How can you be so sure you can achieve such high targets in terms of sales value and growth?**

A: In terms of market scale, the industrial sector represents a considerably larger market than the public administration and financial sectors. Since we are only targeting net sales of ¥269.0 billion in this immense market, I would like you to regard this number as a milestone, instead of as a final goal. If we are able to fully exert all of our competitive advantages in the marketplace, I believe we can become one of the largest companies in this sector in terms of sales.

But we still need to deliver average annual growth of at least 20% during our medium-term management plan, which will require more than just internal growth. Mergers and acquisitions will become an increasingly crucial means of expanding our customer base. Our imperative in this domain is to create an entirely new market in its own right. In this sense, a key aspect of our activities at this point is to put a greater emphasis on investments in building up our customer base over growing earnings. Our plans to generate earnings in excess of investments are grounded on our projections of a shift to an earnings growth trajectory occasioned by a decline in capital investments, and depreciation at this phase of the investment cycle in large-scale systems in the public administration and financial sectors. Our primary focus with M&As will remain our acquisition-based IT Partner Business targeting the manufacturing, distribution, logistics and other fields. On the whole, this business has already contributed ¥39.0 billion to sales

growth on a consolidated basis in fiscal 2005. Building on this progress, we are hoping that the IT Partner Business will represent around ¥50.0 billion of our sales target in the industrial sector for fiscal 2007. Moving forward, NTT DATA will expand the scope of ongoing mergers and acquisitions to include alliances with and acquisitions of IT services companies and other companies, from the standpoint of expanding our customer base and meeting other goals.

**Q5: Please describe progress with upfront investments made as part of growth initiatives, a crucial element of the medium-term management plan.**

A: As you know, NTT DATA has announced that it will make investments of ¥15.0 billion per year in growth initiatives as part of its medium-term management plan. In fiscal 2005, these investments were made as planned, with resources directed at three main initiatives. The first was to bolster marketing and development strengths in the industrial sector and other fields. We invested ¥1.5 billion in the recruitment of some 170 mid-career professionals in fiscal 2005 to secure a workforce with industry knowledge and consulting skills. The second initiative was to develop advanced solution and services, where we invested ¥7.5 billion to examine next-generation logistics information systems using RFID tags, establish ubiquitous service platforms, examine next-generation shared systems for the credit card industry, and to develop growing fields such as leading-edge health care and biotechnology, where IT promises further progress. The third initiative targets the development and building of infrastructure toward next-generation Enterprise and mission-critical systems. Here, we invested ¥6.0 billion to establish development and support systems for infrastructure to

develop open source software (OSS) and open mission-critical systems. In fiscal 2006, we plan to invest ¥2.0 billion in the first, ¥9.5 billion in the second and ¥3.5 billion in the third initiative. Through these investments, NTT DATA expects to generate approximately ¥40.0 billion in net sales in fiscal 2007, the final year of the plan.

**Q6: How do you envision meeting your target for operating income of ¥75 billion?**

A: Operating income decreased to ¥39.3 billion in fiscal 2005, compared with ¥59.7 billion in fiscal 2004. Naturally, many investors are concerned over NTT DATA Group's prospects for meeting targeted operating income of ¥75 billion for fiscal 2007. But the decline in earnings in fiscal 2005 can be fully ascribed to growth initiative outlays of ¥15.0 billion to reach the next stage of growth, and costs of ¥10.0 billion associated with the start of operations of a new shared system for financial institutions. Please understand that this is a strategic and temporary decline in earnings. Both of these factors will start to contribute to sales and earnings in fiscal 2006 onwards, while the decrease in depreciation is associated with a cyclic downturn in investment in large-scale systems. These and other factors will return NTT DATA to earnings growth after fiscal 2005.

We are forecasting operating income of ¥45.0 billion for fiscal 2006. In fiscal 2007, we expect sales growth, reductions in SG&A expenses, and a decrease in depreciation to each contribute ¥10.0 billion to earnings. While we must always allow for unforeseeable cost factors, I believe this operating income forecast is fairly reliable. Based on this thinking, NTT DATA plans to increase the annual dividend for fiscal 2006 by ¥1,000 per share to ¥3,000 per share.

**NTT DATA Group's Mid-term Management Policy**



# Corporate Governance

NTT DATA recognizes that the realization of more efficient and transparent management to ensure sound corporate management in order to maximize corporate value is a priority of the highest importance. Accordingly, continuous efforts are made to reinforce corporate governance.

## MANAGEMENT STRUCTURE REFORMS

Effective June 2005, management structure reforms were implemented to reduce the number of directors and introduce an executive officer system.

The number of directors was reduced from the previous 24 to 7 individuals, following approval by the 17<sup>th</sup> Ordinary General Meeting of Shareholders held on June 23, 2005. Moving forward, NTT DATA will pursue faster management by accelerating decision-making, while working to further invigorate senior management.

The executive officer system was introduced to construct an agile structure for business execution that can precisely implement management strategies. Management has delegated significant authority for business execution to executive officers, who have been assigned to positions of responsibility where they can focus solely on business execution.

By clarifying the roles of the Board of Directors and executive officers, NTT DATA will strengthen the functions of strategic decision-making, supervision of business execution and business execution itself, in order to further energize management. The objectives are to achieve the goals of the medium-term management plan and take NTT DATA forward.

## ROLES OF EACH CORPORATE ENTITY

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 Commercial Code of Japan. In addition, NTT DATA also has a Corporate Management Committee to speed decision-making on matters related to business execution.

### Board of Directors:

The Board has seven members, including one external director (an employee of NTT Corporation). 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 of Japan.)

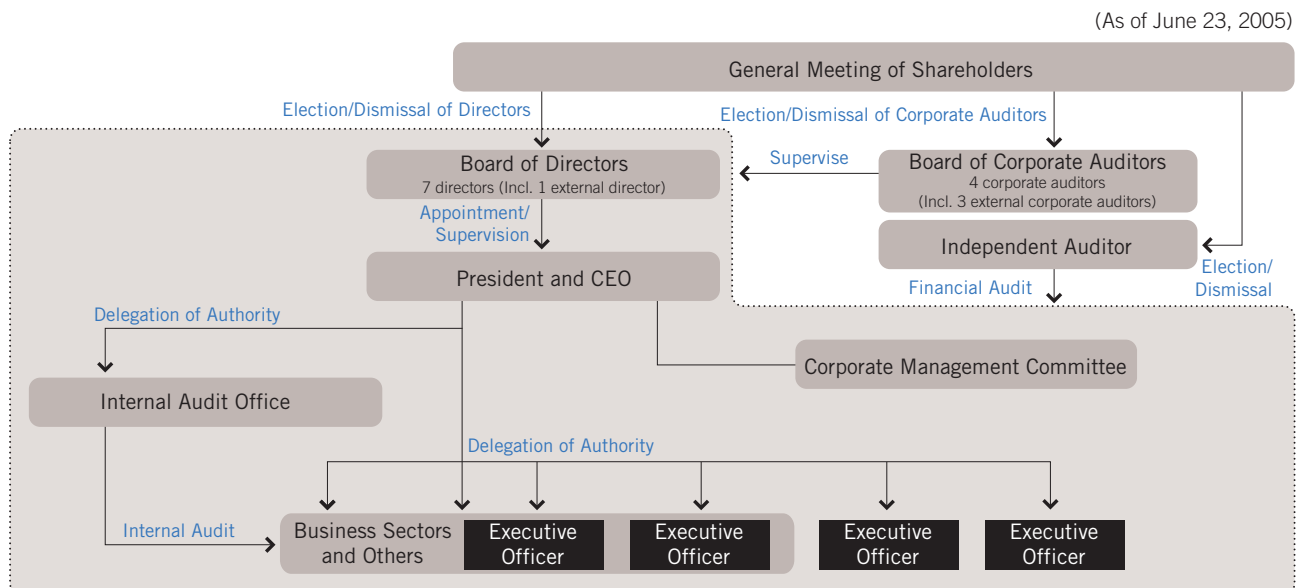
### Board of Corporate Auditors:

The Board of Corporate Auditors has four members, three of whom are external corporate auditors. The Board meets once a month, in principle, to decide on audit policies, plans, methods and various other important matters concerning audits. Each corporate auditor attends important meetings, such as meetings of the Board of Directors, and regularly supervises and audits business execution. The Corporate Auditor Office, a dedicated organization, has been established to support these activities.

### Corporate Management Committee:

The Corporate Management Committee consists of the president, standing director and the heads of other relevant important sections. This Committee meets once a week in principle, to supervise and decide on matters concerning day-to-day operations in a rapid and efficient manner.

The chart below outlines NTT DATA's framework for business execution as well as systems for management supervision and internal control.



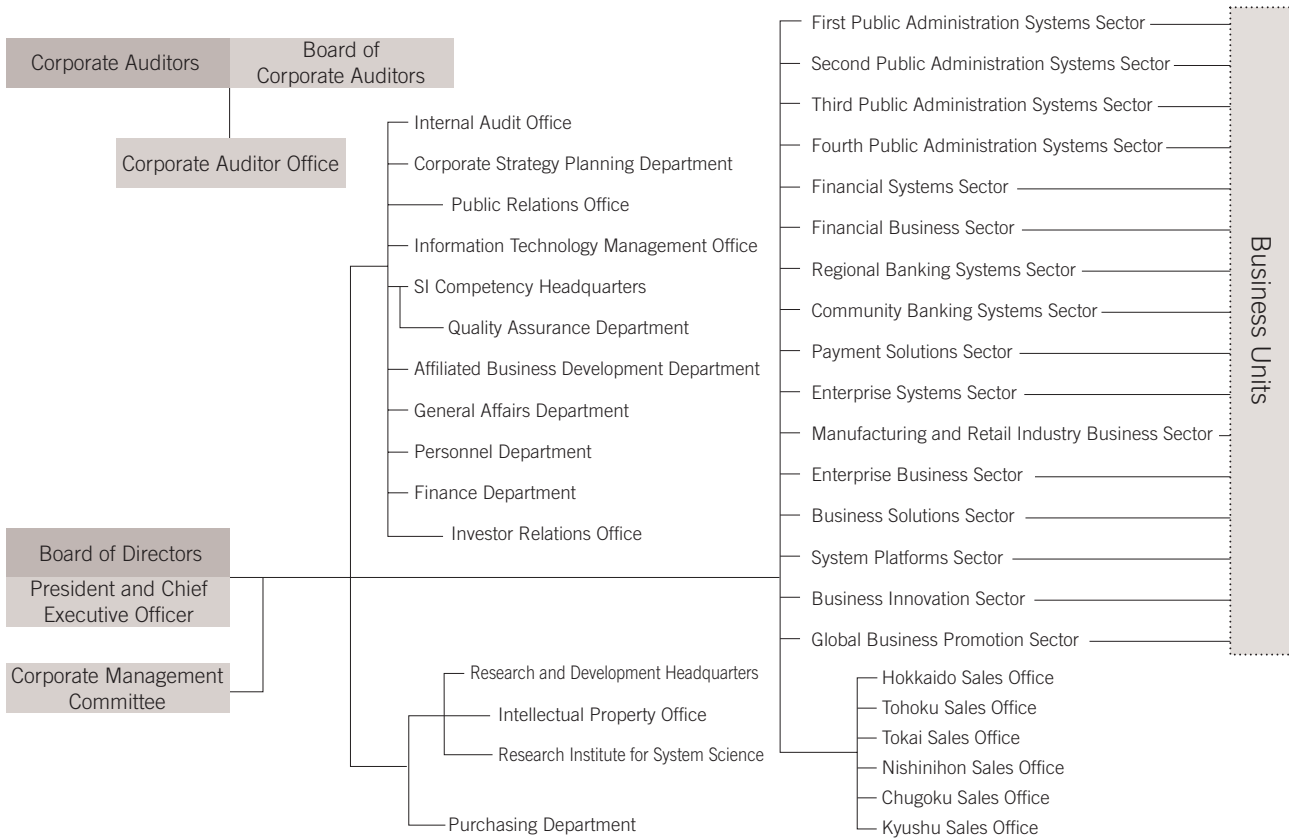
During the fiscal year ended March 31, 2005, the Board of Directors and Board of Corporate Auditors held a total of 18 and 26 meetings, respectively. The Corporate Management Committee held a total of 45 meetings.

**ORGANIZATIONAL REFORMS**

In conjunction with management structure reforms, in June 2005, NTT DATA implemented organizational reforms following a review of its organizational structure.

While retaining its previous business unit system, NTT DATA has shifted to an operating structure where business sectors comprising several business units take the initiative to achieve further growth and engage in healthy competition between one another. Business sectors have been fundamentally reorganized by client industry and executive officers have been appointed to serve as general managers of business sectors. Both measures are aimed at reinforcing responsiveness to customers and conducting businesses with greater agility.

**Organizational Chart** (As of June 1, 2005)



**DISCLOSURE**

NTT DATA is committed to providing timely and accurate disclosure to a diverse array of stakeholders, including shareholders and other investors, in order to deepen their understanding of the Company's businesses and communicate management strategies to them.

At every quarterly earnings announcement, NTT DATA holds presentations to explain its operating results and forecasts in detail to various stakeholders. In addition, NTT DATA holds small meetings and one-on-one sessions with investors and analysts resident in Japan and overseas.

Efforts are also directed at constantly improving NTT DATA's investor relations website. Presentation handouts, news releases and other information are posted on this website in a timely manner and presented in a clear format.

NTT DATA's investor relations website:  
<http://www.nttdata.co.jp/en/investor/index.html> (English)  
<http://www.nttdata.co.jp/investors/index.html> (Japanese)

## Compliance

NTT DATA Group 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.

### SYSTEMS FOR INTERNAL CONTROL

Regarding the internal auditing function, NTT DATA has established an Internal Audit Office to examine whether operations at sectors and other sections conform with laws, internal regulations, and the Company's management policies and plans from a perspective independent of business execution. The Internal Audit Office provides specific advice and warnings to sectors and other sections in an effort to preserve the soundness of the Company.

To ensure 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.

### IMPLEMENTATION OF SYSTEMS FOR INTERNAL CONTROL

Internal audits are implemented based on yearly plans deliberated and approved by the Corporate Management Committee. Audit results are reported to the Corporate 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 is thus kept informed of developments regarding important matters and follows up on them.

In the fiscal year ended March 2005, priority issues for audits included actions to strengthen sales capabilities and competitiveness in SI, ensure proper purchasing operations, protect personal information, and prevent improprieties. The goal was to preserve the integrity of operations across the Company.

In the fiscal year ending March 2006, priority issues for audits include actions to evaluate the effectiveness of internal control systems and management of personal information, as well as to prevent improprieties, and strengthen sales capabilities and competitiveness in SI.

## 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 various sectors and other sections to respond to risk factors in accordance with their respective roles and the nature of 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 reporting of important matters to the Board of Directors, Board of Corporate Auditors and Corporate Management Committee. The Board of Directors also directly monitors and supervises important matters. 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. To ensure that this risk management system functions efficiently and effectively, it is also important to revise and improve the system, as necessary.

(See pages 44 and 45 for further details on the implementation of risk management and risks envisioned by NTT DATA.)

## Directors and Corporate Auditors

(As of June 23, 2005)



SHUNICHI KOMINAMI TOMOKAZU HAMAGUCHI TORU YAMASHITA NORITAKA UJI

**President and Chief Executive Officer**  
TOMOKAZU HAMAGUCHI

**Senior Executive Vice Presidents and Representative Directors**

TORU YAMASHITA  
Public Administration Systems Sectors  
Chief Technical Officer

SHUNICHI KOMINAMI  
Financial Sectors  
Chief Sales Officer

**Executive Vice President and Representative Director**

NORITAKA UJI  
Enterprise Sectors  
Chief Information Security Officer

**Executive Vice President and Director**  
HIROO INOUE

Senior Executive Manager, General Affairs Department  
Chief Financial Officer  
Chief Risk Officer  
In charge of Corporate Governance

**Senior Vice President and Director**  
TAKASHI ENOMOTO

Senior Executive Manager,  
Corporate Strategy Planning Department  
Senior Executive Manager,  
Global Business Promotion Sector  
Senior Executive Manager,  
Affiliated Business Development Department

**Director**  
AKIRA SHIMADA

**Standing Corporate Auditors**

RITARO MATSUMOTO  
MITSUO HAGA  
AKIRA WAKAYAMA

**Corporate Auditor**  
HIROSHI HONGO

Notes:

Mr. Akira Shimada satisfies the requirements of outside directors assigned in accordance with Paragraph 2, Item 7-2 of Article 188 of the Commercial Code.

Mr. Ritaro Matsumoto, Mr. Mitsuo Haga and Mr. Hiroshi Hongo 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.

# Executive Officers

(As of June 23, 2005)

**President and  
Chief Executive Officer**  
TOMOKAZU HAMAGUCHI

**Senior Executive Vice Presidents and  
Representative Directors**  
TORU YAMASHITA  
Public Administration Systems Sectors  
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Corporate Strategy Planning Department  
Senior Executive Manager,  
Global Business Promotion Sector  
Senior Executive Manager,  
Affiliated Business Development Department

**Senior Executive Vice President**  
HIDEKI TERANISHI  
In charge of Intellectual Property Strategies

**Executive Vice Presidents**  
SHOUSAKU TANIGUCHI  
In charge of Internal Audit Office

GENTARO SAWA  
Senior Executive Manager,  
Second Public Administration Systems Sector  
In charge of SI Competency Headquarters

AKINOBU SHIGEKI  
Senior Executive Manager  
Fourth Public Administration Systems Sector

MITSUO MURAMATSU  
Senior Executive Manager  
First Public Administration Systems Sector

**Senior Vice Presidents**  
KENTARO WADA  
Senior Executive Manager  
Enterprise Systems Sector

SHINICHI YAMADA  
Senior Executive Manager  
Systems Platforms Sector  
Senior Executive Manager,  
Open Source Software Development Center

SHINOBU UMINO  
Senior Executive Manager,  
Third Public Administration Systems Sector

HIROSHIGE YANAGIE  
Senior Executive Manager, Enterprise Business Sector

TOSHIO IWAMOTO  
Senior Executive Manager, Financial Business Sector

KAZUYUKI ARATA  
Senior Executive Manager,  
Manufacturing & Retail Industry Business Sector

NAOTO SHIOTSUKA  
Senior Executive Manager, Finance Department  
Senior Executive Manager, Accounting Center Finance Department

FUMIHARU HANYUDA  
In charge of Enterprise Business Systems

HITOKAZU TANABE  
Senior Executive Manager, Business Solutions Sector  
Senior Executive Manager,  
Network Solutions Business Unit Business Solutions Sector

SATOSHI KURISHIMA  
Senior Executive Manager, Financial Systems Sector  
Senior Executive Manager,  
Next-generation banking Systems Promotion Office Financial Systems Sector  
Senior Executive Manager, Project Management Office  
Financial Business Planning and Administration Department

EIJI YAMADA  
Senior Executive Manager, Personnel Department  
Senior Executive Manager,  
Financial IT Management Business Unit Financial Business Sector

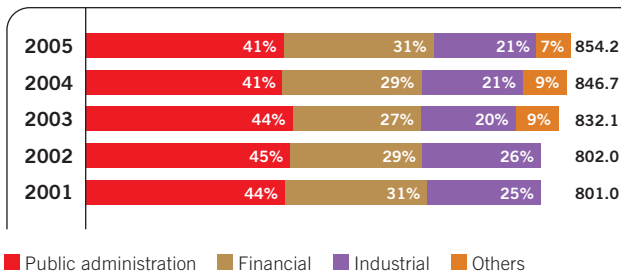
KOICHI NISHIDA  
Senior Executive Manager, Regional Banking Systems Sector

YOSHINORI HAGINO  
Director of NTT DATA SOFIA CORPORATION



# Fusing Management Skills and Frontline Staff to Realize Mid-term Management Goals

**Net Sales by Sector**  
(Billions of Yen)



Note: Sales in the industrial sector in 2001 and 2002 includes "others" fields.

## Trends in Japan's IT Services Market

Japan's IT services market returned to a recovery footing midway through 2004, but growth has remained moderate due to downward pressure on prices, reviews of corporate strategies and stricter cost-benefit analyses of IT investments, and other factors. However, an improvement in overall IT investment sentiment is gradually starting to appear. Demand for IT outsourcing services is growing as companies embrace strategies where systems operations are outsourced to reduce operating expenses, make use of the latest IT, and alleviate personnel management issues. Looking ahead, IT outsourcing services can be counted on to continue steady growth. In parallel, consulting needs are growing as systems become larger and more complex and greater emphasis is placed on IT investment returns. Meanwhile, technological requirements in the marketplace are also shifting. While the overall volume of systems in demand is declining due to downsizing, new technologies such as open systems, ubiquitous networking and collaborative Web services are driving new growth.

In this climate, customer requirements toward the IT industry are shifting toward higher value-added, safer and more reliable products and services offered at less expensive prices.

# Working as One

## Steady Progress With the Medium-Term Management Plan Heading Into Its Second Year

Steady progress is being made with our medium-term management plan designed to achieve dynamic future growth. Fiscal 2005 was a key turning point on the way to a return to earnings growth.

The NTT DATA Group plans to achieve net sales of ¥1 trillion and operating income of ¥75.0 billion in fiscal 2007, the final year of the medium-term management plan. One growth initiative for achieving these targets is investments of ¥15.0 billion per year to expand business domains, especially in the industrial sector.

Fiscal 2005 also saw us continue to implement strategies to create new markets in the industrial sector, expand market share in the financial sector, and uncover new demand for improving public services in the public administration sector. Looking ahead, the benefits of growth initiatives will be steadily harnessed to generate sales growth, while the acquisition-model IT Partner Business will be further expanded. Through these and other measures, we expect to grow sales by approximately ¥150.0 billion by the final fiscal year of the medium-term management plan.

### Mid-term Management Policy

#### No. 1 in Customer Satisfaction

Provide systems and services that improve value for customers

#### Growth initiatives

Bolster marketing and development strengths in the industrial sector and other fields.  
Development advanced solution and services.  
Develop and build infrastructure toward Next-generation Enterprise and Mission-critical systems.

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

## Shifting Competitive Strengths and Sufficient Resources to the Industrial Sector

The NTT DATA Group's strengths lie in its neutrality and multi-vendor technology, as well as its skills as an organizer in balancing the interests of numerous stakeholders in the process of constructing large-scale systems. One of the most important priorities at NTT DATA Group is to shift its competitive strengths in the IT service industry and sufficient resources to the industrial sector to expand its business domains. In this sector, NTT DATA aims to grow net sales by roughly ¥92.0 billion over the three-year period from fiscal 2004.

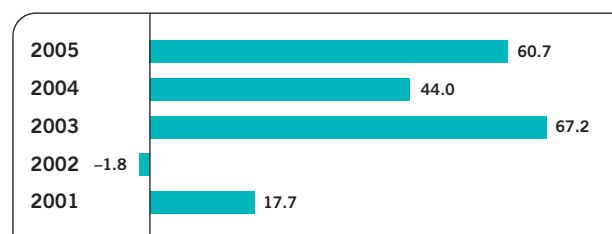
The first step will be to capture new customers by offering consulting and systems development services leveraging NTT DATA's strengths, and expand the volume of new orders. In another step, expertise developed in shared systems is being used to develop proposals for cross-industry B2B collaborative systems. Across Japan's industrial landscape, collaborative inter-company relationships have been formed much more rapidly in recent years, including alliances,

partnerships and tie-ups that sometimes transcend industry lines. We feel confident that NTT DATA's proposals can deliver appropriate solutions in response to these developments.

Our moves to rapidly expand market share through our IT Partner Business based on an acquisition model, which is premised on equity-based alliances with customers' information systems subsidiaries, is another strategy for growing our business in the industrial sector. NTT DATA has already formed equity-based alliances with five former information systems subsidiaries of corporate clients in this sector, and has been steadily delivering results. During fiscal 2006, equity-based alliances have already been formed with two more companies. Moving forward, our M&A strategy will be expanded to include targets such as IT services companies and enterprises with strong customer bases and specialized expertise, especially upstream consulting and proposal-based marketing skills, in addition to the information systems subsidiaries of corporate clients.

### Free Cash Flow

(Billions of Yen)



## Use Expertise and Competitive Strengths to Make the Industrial Sector a Field Where We Excel

Recent M&As			
	Partner	Date of establishment	Business activities
<b>NTT DATA WAVE CORPORATION</b> Percentage of issued share capital: 80.1%	Japan Tobacco Inc.	August 1, 2002	Nationwide SI services linking trading, logistics, and production functions, leveraging sales channels
<b>NTT DATA SANYO SYSTEM CORPORATION</b> Percentage of issued share capital: 50.0%	SANYO Electric Co., Ltd.	January 6, 2003	SI services based on expertise in electronics manufacturing
<b>NTT DATA BUSINESS BRAINS CORPORATION</b> Percentage of issued share capital: 70.0%	Nippon Sheet Glass Co., Ltd.	September 1, 2003	SI services based on expertise in glass manufacturing
<b>NTT DATA ITEC CORPORATION</b> Percentage of issued share capital: 60.0%	Seiko Instruments Inc.	December 1, 2003	SI services based on expertise in processing and assembly-related manufacturing
<b>NTT DATA SEKISUI SYSTEMS CORPORATION</b> Percentage of issued share capital: 60.0%	Sekisui Chemical Co., Ltd.	January 5, 2005	SI services based on expertise in housing and resin processing
<b>NTT DATA BELL SCM SOLUTIONS CORPORATION</b> Percentage of issued share capital: 51.0%	Suzuyo & Co., Ltd. Suzuyo Shinwart Co., Ltd.	July 1, 2005	Provide SCM solutions covering upstream and downstream processes in global supply chains
<b>SMIS CO., LTD.</b> Percentage of issued share capital: 86.4%	The Seiyu, Ltd.	July 1, 2005	SI services and marketing research based on expertise in distribution and food-service industry

## Steadily Contribute to Growth in the Industrial Sector Through a Unique M&A Strategy

In the industrial sector, the strategy we have adopted to steadily expand our customer base is one that involves speed—M&As. So far, this strategy has spawned many successful M&A projects.

These projects are not aimed at short-term cost reductions, but rather seek to increase the corporate value of the three parties involved in each M&A, including the parent company of the acquired information systems subsidiaries and NTT DATA. This is accomplished by continuously supporting the growth of these information systems subsidiaries through equity-based alliances. To this end, all contracts signed between the parent company and information systems subsidiaries are maintained even after equity-based alliances are formed, and no sudden changes will be made to management at these subsidiaries. Synergies captured between NTT DATA information technologies and the business-process expertise of information systems subsidiaries are driving both net sales and earnings higher at these newly acquired companies. Improved employee motivation is also apparent at the new companies as they play a leading role in providing services not only to their former parent companies but also to external customers. Expertise is also built up through this process, improving these companies' prospects for continuous growth.

With respect to issues such as bolstering marketing strengths, further upgrading technological capabilities, and optimizing cost structures, NTT DATA makes use of its resources to offer a full range of support to the new companies. As for concrete initiatives, NTT DATA provides sales support, access to systematic training programs, and conducts joint purchasing of supplies with new companies, to name a few. Consequently, the operating results of most of the new companies are steadily growing and contributing to the NTT DATA Group's overall net sales. More recently, in July 2005, NTT DATA established NTT DATA BELL SCM SOLUTIONS with the Suzuyo Group. The new company will fuse expertise in logistics and IT to provide sophisticated SCM solutions.

In recent years, I have been involved in identifying and negotiating with prospective partner companies and providing support for companies with whom we have concluded equity-based alliances. From my experience, I feel that NTT DATA has had a measure of success with the IT Partner Business based on an acquisition model. We are confident this strategy will serve as a major driving force behind achieving targeted net sales of approximately ¥270.0 billion in the industrial sector in fiscal 2007. Looking ahead, we will also take on the challenge of forming alliances with overseas companies to respond to growing demand in the global SCM field.

### Results

Improvements in operating results and employee motivation at information systems subsidiaries, as well as market acceptance of NTT DATA's M&A strategy. This has also benefited our marketing activities targeting customers in the industrial sector.

### Issues

Finding prospective partners who fit the requirements of NTT DATA's M&A policies and approach, as well as targeted scale of businesses, will take time, as we aim to further increase M&As.

### Response

While responding to growing market needs for global SCM, we will set our sights on forming alliances with overseas companies. Alliances and acquisitions of IT service companies and other firms with strong customer bases are also priorities.

### Kensei Yoshida

Senior Executive Manager, VMAI Project  
 Manufacturing & Retail Industry Business Sector  
 (Previously, Senior Executive Manager, Outsourcing Service  
 Business Unit Enterprise Business Sector)



# Implement Growth Initiatives and Create New Markets in the Ubiquitous Networking Society

## Selling, General and Administrative Expenses (Billions of Yen)



## Building a Foundation for Growth Through Upfront Investments

In fiscal 2005, NTT DATA built the structures and internal frameworks required to achieve various growth initiatives under way in line with our plans of investing ¥15.0 billion per year in these initiatives.

NTT DATA is focusing on three main growth initiatives. The first is to “bolster marketing and development strengths in the industrial sector and other fields.” The second is to “develop advanced solution and services.” The third is to “develop and build infrastructure toward next-generation mission-critical systems.” In fiscal 2005, the second initiative of developing advanced solution and services, where the largest portion of investments were allocated, saw NTT DATA take a variety of actions. New business models based on e-Collaboration\* were examined, and platforms for realizing the ubiquitous networking society were established. Other actions included the examination of new next-generation shared systems for various industries, and development of new businesses in fields such as healthcare and biotechnology, where IT promises to find greater application. Additionally, NTT DATA built up expertise by taking part in various field trials.

In this context, one field of technology believed to be essential to realizing these advanced solution and services is RFID-related technologies.

In addition to merely establishing new business models, solution and services using RFID technologies could also have a significant bearing on how companies are managed in the near future. In fiscal 2005, NTT DATA took part in various field trials at the logistics and production management levels, and put forward proposals for commercial applications to customers. Solution and services that involve balancing the interests of a broad range of stakeholders—ranging from suppliers to wholesalers and retailers—to construct cross-industry infrastructure is a prime example of a field where NTT DATA Group can exert its competitive strengths, such as its neutrality and skills as an organizer. Hopes are high for RFID technologies—they are essential to realizing our goals of delivering e-Collaboration services and building a ubiquitous networking society, and have the potential to give rise to immense business opportunities.

(\*See page 26 for further details on *Research and Development Activities*)



**Shuichiro Yamamoto, Dr. Eng.**

Deputy Senior Executive Manager  
Research and Development Headquarters

**Results**

Hopes are high for NTT DATA's RFID business. By request of the Japanese government, RFID trials in pharmaceuticals traceability have been conducted. Field trials in China have also been carried out. Progress is being made on preparations for commercialization.

**Issues**

In an environment where awareness of RFID technologies on the part of customers remains low, NTT DATA must make appropriate proposals that clearly convey to customers how and to what extent RFID can contribute to raising the productivity and quality of their operations.

**Response**

The R&D Headquarters will provide the latest information to each business unit, while obtaining feedback on market needs from these units. Discussions with customers will be continued, including cost-benefit analyses.

**Finally Gaining Momentum Toward Commercialization**

NTT DATA is engaged in research and development into e-Collaboration services that link RFID tags with sensor and monitoring technologies. If these services become a reality, we will be able to construct a ubiquitous service platform that enables collaboration between companies in different industries in an open network environment.

As an example, the application of RFID tags to production management systems will make transparent the status of production processes based on log data provided by RFID tags, allowing problematic stages of production to be easily identified. Real-time monitoring of business processes using RFID tags will also enable us to improve productivity. Furthermore, RFID may also be applied to the management of classified documents and other processes in the office, making corporate management much more trustworthy.

In fiscal 2005, NTT DATA, The University of Tokyo Hospital, Mitsubishi Pharma Corporation, and other partners carried out field trials in the field of pharmaceuticals traceability. In conjunction with the amendment of Japan's Pharmaceutical Affairs Law, drug manufacturers, wholesalers, and frontline medical

professionals are now legally required to keep sales and usage records, including drug name, specifications and lot numbers. For this reason, high hopes are being pinned on RFID tags' ability to accurately and efficiently collect data on distribution records.

In preparations for commercialization, each business unit at NTT DATA is making proposals to customers that involve consulting services that extend all the way to cost-benefit analyses and business process improvements. These proposals are being received well by customers. For its part, the R&D Headquarters is providing the latest information on technologies to each business unit, with the aim to achieve commercialization as early as possible in light of market trends. R&D is also being directed at interconnections between various RFID specifications that will be required in step with deeper B2B collaboration. In one to two years from now, RFID technologies are expected to come into wide use in Japan. Once the social infrastructure required to support this development has been put in place, I'm confident that RFID will become a business where NTT DATA will be able to fully exert its competitive strengths, such as multi-vendor technologies, and its skills as an organizer.



# Improving Fundamental Strengths to Enhance Cost Competitiveness

## Reinforce Project Management Skills to Improve Our Operating Structure

NTT DATA Group has positioned three measures as essential to achieving the targets of its medium-term management plan: strengthen marketing capabilities, strengthen competitiveness in SI, and proactively create new products and services. These three measures are supported by two initiatives—efficiently utilize SG&A expenses and provide an environment that nurtures human resources—that are being taken to improve our fundamental strengths. One particular focus is to strengthen competitiveness in SI at a faster pace from the standpoint of enhancing profitability.

More specifically, the SI Competency Headquarters plays a central role, together with PMOs and the SI Enhancement Committee, a cross-company unit, in concentrating efforts on three key priorities: improving and stabilizing processes, building up expertise in business processes, and assembling platform technologies and methodologies.

NTT DATA is taking a number of actions to improve design and development processes, including transparent development processes and an emphasis on built-in quality, and applying a broader range of engineering approaches. Business modeling techniques, for instance, are being applied to upstream system development processes, an approach that has not gained much attention until recently. One example is MOYA, a technique that is now fully up and running at NTT DATA. These and other measures will enable the NTT DATA Group to reliably develop systems without depending on the skills of any single individual, while increasing productivity.

With respect to strengthening project management skills, NTT DATA will nurture quality project managers (PMs) responsible for the development of high-quality systems. In parallel, PMs will be assigned to each targeted industry and business process to continue to respond appropriately to customers and assure project quality.

NTT DATA has been running an in-house PM certification system since October 2003 to secure sufficient numbers of highly skilled PMs. The system has four certification levels: principal, executive, senior, and associate PMs. Certification is granted in accordance with PM Capability Standards, which compiles skill requirements for PMs.

PMP Professional certification, an international certification for project management issued by the Project Management Institute (PMI) of the U.S., has been made a prerequisite for Associate PM certification at NTT DATA. As of April 30, 2005, approximately 1,500 staff members at NTT DATA have obtained the PMP Professional certification, representing around 1,000 more individuals than a year earlier.

Furthermore, NTT DATA has assembled a structure that achieves effective process improvements where Project Management Offices (PMOs) at each business unit advise on and support the activities of project managers.

### Number of Employees Holding Qualifications (non-consolidated)

	The end of FY2004	The end of FY2005
PMP (Project Management Professional)	565	<b>1,451</b>
Systems Analyst	48	<b>54</b>
Systems Auditor	104	<b>104</b>
Application Systems Engineer	267	<b>291</b>
Project Manager	67	<b>90</b>
Systems Management Engineer	43	<b>57</b>
Database Systems Engineer	171	<b>192</b>
Network Systems Engineer	594	<b>643</b>
Embedded Systems Development Engineer	2	<b>3</b>
Software Design & Development Engineer	1,577	<b>1,687</b>
Fundamental Information Technology Engineer	3,465	<b>3,712</b>
Information Systems Security Administrator	76	<b>109</b>
Senior Systems Administrator	20	<b>22</b>
Systems Administrator	590	<b>627</b>
Microsoft Certified Professional	454	<b>526</b>
Oracle Master	381	<b>552</b>



## Results

Standardized development processes for medium-scale systems, which cannot be fully addressed by expertise in large-scale systems, improving speed and cost efficiency. Progress was also made on deepening expertise.

## Issues

The use of new methodologies and applications tools can be surprising and discomfoting. Further changes in mindset and awareness of frontline staff are required to break through the status quo.

## Response

Through the use of new methodologies, we will build up a steady track record of successes and improvements, while continuing earnest efforts to change the mindset of frontline staff to foster a greater awareness of speed and cost requirements.



### Terumitsu Fukuda

Senior Manager  
First Public Administration Business Unit  
First Public Administration Systems Sector  
Executive Project Manager

## Changing Our Thinking to Make Systems Development Less Costly, Faster and More Reliable

The business environment surrounding new, medium-scale systems, a field that should be targeted by NTT DATA Group, is undergoing rapid transformation driven mainly by major advances in software technologies and the emergence of open systems. In this climate, NTT DATA is reshaping its operating structure to respond to various customer requirements for returns on IT investments and development speed, from a perspective not found in the previous development of large-scale systems.

Fundamental to the system development process is to accurately identify customer requirements and consistently and reliably respond to all project stages, from the definition of requirements to design, hardware installation and trials. In recent years, customers have been stepping up calls for this process to be accomplished in a speedy yet less costly manner. For NTT DATA, which has excelled in the construction of large-scale systems, calls for cost reductions and speed have been major issues we have needed to surmount. NTT DATA has embraced various business modeling techniques and frameworks, such as MOYA and TOY, to overcome these challenges.

MOYA is a technique for improving the accuracy of the process of defining requirements, the most important systems development process. It involves jointly

formulating and checking systems requirements together with customers. TOY is a systems modeling technique for the development of medium-scale (Web and rich client) systems that facilitates downstream processes using certain elements derived from MOYA. The first benefits of applying MOYA and TOY were that the average number of processes involved in the traditional stages of design, development, and trials changed from a proportion of 3:4:3 to 5:3:2, respectively. This shows that overall costs may be reduced through the use of fewer processes in the relatively costly development and trial stages. Furthermore, integrated management and standardization of all project stages from requirement definition to trials will enable tighter control of development, which will in turn improve the outsourcing rate in both numerical and qualitative terms, and help us acquire expertise. This expertise can be used for effective maintenance and control, and applied to the next generation of systems development, ultimately leading to faster development and further cost reductions. These and other factors will help to make NTT DATA Group more competitive.

Looking ahead, project successes, improvements and lessons learnt will be made known throughout the company, and various initiatives from different perspectives will be taken to strengthen NTT DATA Group's presence in small and medium-scale systems.

# Operational Review and Strategies by Sector

## Fiscal 2005 Results

## Market Developments

### Public Administration Sector

**Net sales: ¥351.2 billion (up ¥4.0 billion, or 1.2%, year on year)**

(Components)

National government agency-related: ¥297.4 billion

Local government-related ¥38.4 billion

Health care, welfare and others ¥15.4 billion

- Lower sales due to impact of declining hardware prices associated with upgrades of national government-related systems
- Higher sales due to lump sum advance payment of fees for data communications services

**New orders received: ¥190.0 billion (down ¥87.0 billion, or 31.4%, year on year)**

- Sharp decline due to cyclic downturn in demand for upgrading large-scale systems.

**IT investment has remained flat or has slightly declined in some areas.**

[National government agencies]

- Difficult climate for investment in large-scale systems due to emphasis on budget efficiency and returns on IT investments
- Feasibility studies for renewing legacy systems completed as of March 31, 2005. Looking ahead, the government plans to formulate optimization plans for various systems by March 31, 2006.

[Local governments]

- Difficult business environment due to intensified competition following the tightening of local government budgets and shift to open bidding for projects.
- Local governments, under instruction from national government agencies, are taking stronger action to develop services targeting various regions, such as wide-area collaboration in the event of natural disasters and regional electronic tax declaration systems.

[Healthcare, welfare and others]

- Electronic medical insurance receipts associated with reforms of the medical insurance system and greater adoption and expansion of electronic medical charts.
- Strengthen actions in fields involving private-public sector collaboration such as PFI (Private Finance Initiative)s.

### Financial Sector

**Net sales: ¥259.0 billion (up ¥15.8 billion, or 6.5%, year on year)**

(Components)

Individual outsourcing projects: ¥89.9 billion

Shared systems: ¥76.1 billion

Payment-related systems: ¥42.2 billion

Financial systems for securities, life/non-life insurers and others: ¥50.8 billion

- Higher sales due mainly to outsourcing services for Resona Bank, Ltd.

**New orders received: ¥230.0 billion (up ¥1.0 billion, or 0.4%, year on year)**

- Largely the same as the previous fiscal year.

**Overall IT investment is increasing slightly as the problem loan issue ends, and alliances linking different financial categories are formed.**

[Individual outsourcing projects and shared systems]

- Expect to see continued cost-cutting needs arising from the concentration of resources in core businesses, as well as integration and realignment.

[Payment-related systems]

- Wider use of credit cards as a payment method contributes to steady performance.

[Financial systems for securities and life/non-life insurance companies]

- Due to the revitalization of management at major financial institutions and other customers, new strategic IT investment needs aimed at expanding earnings and capturing individual clients are expected.

### Industrial Sector

**Net sales: ¥181.6 billion (up ¥4.7 billion, or 2.7%, year on year)**

(Components)

Telecoms: ¥68.6 billion

Manufacturing and distribution: ¥57.9 billion

Services, media and transport: ¥34.6 billion

- Lower sales due to the absence of the previous year's major project in the telecoms field.
- Sales growth driven by the acquisition-based IT Partner Strategy in the manufacturing and distribution fields.

**New orders received: ¥196.2 billion (up ¥21.6 billion, or 12.4%, year on year)**

- Higher due to expansion fueled by the acquisition-based IT Partner Strategy.

**IT investment needs are surfacing, despite some disparity among companies.**

[Telecoms]

- Due to intensified competition, telecoms are expected to make strategic IT investments geared to creating new services and business models.

[Manufacturing and distribution]

- Continuation of various field trials designed to track logistics information through RFID applications.
- More opportunities for structuring B2B collaborations through IT.
- More opportunities for offering overseas support services for global companies.

[Services, media and transport]

- Emerging demand for consulting services on credit card payment and customer management, and new businesses using smart card and mobile technologies.

## NTT DATA's Strategies

**Take proactive actions focused on demand for system development geared to improving public services, and continue to steadily capture orders in existing businesses to retain profitability.**

- Respond energetically to calls for one-stop services (social infrastructure bridging the private and public sectors, etc.)
- Actively propose new business models, such as PFI.
- Respond properly to *optimization plans*.



**Sales to national government agencies will remain mostly flat until fiscal 2007, but sales growth will be driven in fields such as local government-related projects and Healthcare and welfare.**

**Capture new customers and aggressively enter new business domains.**

- Maintain stable provision of shared systems to existing customer industries.
- Promote shared systems centers and IT outsourcing services taking advantage of our neutrality.
- Expand orders through proactive proposals of peripheral systems and additional services mainly at shared systems centers for account systems.
- Aggressively move into the credit card, securities, and life and non-life insurance fields.



**Implement a strategy for expanding market share leveraging NTT DATA's strengths.**

**Increase net sales and new orders received by expanding our customer base and creating new markets.**

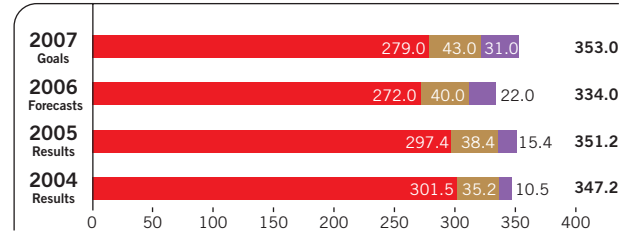
- Win orders for backbone systems and outsourcing services, tapping expertise in the construction of large-scale systems and other areas.
- Develop and deploy B2B collaboration systems and other products that encompass various industries.
- Promote the IT Partner Business based on an acquisition model.



**Build a new customer base, in the sense of making an initial investment, with the aim to drive further growth.**

## Breakdown of Net Sales

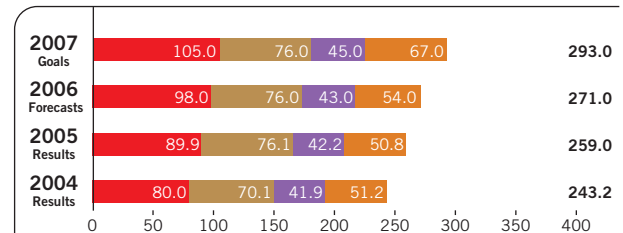
(Billions of Yen)



■ National Government-related ■ Local Government-related ■ Healthcare, Welfare and Others

\* Eliminations on consolidation are included in "Healthcare, Welfare and Others."

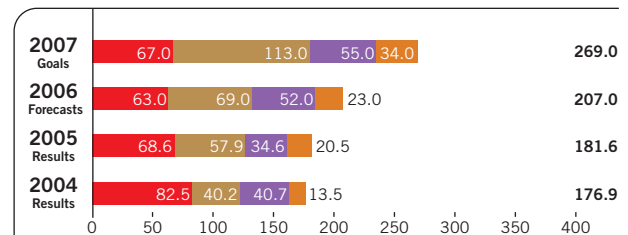
(Billions of Yen)



■ Individual Outsourcing Projects ■ Shared Systems  
 ■ Payment-related Systems  
 ■ Financial Systems for Securities, Life/non-life Insurers, and Others

\* Eliminations on consolidation are included in "Financial Systems for Securities, Life/non-life Insurers, and Others."

(Billions of Yen)



■ Telecoms ■ Manufacturing and Distribution  
 ■ Services, Media and Transport ■ Others

\* Eliminations on consolidation are included in "Others."

## Principal Systems and Outlook by Sector

Name	Description	Size
<b>Public Administration Sector</b>		
<b>Central Government Agency Systems</b>	Information systems for various central government agencies vital to Japanese society.	Nationwide
<b>Residential Basic Ledger Network Systems</b>	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
<b>Medical Institution Data Verification Support System</b>	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.	Four major companies, including Fujitsu Limited, act as sales agents.
<b>Financial Sector</b>		
<b>The Zengin Data Telecommunications System</b>	An online system that accurately and rapidly processes domestic exchange transactions	As of April 30, 2005, 1,596 banks and 35,759 branches participated in the network. Transaction volume exceeds five million transactions per business day on average.
<b>Banking Center for Regional Banks</b>	An outsourcing business model based on shared systems that helps to lower the cost of core systems and to add advanced functions	As of June 2005, four banks participated in the system, while six other banks had announced their intent to do so, making this the largest shared center for regional banks in Japan.
<b>ANSER / CAFIS</b>	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 70 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.
<b>Multi-Payment Network</b>	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 the 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.
<b>Industrial Sector</b>		
<b>i-mode gateway system</b>	A platform that provides e-mail, Internet access, and other services for more than 44 million users of i-mode mobile phones.	One of the world's largest mission-critical client-server systems
<b>CECTRUST Electronic Contract Service</b>	An ASP-type service that realizes the exchange of electronic contracts, safekeeping of original copies, and guaranteed authenticity of original copies for use in all industries, including the construction industry. (The CECSIGN authentication service, which fully meets the requirements of Japan's Electronic Signature Law, is also provided.)	NTT DATA established a joint venture company with five major general contractors and Oracle Corporation Japan. (Number of participating companies: 1,350 as of March 31, 2005) (Usage: 20,000 cases handled in fiscal 2005)
<b>JAL IC Card Services</b>	The "JAL IC Coupon service" will enable users to convert mileage awards into coupons and charge coupons to their non-contact smart cards for use in a variety of settings. The "JAL IC Check-in service" will enable "touch and go" ticketless boarding procedures using smart cards or "FeliCa" mobile phones, following the completion of online check-in procedures.	The "JAL IC Coupon" and the "JAL IC services" were launched in January and February 2005, respectively, at major airports in Japan for domestic flights. Plans call for successively expanding these services to other domestic airports. The number of members replacing current mileage cards with smart cards is in the order of several 100,000 per month, against a total of 16 million JAL Mileage Bank members.
<b>Non-asset Intensive Third Party Logistics (3PL) Business</b>	A third-party logistics service provided by Logistics Planner Inc., a joint venture between NTT DATA and NICHIREI CORPORATION.	Realized optimal nationwide logistics systems on a comprehensive scale at Nichirei Foods Inc., a NICHIREI group company, and other firms.

## NTT DATA's 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 smart cards, such as regional card systems, and expertise gained from smart card development.</p>	<p>In the future, systems based on smart 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 smart credit cards and smart cash cards. Smart 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 the security technologies, system operations and relevant laws and regulations necessary to realize the exchange of electronic contract documents and guarantee the authenticity of original copies based on a platform for the distribution of e-Documents developed by NTT DATA.</p>	<p>This service represents an important source of diverse expertise in the B2B field in industries such as construction, transportation, gas, electric power, housing, real estate, manufacturing and financial services. Following the enforcement of the Abstract IT Comprehensive Law and e-Document Law, companies have more opportunities to use electronic documents. Prospects are strong for new businesses that help companies implement structural reforms, increase efficiency and deploy more advanced systems.</p>
<p>The ability to propose attractive services from the standpoint of users, based on study sessions with the customer, won strong marks from the customer. NTT DATA successfully held down system construction costs through the use of its INFOX multi-payment solution.</p>	<p>This service demonstrated the possibilities of smart card solutions to not only the airline industry but also the rest of the transportation industry as well. Smart cards will deepen collaboration between transportation companies, while providing opportunities for broadening partnerships with other industries such as retailing and services. Looking ahead, advanced CRM systems using smart cards are expected to become a critical business solution for establishing a captive customer base.</p>
<p>Expertise in IT at NTT DATA and logistics at NICHIREI were combined to introduce a mechanism for sharing the profits generated by increasing logistics efficiency. Instead of merely providing logistics outsourcing, the goal is to further increase the efficiency of logistics systems for clients. Strengths lie in consistent, high-value-added proposals.</p>	<p>In a business environment where reductions in a diverse array of operating expenses are required, it is an imperative for all companies involved in manufacturing and logistics to increase the efficiency of logistics systems. There is steadily growing demand from various sectors of industry for the expertise needed to review various logistics systems such as inventory plans, positioning logistics bases, delivery routes and logistics management processes from an optimal comprehensive perspective. This offers strong prospects for full-fledged growth in demand for non-asset intensive 3PL services in the near future.</p>

# Research and Development Activities

Aiming to achieve the targets of its medium-term management plan, the NTT DATA Group is rapidly working to develop advanced solutions, while contributing to a ubiquitous networking society that fuses physical reality and cyberspace to link people, IT equipment, content and services over networks.

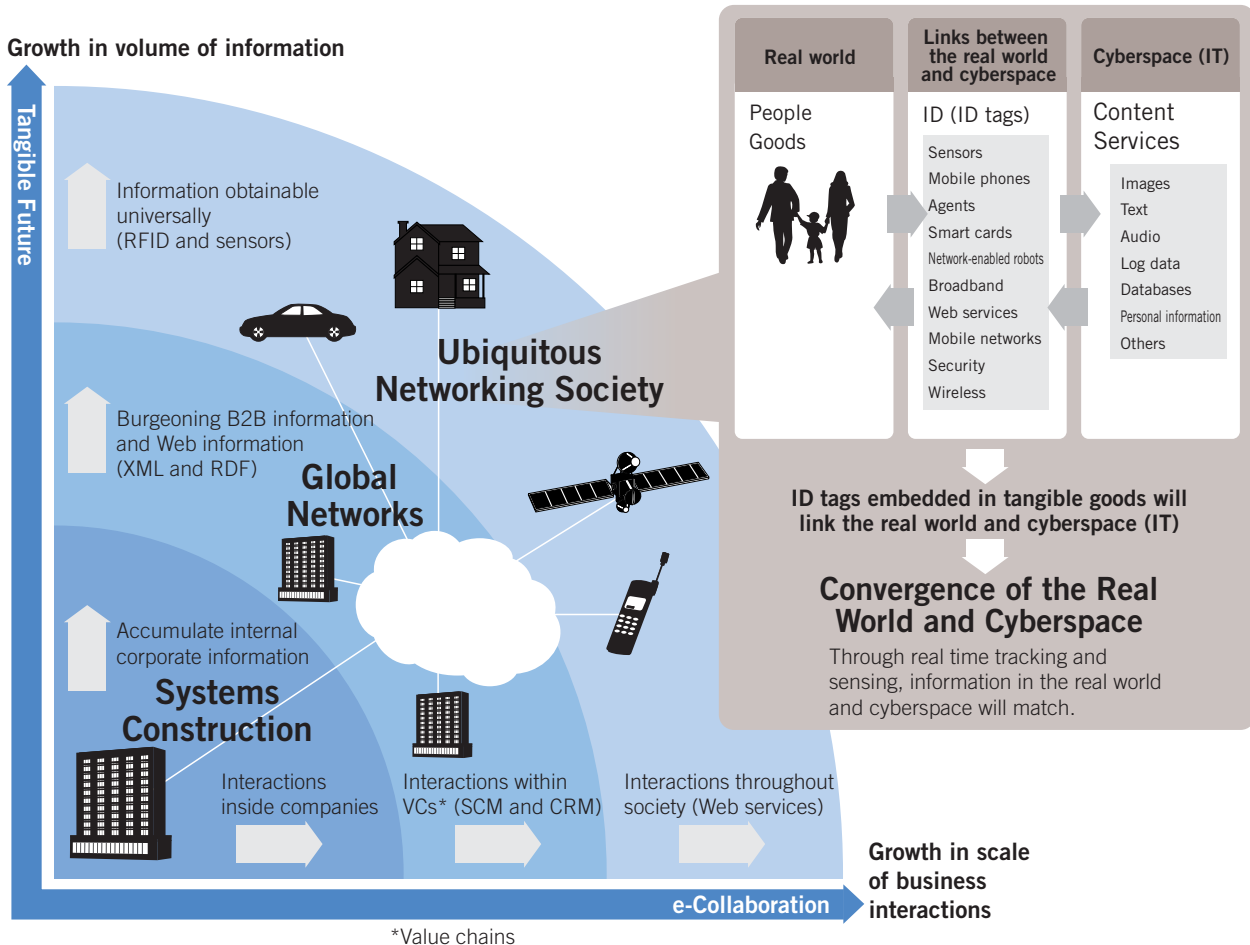
## E-COLLABORATION AND TANGIBLE FUTURE

E-Collaboration and Tangible Future represent NTT DATA's R&D vision for the realization of a ubiquitous networking society.

E-Collaboration services seek to efficiently link various interrelated goods and business processes over networks. In this area, fiscal 2005 saw NTT DATA develop a ubiquitous service platform compatible with standards recommended by the Ubiquitous ID Center. The first of its kind in Japan to obtain certification from this center, this platform is being applied to field trials to investigate the effectiveness of RFID tags developed by NTT DATA. In another development, the ubiquitous networking society is expected to make reams of information available to the public. Information can be configured to recognize relationships with other pieces of information, effectively forming an awareness of its own context. This field of information technology, technically referred to as context awareness, will enable the delivery of information and services optimally tailored to

individual users. NTT DATA is conducting R&D into frameworks capable of processing structured contexts, with the view to constructing context-aware information systems.

On the other hand, Tangible Future is a technology that promises to rapidly sift through reams of information obtained from goods and business processes to identify new forms of value-added information. In this field, NTT DATA advanced R&D into technologies for the analysis of large volumes of information, which aim to generate new high-value-added information through analyses of patterns, rules and structures hidden in information. The forms of information targeted by this technology include large-scale communications logs, immense corporate information, and medical information, such as genetic data. The main initiatives in this area are to speed up information retrieval, develop more sophisticated algorithms for analysis, and improve techniques for visualizing the results of analyses.



## Directing R&D Toward the Ubiquitous Networking Society



In line with Guidelines for older persons and persons with disabilities (JIS X 8341) aimed at improving accessibility for disabled persons and the elderly, R&D is also under way to develop technology that dynamically generates user interfaces optimally tailored to individual users at their terminals. Our goal is to develop systems that are easy for anyone to use.

### **ACTIONS TO DEVELOP INFRASTRUCTURE FOR THE CONSTRUCTION OF NEXT-GENERATION MISSION-CRITICAL SYSTEMS**

Amid growing needs for open mission-critical systems, NTT DATA is developing PORTOMICS, a systems solution leveraging the strong points of open systems that delivers mainframe-level performance, reliability, operability and security. Plans call for unveiling a demonstration version of this system modeled on a mission-critical system for the financial sector in fall 2005. Three solution packages, namely system inventories valuation assessment, system optimization consultation, and system asset migration, are also being developed as part of efforts to realize system optimization support services.

In another development, the Open Source Development Center was newly established to augment development and support systems for infrastructure to develop systems based on open source software (OSS). This center has begun serving as a development base for Prossione, a full OSS solution, including middleware. This low-cost platform solution makes full use of open-source software to construct low-end to mid-range systems targeting IA servers. Combinations of OSS such as Linux and PostgreSQL were examined, R&D into systems operations and management functions was carried out, and systems development infrastructure was put in place.

### **ACTIONS TO STRENGTHEN SECURITY**

One critical technology underpinning the ubiquitous networking society is security technology. While responding to needs for access to information anywhere, anytime, we are setting our sights on developing information systems that can be used safely, reliably and conveniently. Guided by these priorities, R&D in this area is focused on security requirements classified into data access control, authentication, and system defense functions. Concrete R&D themes include secure data management technologies for appropriately controlling the flow of information assets, biometric authentication technologies for identifying users with certainty, secure networking technologies to protect information assets from unauthorized access and IT security recognition technology based on ISO/IEC 15408.

### **SOFTWARE ENGINEERING ACTIVITIES**

Customer needs for fast system development services are on the rise. Aiming to further shorten development periods, and enhance quality, R&D is under way to establish new system development techniques based on modeling approaches. Furthermore, NTT DATA has continued R&D from the previous fiscal year into the automatic generation of programming code from a UML model, leading to the development of an application that can generate complete Java code from a model based on UML2.0 specifications. Trials are now under way to test the effectiveness of this breakthrough. Furthermore, NTT DATA is working to improve quality in upstream system development processes by assuring the consistency of information-system designs and specifications by centrally managing them using a UML model.

### **CONSULTING/ADVISORY ACTIVITIES FOR SOCIETY**

NTT DATA participated in the GBDe Summit 2004 (Global Business Dialogue on Electronic Commerce), an international forum on e-commerce, as the global chair of this event. Through seminars on "Secure e-Commerce" and "International Cooperation on e-Commerce," NTT DATA presented its vision for a ubiquitous networking society. Another program NTT DATA took part in was field trials on developing means of civic participation using IT. Based on the concept of e-Democracy, NTT DATA proposed ways of using IT infrastructure to deepen public-private sector collaboration.



# Intellectual Property Initiatives

NTT DATA believes that strategically leveraging intellectual property is an essential means of making our businesses more competitive in the future. Moving forward, we will continue to develop products and services that stand out in the marketplace and establish competitive advantages to ensure growth, while enhancing our reliability in the eyes of customers and business partners.

## APPROACH TO INITIATIVES FOR INTELLECTUAL PROPERTY

The objective of initiatives to promote intellectual property at NTT DATA is to secure more flexibility in developing businesses while differentiating products and services so that the Company can establish a competitive edge. Looking ahead, intellectual property for appropriately and rapidly responding to customer needs will be created, protected, and applied to spur on the development of businesses.

Meanwhile, important themes are to prevent infringement of other companies' intellectual property rights and to securely manage and protect intellectual property and critical trade secrets collected from customers and business partners in the course of business. Our approach to these themes helps us to enhance our reliability and corporate value.

## FRAMEWORK FOR INTELLECTUAL PROPERTY

The Intellectual Property Office has been established at NTT DATA as a unit dedicated to the promotion of intellectual property and intellectual property managers have been assigned to major business units. Under this framework, the Intellectual Property Office carries out various internal consulting services on intellectual property, provides information useful for applying intellectual property to businesses, and formulates and implements intellectual property strategies consistent with its business and R&D strategies.

As part of efforts to reduce risks related to intellectual property, the Intellectual Property Office deepened cooperation with related internal sections such as the Legal Office, and outside related professionals.

## INTELLECTUAL PROPERTY AT NTT DATA

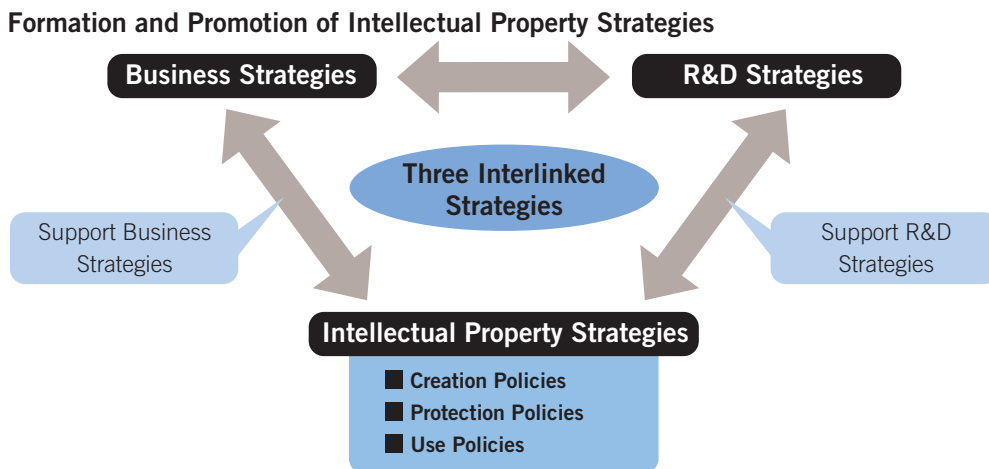
### <Patents>

Many of the patents filed in fiscal 2005 by NTT DATA were related to technologies envisioned for use in proprietary services and implementation several years from now. R&D departments took the lead in filing a range of patents in fields such as large-scale information analysis, secure data management technologies and user interface technologies.

In light of the numerous patents filed for business methods in recent years, our policy for these patents is to carefully select themes for patent filings based on sufficient research into literature on prior arts.

With respect to securing patent rights, NTT DATA files for patents to establish competitive advantage and differentiate proprietary services in the marketplace, considering factors such as recently constructed systems, as well as industry and peer company trends. Some examples include patents covering standard specifications technologies for large-scale financial network systems, as well as the filing of patents for map generation services using proprietary GIS-related technologies. As of March 31, 2005, NTT DATA held roughly 350 patents in Japan.

In fiscal 2005, we revised our employee inventions system. More specifically, in April 2005, NTT DATA reviewed its previous remuneration policy for employees who have made inventions, which was based on Japan's Patent Law. In general, remuneration is paid to employee inventors at three stages: when patents are filed, registered and enforced. Under the revised system, remuneration paid when patents are enforced will include a component commensurate



to the contribution of the patent to businesses without limit. Through this revision, we are hoping to further motivate employees to make inventions that contribute to businesses.

<Trademarks>

NTT DATA also works to acquire legitimate trademarks, while preventing trademark infringement by third parties and the dilution of the value of its trademarks. This comes as part of efforts made by NTT DATA to protect its brands and enhance their value in step with progress on creating new businesses as part of its medium-term management plan and other developments. As of March 31, 2005, NTT DATA held roughly 1,300 trademarks in Japan.

**INITIATIVES TO OBTAIN AND MANAGE INTELLECTUAL PROPERTY, AND REDUCE INTELLECTUAL PROPERTY-RELATED RISKS**

<Initiatives to Obtain and Manage Intellectual Property>

With respect to policies on obtaining and managing intellectual property, NTT DATA formulates and adheres to handling rules and guidelines. Efforts to reflect these policies in day-to-day operations, such as the inclusion of intellectual property-related requirements into internal development standards, are also being taken.

NTT DATA keeps track of internal information on a diverse array of other R&D themes and industry knowledge. We hope to apply this information across our organization to upgrade the quality of various systems and reduce development costs. Knowledge-sharing systems, such as an environment for sharing solutions-related information on our intranet, have been constructed to achieve these goals.

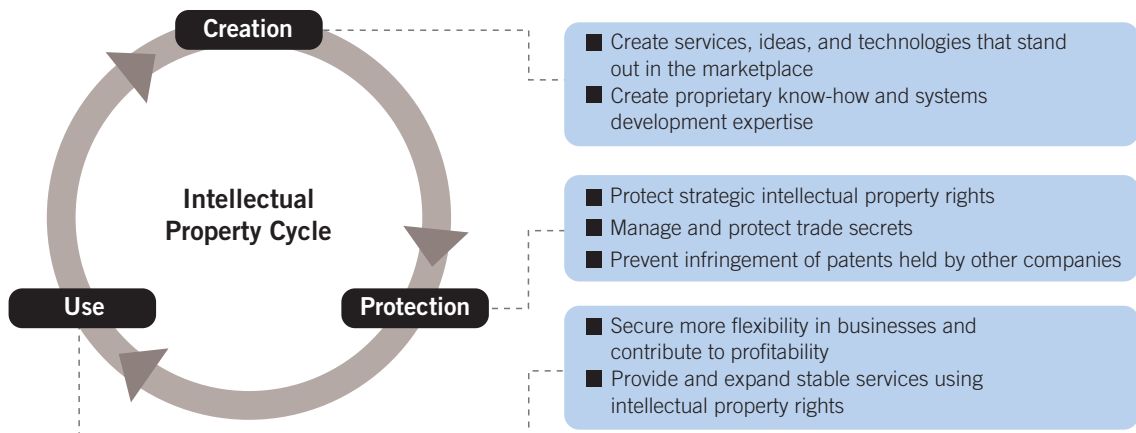
Besides the aforementioned our intellectual property initiatives, intellectual property created by NTT Corporation, the holding company of the NTT Group, is also applied to further upgrade the core competencies of NTT DATA.

<Reduce Intellectual Property-related Risks>

Patents held by other companies, another important concern, are addressed in several ways. NTT DATA has included confirmation of any infringement of patents held by other companies when constructing new systems into its internal risk assessment system. Company-wide Web training programs on intellectual property, including perspectives on the prevention of patent infringement, are also held.

Furthermore, NTT DATA has a stringent risk management system with respect to intellectual property and implements various measures on this front. These include the formulation of an Information Security Policy to securely manage trade secrets collected from customers, as well as assessments and the inclusion of these principles into the NTT DATA Group Code of Ethics.

**Intellectual Property Activities**



## Global Operations

Since its establishment, NTT DATA Group has promoted a range of international business activities. We have established operating bases in the U.S., U.K., 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 a 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.

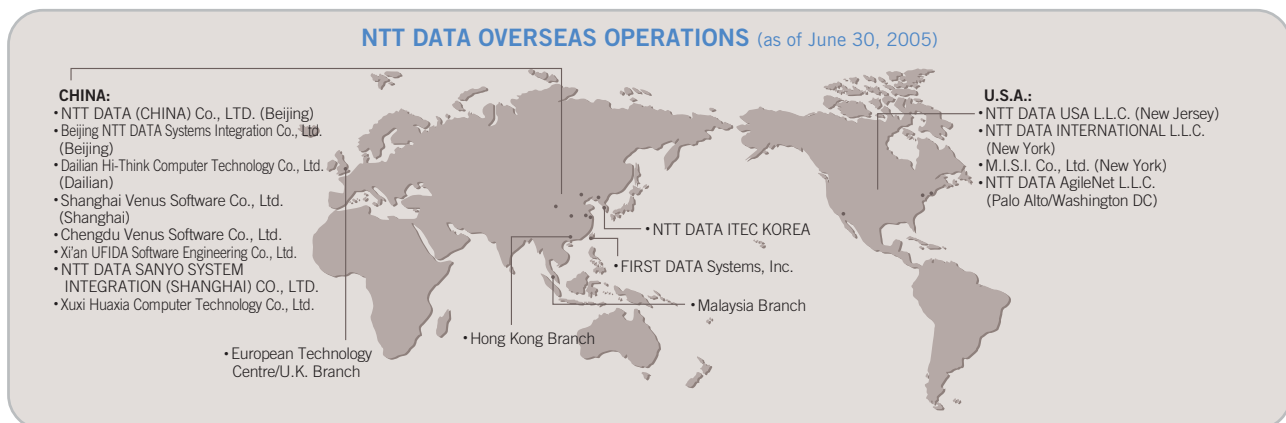
In fiscal 2005, NTT DATA conducted joint three-way field trials with a Chinese telecommunications firm and another company engaged in Internet-related businesses to determine the effectiveness of RFID tags in various stages of product distribution. Also, to respond to IT-related needs in mainland China, NTT DATA, along with one of China's largest software vendors, reached an agreement on the establishment of a joint venture to provide IT services to local Japanese companies.

In Southeast Asia, NTT DATA designed a customs system in 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," 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.

### 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.

In fiscal 2005, M.I.S.I. Co., Ltd., a U.S.-based affiliate, took over part of the operations of a local IT vendor in order to obtain expertise in the pharmaceuticals industry and Web-related development technologies and other resources. Moving forward, through cooperation with the NTT DATA Group, these resources will be used to cultivate a new local customer base centered on global Japanese companies.



## As a Corporate Citizen

The NTT DATA Group constantly anticipates the future to respond rapidly and adroitly to changes in market conditions, customer needs, and the latest trends in technology. Our mission is to provide a diverse array of IT-driven services that offer higher value for customers as we seek to play a part in creating an enriched society.

### NTT DATA GROUP'S BUSINESSES AND RELATIONSHIPS WITH SOCIETY

In parallel with constructing information systems tailored to customer needs in the public administration, financial and industrial sectors, NTT DATA Group 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 Group 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 CONTRIBUTION ACTIVITIES

NTT DATA is engaged in community support activities in fields such as public welfare, community, international relations, culture and the arts, with emphasis on activities where participation by large numbers 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.

#### Support for People

Every year, employees of NTT DATA take part in a wide range of fundraising activities, including an internal charity auction at Christmas via its intranet and fundraising through the sale of "NTT DATA-style Valentine" sweets within the Company. NTT DATA employees are also involved in volunteer work, taking part in activities such as the KIDS PROJECT, where employees escort children with disabilities for a day. Employees are also dispatched to Japan Overseas Cooperation Volunteers (JOCV) to participate in various volunteer activities.

One new initiative in fiscal 2005 saw NTT DATA hold an IT seminar for elementary school students, the generation who will be entrusted with propelling the IT-driven society of the future. These seminars give students a glimpse of this future by providing the opportunity to experience various forms of IT, including the latest services and systems provided by NTT DATA.

Other programs included seminars on sign language and guide dogs for the hearing impaired (including guide dog demonstrations), with the objective of deepening public understanding of hearing disabilities.



IT seminar for students on summer holiday



Charity auctions via NTT DATA's intranet

Fiscal 2005 was a year that saw several major natural disasters occur both in Japan and overseas. NTT DATA provided support for relief assistance programs held by the Japanese Red Cross Society, to help disaster victims return to a normal, secure life as early as possible.

- Niigata-Chuetsu Earthquake: ¥16.8 million (comprising voluntary donations from employees and matching contributions from NTT DATA)
- Offshore Sumatra Earthquake and Tsunami: ¥3 million

**Support for the Environment**

NTT DATA sponsors the “Nature Network Project”, an online venture that distributes video and audio footage obtained from cameras set up in natural settings over the Internet to users worldwide. It also sponsors the “Think Daily” webpage for the “Think the Earth Project”, which runs a website designed to stimulate thought on environmental issues.

**Support for Culture and the Arts**

The Company also sponsors “NTT DATA’s Concert of Concerts,” a popular annual classical music concert, where numerous members of the public are invited by application to attend this event free of charge.

**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 Group 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**

NTT DATA has conducted company-wide ISO 14001 certification activities since 1999. As of March 2005, all organizations at NTT DATA and 17 group companies have acquired ISO 14001 certification. These activities will be extended to other 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 Group is using its expertise in information processing services to offer online learning courses in environmental preservation programs to staff. NTT DATA Group 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 Group believes that it is important that proposals for solving environmental problems are directed through businesses. Leveraging its experience, NTT DATA Group 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.



NTT DATA-style Valentine



NTT DATA Social Environment Report 2004

## Financial Section

## Consolidated Six-Year Summary

NTT DATA CORPORATION AND SUBSIDIARIES

Years ended 31st March

	Millions of yen						Thousands of U.S. dollars	
	2000	2001	2002	2003	2004	2005	2005	
<b>For the Year:</b>								
Net Sales	¥ 725,348	¥ 801,045	¥ 801,967	¥ 832,109	¥ 846,706	¥ 854,154	\$ 7,982,748	
System Integration	586,829	650,632	624,921	671,256	685,454	689,847	6,447,168	
Network System Services	49,108	52,111	58,243	60,262	57,794	56,612	529,084	
Others	103,539	142,424	209,550	173,883	177,721	186,502	1,743,010	
Elimination or Corporate	(14,128)	(44,122)	(90,747)	(73,292)	(74,263)	(78,807)	(736,514)	
Cost of Sales	539,715	598,245	591,301	622,072	637,911	648,396	6,059,776	
Operating Income	50,738	58,778	59,446	61,544	59,725	39,288	367,178	
Income (Loss) before								
Income Taxes	(29,177)	46,083	47,163	50,933	44,441	32,144	300,411	
Net Income (Loss)	(18,114)	24,452	26,410	28,562	26,956	20,110	187,944	
New Orders Received	714,882	779,418	845,400	843,571	750,796	658,161	6,151,037	
Capital Expenditures	210,375	163,655	170,577	171,017	148,923	110,821	1,035,710	
Depreciation and Amortization/ Loss on Disposal of Property and Equipment and Intangibles	152,836	151,927	153,115	158,523	165,281	161,942	1,513,477	
Research and Development Expenses	22,684	17,957	19,074	18,224	15,350	16,542	154,598	
Free Cash Flow	(23,763)	17,702	(1,776)	67,180	44,044	60,712	567,402	
EBITDA	203,574	210,705	212,561	220,067	225,006	201,230	1,880,655	
<b>At Year-End:</b>								
Property and Equipment, at Cost	991,547	973,046	1,034,563	1,008,791	813,868	819,984	7,663,402	
Less: Accumulated Depreciation	(565,383)	(577,951)	(632,917)	(607,447)	(468,534)	(498,095)	(4,655,094)	
Long-Term Debt	385,462	351,354	307,879	313,860	271,920	235,845	2,204,159	
Total Liabilities	706,739	696,848	699,443	679,872	600,318	557,092	5,206,467	
Total Shareholders' Equity	363,758	388,537	412,966	435,715	458,846	473,982	4,429,738	
Total Assets	1,071,653	1,086,437	1,113,777	1,118,401	1,065,549	1,038,571	9,706,271	
	Yen						U.S. dollars	
<b>Per Share:</b>								
Net Income (Loss)	¥ (6,499)	¥ 8,680	¥ 9,382	¥ 10,152	¥ 9,578	¥ 7,139	\$ 66.72	
Shareholders' Equity	129,641	138,479	147,192	155,304	163,550	168,947	1,578.94	
<b>Other Information:</b>								
Operating Income Margin (%)	7.0	7.3	7.4	7.4	7.1	4.6	—	
Return on Sales (%)	(2.5)	3.1	3.3	3.4	3.2	2.4	—	
Return on Equity (%)	(4.9)	6.5	6.6	6.7	6.0	4.3	—	
Return on Assets (%)	(1.7)	2.3	2.4	2.6	2.5	1.9	—	
EBITDA Margin (%)	28.1	26.3	26.5	26.4	26.6	23.6	—	
Equity Ratio (%)	33.9	35.8	37.1	39.0	43.1	45.6	—	
Number of Employees	10,500	12,843	14,651	15,971	17,389	18,720	—	

## 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 is 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, 2005, of ¥107=U.S.\$1.



# Management's Discussion and Analysis

## Market Conditions in Fiscal 2005, Ended 31st March 2005

In the fiscal year ended 31st March 2005, macroeconomic conditions in Japan steadily recovered, supported mainly by improvement in corporate earnings and an upturn in capital expenditures. Meanwhile, Japan's IT services industry faced a difficult business environment, due to decreases in IT investment budgets at national government agencies in recent years, downward pricing pressure from customers, calls for tighter delivery schedules, and the growing tendency for IT vendors to realign their businesses around software. However, it is projected to achieve moderate growth over the medium term. Overall demand in the IT services market is forecast to remain firm, underpinned by growing outsourcing needs and demand for shared systems, centered on companies.

## Review of Operations: the Year Ended 31st March, 2005 Compared With the Year Ended 31st March, 2004

### •Business Expansion and Net Sales

In fiscal 2005, NTT DATA implemented initiatives to improve fundamental strengths, as well as growth initiatives aimed at driving significantly higher growth into the future. The overriding goal is to become a corporate group capable of being the No. 1 in customer satisfaction by delivering systems and services that provide improved value for customers.

NTT DATA is focusing on three main initiatives to improve its fundamental strengths—strengthen marketing capabilities, strengthen competitiveness in SI, and proactively create new products and services. In parallel, these efforts are supported by two additional initiatives—use SG&A expenses more efficiently and provide an environment that nurtures human resources.

The first of the three main initiatives—strengthen marketing capabilities—has seen us formulate strengthened plans based on the results of customer satisfaction surveys targeting just over 100 of our largest customers. Improvements to marketing processes were made and other initiatives taken.

The second of the three main initiatives—strengthen competitiveness in SI—has seen NTT DATA implement measures to improve and stabilize development processes, accumulate business-process expertise, and assemble platform technologies. Encouraging employees to obtain the Project Management Professional (PMP) certification, an international certification for project management, is another key priority.

The third of the three main initiatives—proactively create new products and services—has seen us invite employees throughout the Company to submit proposals for new businesses that involve new products and services. This has resulted in a flood of new proposals far exceeding our annual targets.

The first of the two additional support initiatives—use SG&A expenses more efficiently—has required NTT DATA to take steps to review and increase the efficiency of operations at administrative departments such as human resources, in order to reduce administrative expenses. In tandem, a greater proportion of expenses has been shifted to selling expenses related to marketing and other activities.

The second of the two additional support initiatives—provide an environment that nurtures human resources—has seen us set our sights on becoming No. 1 in employee satisfaction in the IT industry. Our first steps were to conduct an employee satisfaction survey, in addition to reassigning personnel to optimal posts and holding training programs to upgrade skills.

NTT DATA pressed ahead with three growth initiatives—bolster marketing and development strengths in the industrial sector and other fields; develop advanced solution and services; and develop and build infrastructure toward next-generation mission-critical systems.

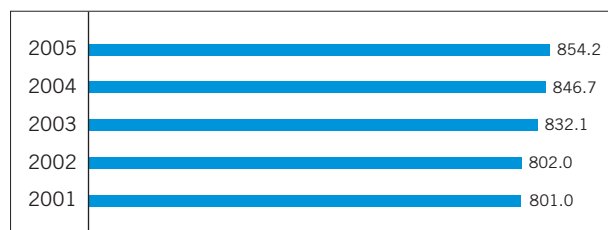
The first of the three growth initiatives—bolster marketing and development strengths in the industrial sector and other fields—involved the recruitment of some 170 experienced professionals with business-process expertise and consulting skills. In July 2004, NTT DATA SYSTEM DESIGN was established to provide IT Director and CIO Support services from a customer-centric perspective. Another new company was NTT DATA QUICK, a system development subsidiary specializing in the construction of corporate information systems.

The second of the three growth initiatives—develop advanced solution and services—saw us work to expand the user base of Health Data Bank, a system that distributes health management information over the Internet to employees of corporate clients. Additionally, NTT DATA developed systems leveraging leading-edge technologies in ubiquitous networking, mobile communications and other fields, such as RFID tags.

The third of the three growth initiatives—develop and build infrastructure toward next-generation mission-critical systems—saw the completion of the Open Source Development Center (OSDC) in August 2004. NTT DATA also pressed ahead with the development of Prossione, a solution designed to support the construction of websites fully based on open source software and other purposes.

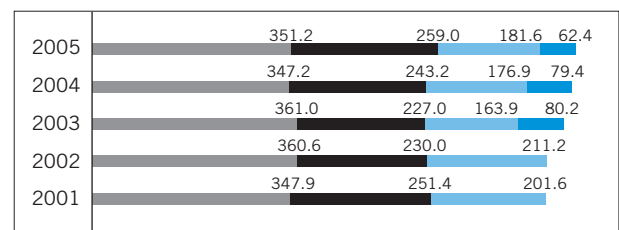
### Net Sales

(Billions of Yen)



### Net Sales by Sector

(Billions of Yen)



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

Note: Sales in the industrial sector in 2001 and 2002 includes "others" fields.



Through these and other activities, NTT DATA has promoted proactive marketing activities and efficient system development with the aim of winning orders for new systems and starting-up new services. Efforts were also made to continue providing reliable services with respect to systems currently provided.

As a result, net sales rose ¥7.5 billion, or 0.9% year on year, to ¥854.2 billion. In fiscal 2005, net sales at NTT DATA Group represented 10% of the sales of the NTT Group, down 3 percentage points from the previous fiscal year, declining for the second straight year.

In fiscal 2005, the NTT DATA Group newly brought three companies, NTT DATA SEKISUI SYSTEMS CORPORATION, NTT DATA SOFIA CORPORATION and Chigin Kyodo Center Communications Company, Limited. into its scope of consolidation. Consequently, the NTT DATA Group had 45 consolidated subsidiaries and 2 equity-method affiliates as of 31st March, 2005.

•Overview by Sector

	Net Sales and New Orders Received by Customer Sector (Billion of Yen)			
	Net Sales		New Orders Received	
	2004	2005	2004	2005
Public Administration Sector	347.2	351.2	277.0	190.0
Financial Sector	243.2	259.0	229.0	230.0
Industrial Sector	176.9	181.6	174.6	196.2
Others Sector	79.4	62.4	70.2	42.0

\* 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

Against the backdrop of a downtrend in IT investment budgets at national government agencies, NTT DATA worked to proactively respond to demand for one-stop services for infrastructure for public-private sector convergence and other purposes, as well as propose new business models such as PFI. Demand was strong in local government-related, medical and public welfare, and other areas.

Consequently, overall net sales increased 1.2%, or ¥4.0 billion, to ¥351.2 billion in this sector. However, new orders received were down 31.4%, or ¥87.0 billion, to ¥190.0 billion.

Financial Sector

As progress is made toward ending the problem loan issue and financial institutions return to health, NTT DATA proactively made proposals for shared systems and those tailored to outsourcing needs.

As a result, overall net sales increased 6.5%, or ¥15.8 billion, to ¥259.0 billion on a strong performance by individual outsourcing projects. New orders received rose 0.4%, or ¥1.0 billion, to ¥230 billion.

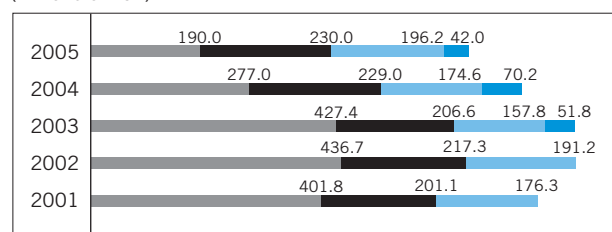
Industrial Sector

In the industrial sector, the telecommunications, services, media and transportation segments saw slower growth, while revenues from the manufacturing and logistics segments increased thanks to the IT Partner Strategy.

These factors lifted overall net sales 2.7%, or ¥4.7 billion, to ¥181.6 billion. New orders received were up 12.4%, or ¥21.6 billion, at ¥196.2 billion.

New Orders by Sector

(Billions of Yen)



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

Note: Orders in the industrial sector in 2001 and 2002 includes "others" fields.

**•Operating Expenses and Operating Income**

The cost of sales rose 1.6%, or ¥10.5 billion, to ¥648.4 billion, mainly a reflection of higher net sales and a temporary increase in costs associated with the start of services of a shared system for financial institutions. The increase in costs was slightly greater than growth in net sales, pushing up the cost-of-sales ratio by 0.6 of a percentage point to 75.9%.

Selling, general and administrative (SG&A) expenses climbed 11.7%, or ¥17.4 billion, to ¥166.5 billion. Outlays for growth initiatives were mainly responsible. The SG&A ratio increased 1.9 percentage points to 19.5%.

As a result, operating income decreased 34.2%, or ¥20.4 billion, to ¥39.3 billion. The operating income margin was 4.6%, down 2.5 percentage points from the previous fiscal year.

The main reasons for the decline in operating income were growth initiative costs of around ¥15.0 billion aimed at reaching the next stage of growth, and cost outlays of roughly ¥10.0 billion for initial investments in shared systems for financial institutions. In fiscal 2006 and subsequent fiscal years, operating income is forecast to return to growth due to several projected factors, including: higher sales due to the benefits of growth initiatives; improved cost-of-sales ratios for existing systems through measures to strengthen competitiveness in SI; and a decrease in depreciation charges.

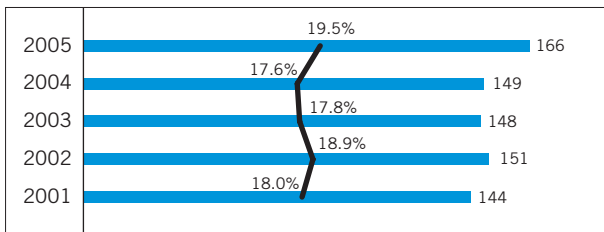
**•Non-operating Income (Expenses), Income Before Income Taxes and Net Income**

Net non-operating expenses improved ¥8.2 billion to ¥7.1 billion. The primary reason was the absence of structural reform expenses of ¥13.7 billion and a gain of ¥8.0 billion on the sale of investment securities booked in the previous fiscal year.

Due to these factors, income before income taxes decreased 27.7%, or ¥12.3 billion, to ¥32.1 billion. Net income declined ¥6.9 billion, or 25.4%, to ¥20.1 billion.

**Selling, General and Administrative Expenses and Ratio to Net Sales**

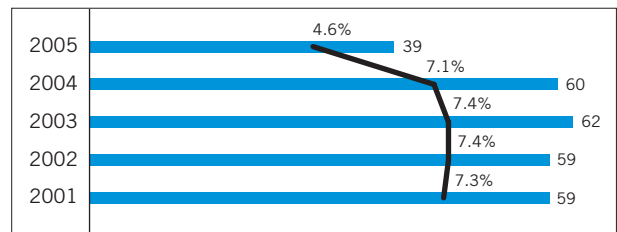
(Billions of Yen)



■ Selling, General and Administrative Expenses  
— Ratio to Net Sales

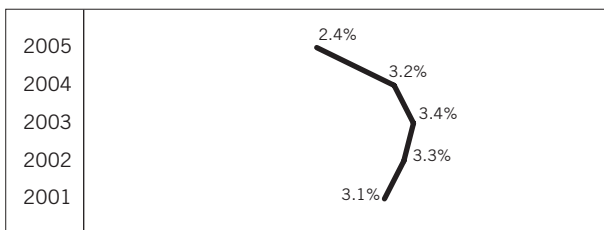
**Operating Income and Operating Income Margin**

(Billions of Yen)



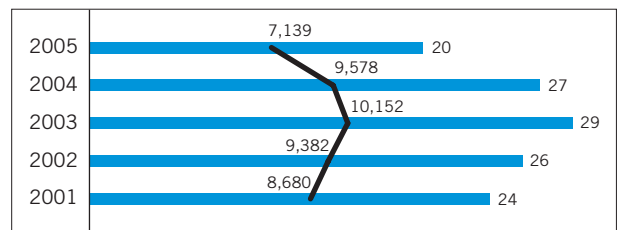
■ Operating Income — Operating Income Margin

**Return on Sales**



**Net Income and Net Income per Share**

(Billions of Yen) (Yen)



■ Net Income — Net Income Per Share

**•Profitability and Dividends**

Net income per share was down ¥2,439.13 per share, or 25.5%, at ¥7,139.21. The return on sales was 2.4%, down 0.8 of a percentage point from the previous fiscal year. The total assets turnover was 0.81, improving 0.03 times. The leverage ratio was 2.19, down 0.13 of a percentage point. Consequently, ROE decreased 1.7 percentage points to 4.3%, from 6.0% in the previous fiscal year.

NTT DATA paid an annual dividend of ¥2,000 per share for fiscal 2005, unchanged from the previous fiscal year, including interim and year-end dividends of ¥1,000 per share. As a result, payout ratio increased 7.9 percent points to 32.2%, from 24.3%. In light of a comprehensive assessment of consolidated operating results, financial position, the dividend payout ratio and other factors, NTT DATA plans to increase the annual dividend for the fiscal year ending March 31, 2006 by ¥1,000 per share to ¥3,000 per share.

**•Segment Review**

*System Integration Business*

The mainstay System Integration (SI) Business develops, sells, leases and services data communication systems tailored to the specific needs of customers. In fiscal 2005, sales growth in the SI Business was supported by the addition of newly consolidated subsidiaries. However, operating income was down due to growth initiative costs and a temporary increase in costs related to a shared system for financial institutions.

As a result, segment sales rose 0.6% to ¥689.8 billion. Segment operating income decreased 18.4% to ¥51.8 billion.

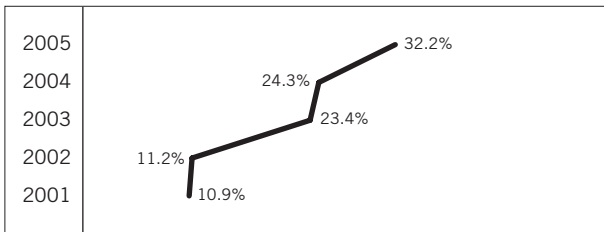
*Network System Services*

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, and other strong areas were offset by the downsizing of the ISP business and other factors, leading to declines in sales and operating income in this segment.

As a result, segment sales declined 2.0% to ¥56.6 billion. Segment operating income was down 20.2% at ¥2.3 billion.

**Dividend Payout Ratio**



**System Integration**

(Billions of Yen)



■ Net Sales ■ Operating Income

**Network System Services**

(Billions of Yen)



■ Net Sales ■ Operating Income

**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. In fiscal 2005, higher orders for maintenance and operations services for telecommunications systems helped to lift sales. However, growth initiative costs and other outlays pushed down operating income.

As a result, segment sales rose 4.9% to ¥186.5 billion, while segment operating income decreased 67.2% to ¥2.9 billion.

(Billions of Yen)

Business segment	Net Sales		Operating Income	
	2004	2005	2004	2005
System Integration	685.5	689.8	63.5	51.8
Network System Services	57.8	56.6	2.9	2.3
Others	177.7	186.5	8.9	2.9
Elimination or corporate	(74.3)	(78.7)	(15.6)	(17.7)
Consolidated	846.7	854.2	59.7	39.3

**•New Orders Received and Order Backlog**

In fiscal 2005, new orders received decreased ¥92.6 billion to ¥658.2 billion. The order backlog was down ¥141.8 billion at ¥1,286.2 billion. The main reason was drop-off in orders in the public administration sector caused by a cyclic downturn in demand for the construction of large-scale social infrastructure systems. By sector, new orders received were down ¥87.0 billion at ¥190.0 billion in the public administration sector, up ¥1.0 billion at ¥230.0 billion in the financial sector and up ¥21.6 billion at ¥196.2 billion in the industrial sector. In the others sector, new orders received decreased ¥28.2 billion to ¥42.0 billion.

(Billions of Yen)

	New Orders Received		Order Backlog	
	2004	2005	2004	2005
System Integration	606.3	513.7	1,390.8	1,252.8
Others	144.5	144.5	37.2	33.4
Total	750.8	658.2	1,428.0	1,286.2

\* 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.

**Others**

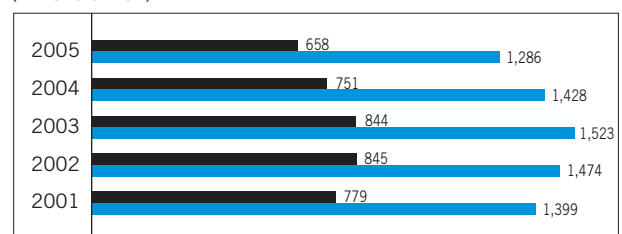
(Billions of Yen)



■ Net Sales ■ Operating Income

**New Orders Received and Order Backlog**

(Billions of Yen)



■ New Orders Received ■ Order Backlog

## 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.

On the latter theme, NTT DATA continued the previous fiscal year's drive to develop an acquisition-oriented IT partner business in fiscal 2004. 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.

As a result, net sales rose ¥14.6 billion, or 1.8%, to ¥846.7 billion.

### •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%.

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.

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

Net non-operating expenses increased ¥4.7 billion to ¥15.3 billion. The primary reason was the above-mentioned structural reform expenses of ¥13.7 billion.

Structural reforms were implemented to reinforce NTT DATA's framework for promoting the middle-market SI business and system maintenance and operations business. Specific reforms have included the realignment of nine companies, including branch offices and regional subsidiaries, and the integration of system maintenance and operations subsidiaries into two companies. The main components of structural reform expenses are lump-sum payments to employees seeking permanent transfers, office relocation expenses and asset disposal charges.

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.

As a result, 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.

### •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, net sales rose 2.1%, or ¥14.2 billion, to ¥685.5 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, net sales declined ¥2.5 billion, or 4.1%, to ¥57.8 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, net sales rose ¥3.8 billion, or 2.2%, to ¥177.7 billion. Operating income climbed ¥0.9 billion, or 11.4%, to ¥8.9 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 2005, EBITDA decreased ¥23.8 billion to ¥201.2 billion, while the EBITDA margin decreased 3.0 percentage points to 23.6%. The decline in operating income was mainly responsible.

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 ¥21.7 billion to ¥295.3 billion in fiscal 2005. Consequently, the debt ratio (see note) improved 2.5 percentage points to 38.4%.

ROE is one of our most important management indicators. In fiscal 2005, ROE decreased 1.7 percentage points to 4.3% due to the decline in net income. However, NTT DATA forecasts earnings growth from the benefits of growth initiatives, expansion in the IT Partner Business based on an acquisition model, and other factors. Building on this momentum, NTT DATA plans to raise ROE to 8.0% by fiscal 2007, the final fiscal year of the medium-term management plan.

**Liquidity and Sources of Funds**

**•Financial Policy**

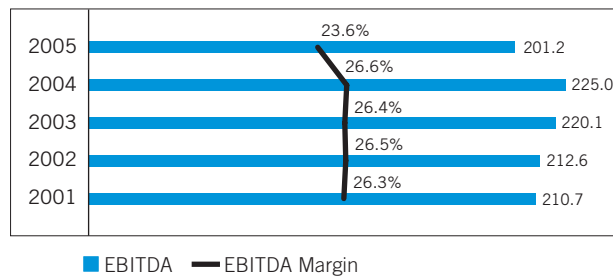
NTT DATA's financial policy is to reliably procure funds to finance investments in systems used to provide data telecommunication services, and recent acquisitions made to promote the IT Partner Business. Maintaining a sound financial position is critical to NTT DATA, since its business models require 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.

NTT DATA has very strong credit ratings, as shown below, and endeavors to lower the cost of capital by actively procuring funds from capital markets through bonds and commercial paper.

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+

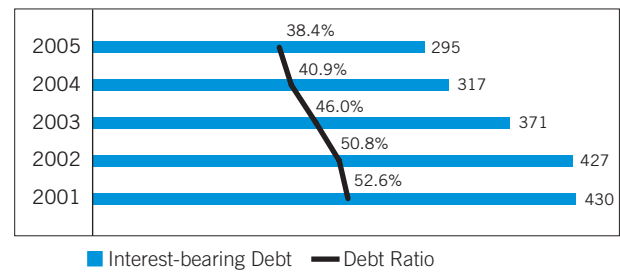
**EBITDA and EBITDA Margin**

(Billions of Yen)



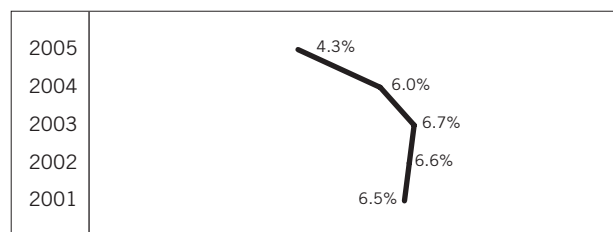
**Interest-bearing Debt and Debt Ratio**

(Billions of Yen)

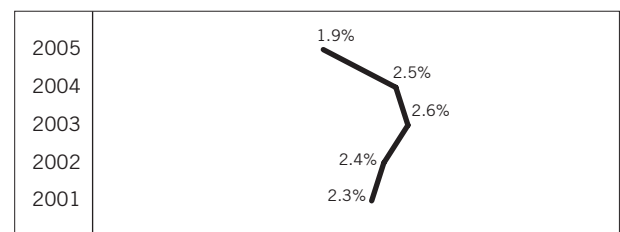


Note: The debt ratio is interest-bearing debt divided by the sum of interest-bearing debt and shareholders' equity.

**Return on Equity (ROE)**



**Return on Assets (ROA)**



**•Liquidity**

Total current assets decreased ¥9.9 billion, or 3.4%, to ¥277 billion, while total current liabilities were down ¥7.8 billion, or 3.7%, at ¥204 billion. The current ratio remained largely unchanged at 1.36 times, compared with 1.35 times in the previous fiscal year.

Looking at the main components, inventories rose ¥11.0 billion due mainly to higher works in progress, following an increase in projects to develop commercial systems at consolidated subsidiaries. Trade notes and accounts receivable decreased ¥10.1 billion from a year earlier. The receipt of a large payment in connection with telecoms-related sales and other factors were mainly responsible. Meanwhile, trade notes and accounts payable declined ¥10.5 billion from a year ago, reflecting lower accounts payable in line with a decrease in capital investments and other factors.

Cash and cash equivalents decreased ¥6.1 billion to ¥63.0 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 ¥321.9 billion as of 31st March 2005, down ¥23.4 billion, or 6.8%. This mainly reflected a decline of ¥28.7 billion in data communications facilities, which represent more than half of the total, due to depreciation and other factors. Intangible fixed assets were ¥324.3 billion, down ¥1.9 billion, or 0.6% from a year earlier. The majority of these assets are related to data communications facilities.

**•Investments and Other Assets**

Investments in securities were ¥23.4 billion, up ¥3.2 billion, or 16.3%, from a year earlier. The main components are listed shares carried at fair value of ¥4.7 billion, and non-listed shares carried at book value of ¥18.7 billion. Another component was shares in affiliated and non-consolidated companies of ¥9.2 billion, an increase of ¥1.1 billion from a year earlier.

NTT DATA booked an unrealized gain of ¥2.6 billion on shares carried at fair value, ¥1.0 billion higher than in the previous fiscal year due to an upturn in the stock market. This gain, net of taxes, is included in shareholders' equity as unrealized gains on investment securities, which totaled ¥1.4 billion as of 31st March 2005.

**•Minority Interests**

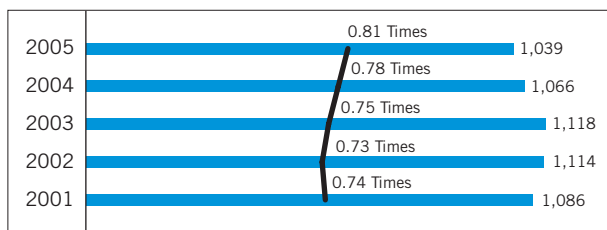
As of 31st March, 2005, minority interests in consolidated subsidiaries were ¥7.5 billion, ¥1.1 billion, or 17.4%, higher than a year earlier. This mainly comprises the interests of minority shareholders in earnings of consolidated subsidiaries on a cumulative basis. In fiscal 2005, minority interests in earnings of consolidated subsidiaries were ¥1.1 billion, largely the same as the previous fiscal year's level.

**•Shareholders' Equity**

Total shareholders' equity rose ¥15.2 billion, or 3.3%, to ¥474.0 billion. The main contributing factor was an increase in retained earnings. The shareholders' equity ratio increased 2.5 percentage points from 43.1% to 45.6%. Shareholders' equity per share was ¥168,947.30, an increase of ¥5,397.41, or 3.3% from a year earlier.

**Total Assets and Total Assets Turnover**

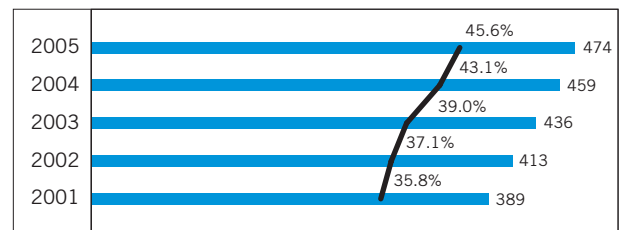
(Billion of Yen)



■ Total Assets — Total Assets Turnover

**Shareholders' Equity and Equity Ratio**

(Billions of Yen)



■ Shareholders' Equity — Equity Ratio



•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 cash management system, which was extended to include approximately 60 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 ¥6.1 billion to ¥63.0 billion as of the end of fiscal 2005. This level is equivalent to 88% of the average monthly sales of ¥71.2 billion in fiscal 2005, and sufficiently meets NTT DATA's liquidity requirements for normal business operations. Cash flows from operating, investing, and financing activities were as follows.

Net cash provided by operating activities was ¥144.6 billion, ¥34.3 billion less than in the previous fiscal year. This was mainly due to a decrease of ¥10.8 billion in depreciation, largely reflecting progress on the depreciation of equipment related to large-scale social infrastructure systems, in addition to a decline of ¥12.3 billion in income before income taxes. Changes in three components of working capital used net cash of ¥17.1 billion, due to a combined non-cash outflow of ¥25.6 billion from an increase in inventories and decrease in accounts payable, partially offset by a non-cash inflow from a decrease in accounts receivable of ¥8.5 billion.

Net cash used in investing activities was ¥83.9 billion, ¥51.0 billion less than in the previous fiscal year. The main reason was a decrease of ¥49.5 billion in the acquisition of property and equipment and intangible assets.

As a result, NTT DATA recorded positive free cash flows of ¥60.7 billion, an increase of ¥16.7 billion from the previous fiscal year.

Net cash used in financing activities was ¥69.6 billion, ¥3.3 billion more than in the previous fiscal year, despite cash inflows from net increases in CP and short-term borrowings and a decrease in the repayment of long-term borrowings. The most significant cash outflow was a payment of ¥90.0 billion for the redemption of bonds at maturity. In fiscal 2005, NTT DATA used free cash flows to redeem more than two-thirds of these bonds, without relying on new bond issuances, in order to reinforce its financial health.

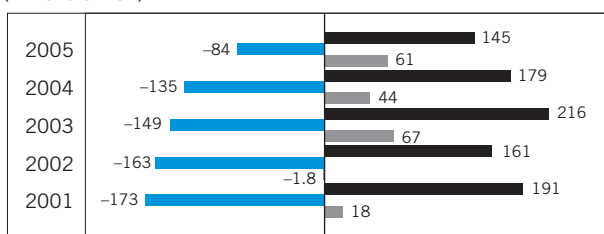
Capital Expenditures

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 2005, capital expenditures decreased ¥38.1 billion to ¥110.8 billion in the absence of any significant moves to upgrade large-scale social infrastructure systems. This level of investment was in line with our initial budget. In fiscal 2006, we have budgeted ¥105 billion for capital expenditures.

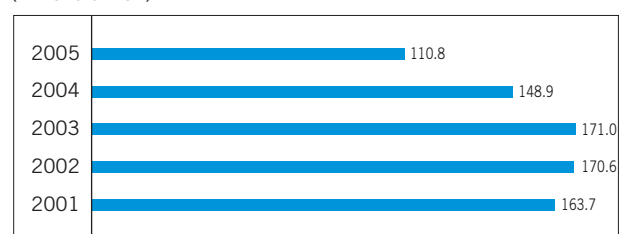
Capital Expenditures by Segment	(Billions of Yen)
System Integration	88.9
Network System Services	8.9
Others Business	13.0
Total	110.8

Cash Flows  
(Billions of Yen)



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

Capital Expenditures  
(Billions of Yen)



## Research and Development

In fiscal 2005, 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 property, 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 2005, R&D expenses were ¥16.5 billion, ¥1.1 billion higher than in the previous fiscal year. 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.

## Growth Initiative Costs

At the outset of fiscal 2005, NTT DATA budgeted a total of ¥15.0 billion for growth initiatives during the year aimed at driving significantly higher growth into the future, charging these costs to SG&A expenses. In fiscal 2005, growth initiatives were implemented largely as planned. The components of growth initiative costs were ¥1.5 billion for strengthening marketing and development strengths in the industrial sector and other fields; ¥7.5 billion for the development of advanced solution and services; and ¥6.0 billion for the development and building of infrastructure toward next-generation enterprise and mission-critical systems.

Plans call for continuing growth initiatives in fiscal 2006 and investing ¥15.0 billion in these initiatives, the same level as in fiscal 2005. The components of growth initiative costs for fiscal 2006 are ¥2.0 billion for strengthening marketing and development strengths in the industrial sector and other fields; ¥9.5 billion for the development of advanced solution and services; and ¥3.5 billion for the development and establishment of infrastructure toward next-generation enterprise and mission-critical systems. Investments will thus be concentrated on the development of advanced solution services in fiscal 2006.

## IT Partner Business

The NTT DATA Group is pressing ahead with the IT Partner Business, a collaborative business that combines value centered on IT held by the NTT DATA Group with the unique capabilities of partner companies and other collaborators to support the creation of new forms of value. The IT Partner Business based on an acquisition model has been the main area of focus in recent times. Under this model, NTT DATA acquires part of the outstanding shares in the information system subsidiaries of client companies to convert them into consolidated subsidiaries. Since fiscal 2003, partners have included Japan Tobacco Inc., SANYO Electric Co., Ltd., Nippon Sheet Glass Co., Ltd., Seiko Instruments Inc. and Sekisui Chemical Co., Ltd. Net sales in fiscal 2005 included ¥39.0 billion from the IT Partner Business based on an acquisition model.

Through continued efforts to expand and further develop the acquisition-driven IT Partner Business, NTT DATA will strengthen its businesses in the industrial sector, with the view to empowering the NTT DATA Group to deliver even higher growth.

Equity-based alliances formed with customers so far are outlined as follows:

Name	Established	Partner	Share ownership (%)
NTT DATA WAVE CORPORATION	August 1, 2002	Japan Tobacco Inc.	80.1%
NTT DATA SANYO SYSTEM CORPORATION	January 6, 2003	SANYO Electric Co., Ltd.	50.0%
NTT DATA BUSINESS BRAINS CORPORATION	September 1, 2003	Nippon Sheet Glass Co., Ltd.	70.0%
NTT DATA ITEC CORPORATION	December 1, 2003	Seiko Instruments Inc.	60.0%
NTT DATA SEKISUI SYSTEMS CORPORATION	January 5, 2005	Sekisui Chemical Co., Ltd.	60.0%

## R&D Expenses

(Billions of Yen)



## 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 2005, overall remuneration paid to NTT DATA's 27 directors was ¥0.5 billion (¥0.5 billion for internal directors; no compensation was paid to external directors). The appropriation of earnings for fiscal 2005 included bonuses for 24 directors of ¥0.07 billion, and retirement bonuses for 4 retirees of ¥0.06 billion, based on a resolution by the general meeting of shareholders.

Remuneration paid to the Company's 4 corporate auditors was ¥0.06 billion. The appropriation of earnings for fiscal 2005 included bonuses of ¥0.02 billion for five auditors and no retirement bonuses, 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 ¥0.02 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, tax-related services such as the preparation of tax returns and tax consulting, and other services such as audits of information systems.

## Outlook for Fiscal 2006

Amid intensified competition mainly due to stronger demands for price cuts and shorter deliver periods on the part of customers, the NTT DATA Group projects a continuation of difficult operating conditions in fiscal 2006. In this climate, the Group will reform its operating structure, which has so far been built primarily around national government agencies and financial institutions. Aiming to achieve targeted net sales of ¥1 trillion in fiscal 2007, the NTT DATA Group will continue to make a concerted effort to implement three initiatives—strengthen marketing capabilities, strengthen competitiveness in SI, and proactively create new products and services. These initiatives will be supported by the two initiatives of efficiently using SG&A expenses and providing an environment that nurtures human resources. Group-wide efforts will also be made to implement growth initiatives. Through these and other measures, NTT DATA is projecting net sales of ¥880 billion, an increase of ¥25.8 billion, and operating income of ¥45.0 billion, up ¥5.7 billion from the previous fiscal year.

By business segment, NTT DATA projects both higher sales and earnings in the SI Business, which is set to benefit from various initiatives aimed at deepening the acquisition-driven IT Partner Business. In this segment, net sales of ¥706 billion and operating income of ¥58 billion are forecast.

The Network System Services Business is projected to achieve higher sales of ¥60 billion mainly due to growth in content businesses, in addition to steady business results generated by the mainstay CAFIS and other systems. However, operating income is forecast to remain at only around ¥2.0 billion, largely the same level as in fiscal 2005, mainly owing to increases in selling expenses.

The Others Business is forecasting higher sales of ¥193 billion supported by the addition of newly consolidated subsidiaries. However, due to an increase in selling expenses and other factors, operating income will most likely remain at the preceding year's level of around ¥3.0 billion.

## 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

In a deflationary environment, 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, stricter evaluation of the benefits of IT investments by customers, and the perceived overvaluation of software accompanying falling hardware prices.

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 onto this business. However, the growth prospects for the market are in some regards uncertain. Accordingly, the entry of competitors into this market may affect NTT DATA's business results and financial condition.

With respect to these risks, NTT DATA is advancing various initiatives aimed at strengthening marketing capabilities and competitiveness in the SI business, based on its 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 Corporate 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 2006.

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.

System malfunction risk management is divided into measures to prevent the occurrence of this type of risk and responses after system malfunctions have occurred. Regarding the former, NTT DATA manages system malfunction risk in tandem with risks associated with system construction as the two have much in common. As for the latter, NTT DATA takes actions to respond rapidly and seamlessly to system malfunctions, arranging emergency hotlines mainly linking business sectors and formulating contingency plans for system malfunctions on a daily basis. NTT DATA analyzes the causes of system malfunctions to prevent recurrences, 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 in line with internal regulations. 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 increases 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 Corporate 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.

With respect to information security, 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 unit for auditing information security initiatives, and is taking steps to continuously improve information security countermeasures within the Company.

#### •Influence of Parent Company

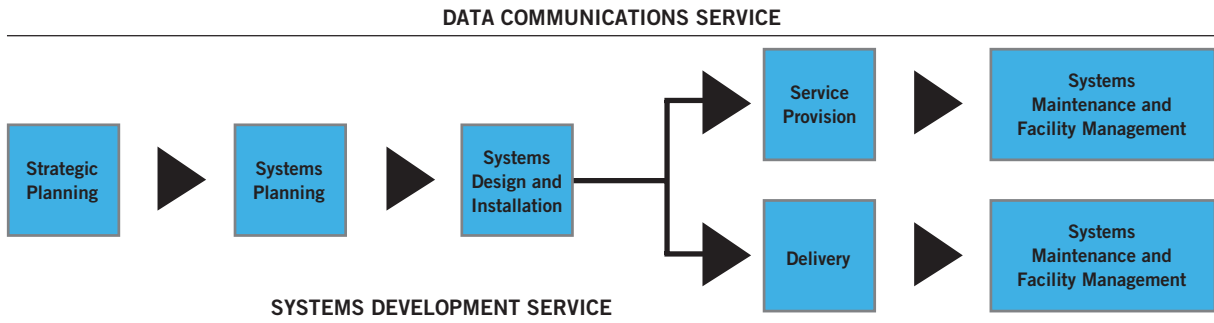
NTT Corporation ("NTT"), our parent company, is a principal shareholder of NTT DATA with ownership of 54.2% of our voting shares as of 31st March, 2005. NTT DATA carries out operations independently of NTT and its other subsidiaries, but discusses and reports important issues to NTT. Against this backdrop 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.

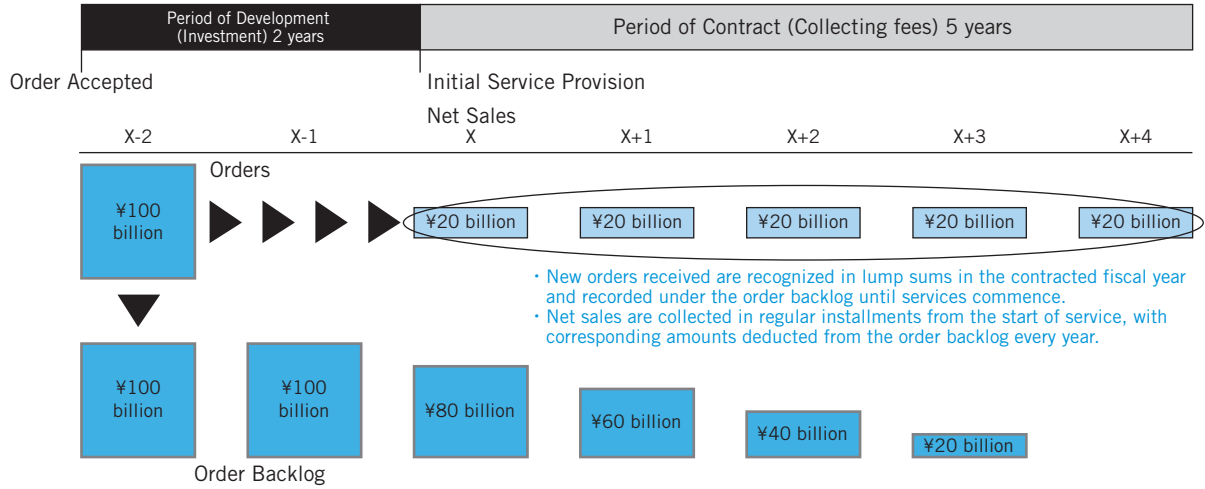
### Cost Flow for Data Communications Service and Systems Development Service

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

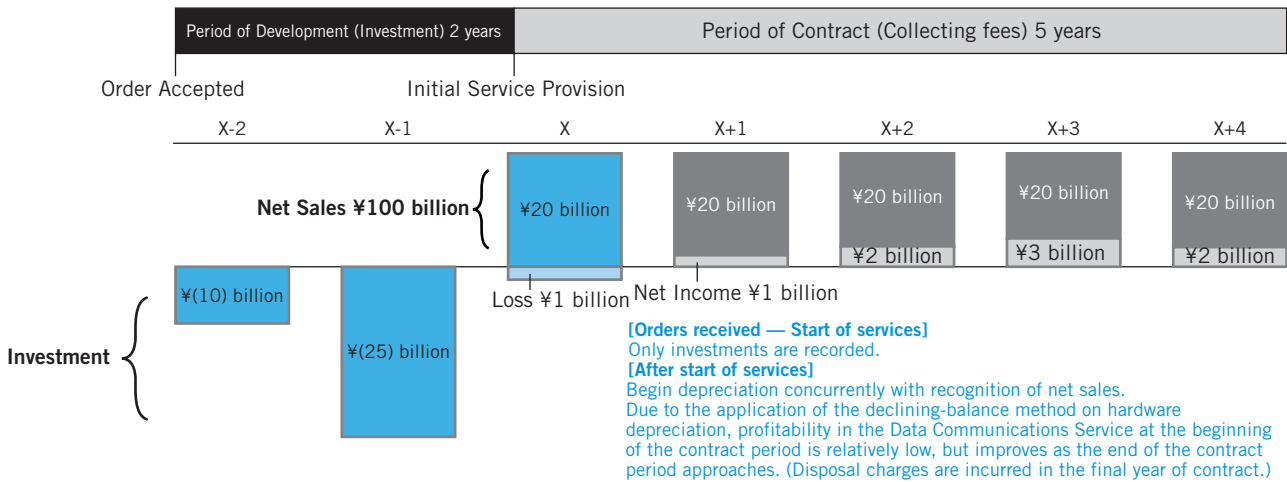
### Depreciation/Amortization of Fixed Assets

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

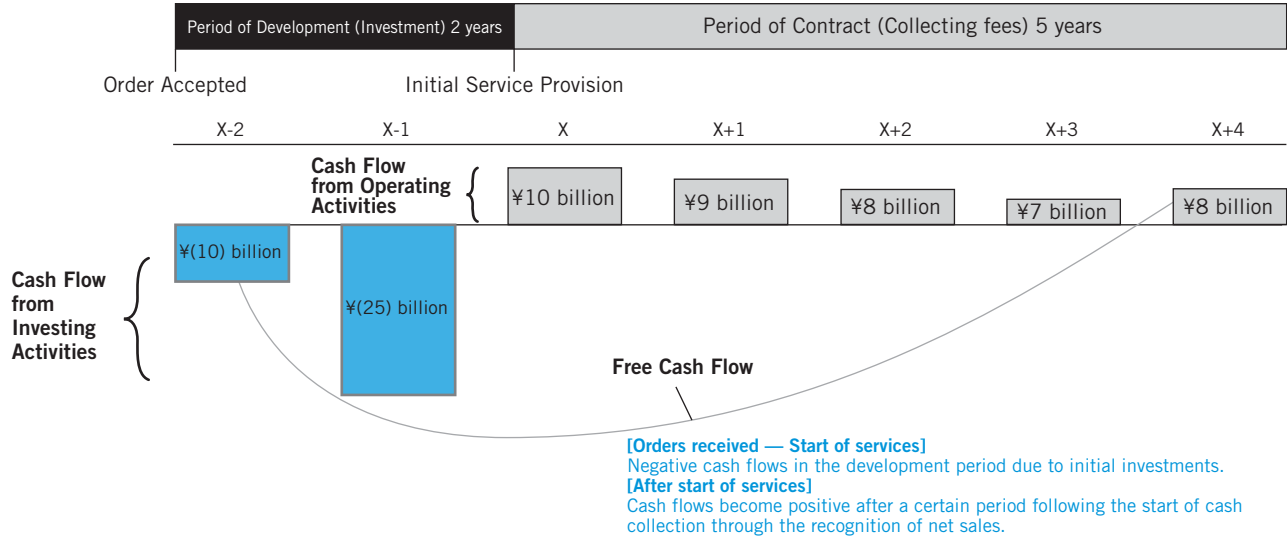
### Orders, Net Sales, and Order Backlog in Data Communications Service (Model)



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



### Cash Flow in Data Communications Service (Model)



# Consolidated Balance Sheets

NTT DATA CORPORATION AND SUBSIDIARIES

As at 31st March, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2005	2005
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash in hand and at banks	¥ 69,135	¥ 63,049	\$ 589,243
Accounts receivable (Note 5)	155,693	145,576	1,360,523
Less: allowance for doubtful accounts	(523)	(453)	(4,234)
	155,170	145,123	1,356,289
Inventories	21,062	32,131	300,290
Deferred income taxes (Note 9)	9,708	8,817	82,402
Other current assets	31,822	27,908	260,823
Total current assets	286,897	277,028	2,589,047
<b>Investments and Advances:</b>			
Investments in securities (Notes 5 and 10)	20,150	23,437	219,037
Investments in unconsolidated subsidiaries and affiliates	8,109	9,211	86,084
Other investments	28,940	25,098	234,561
Total investments and advances	57,199	57,746	539,682
<b>Property and Equipment, at Cost</b> (Note 4)	813,868	819,984	7,663,402
Less: accumulated depreciation	(468,534)	(498,095)	(4,655,094)
	345,334	321,889	3,008,308
<b>Deferred Income Taxes</b> (Note 9)	49,130	55,805	521,542
<b>Deferred Charges and Intangibles:</b>			
Software (Note 5)	299,520	285,649	2,669,617
Development costs of software in progress	21,383	33,719	315,131
Other	6,086	6,735	62,944
	326,989	326,103	3,047,692
	¥1,065,549	¥1,038,571	\$ 9,706,271

The accompanying notes are an integral part of the statements.



LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2005	2005
<b>Current Liabilities:</b>			
Short-term borrowings (Note 5)	¥ 3,319	¥ 29,841	\$ 278,888
Commercial paper (Note 5)	—	30,000	280,374
Current portion of long-term debt (Note 5)	46,846	4,997	46,701
Accounts payable	110,706	100,206	936,505
Income taxes payable (Note 2 (11))	13,158	10,140	94,766
Other current liabilities	37,794	28,825	269,392
Total current liabilities	211,823	204,009	1,906,626
<b>Long-Term Debt</b> (Note 5)	271,920	235,845	2,204,159
<b>Provision for Retirement Benefits</b> (Notes 2 (13) and 12)	116,575	117,238	1,095,682
Total liabilities	600,318	557,092	5,206,467
<b>Minority Interests in Consolidated Subsidiaries</b>	6,385	7,497	70,066
<b>Commitments and Contingent Liabilities</b> (Note 16)			
<b>Shareholders' Equity:</b>			
Common stock			
Authorized — 11,220,000 shares in 2004 and 2005			
Issued — 2,805,000 shares in 2004 and 2005	142,520	142,520	1,331,963
Capital surplus	139,300	139,300	1,301,869
Retained earnings	176,858	191,248	1,787,364
Unrealized gains on investment securities, net of taxes	655	1,389	12,981
Foreign currency translation adjustments	(487)	(475)	(4,439)
Total shareholders' equity	458,846	473,982	4,429,738
	¥1,065,549	¥1,038,571	\$9,706,271

# Consolidated Statements of Income

NTT DATA CORPORATION AND SUBSIDIARIES

For the years ended 31st March, 2003, 2004 and 2005

	Millions of yen			Thousands of U.S.dollars (Note 3)
	2003	2004	2005	2005
<b>Net Sales</b> (Note 13)	¥832,109	¥846,706	<b>¥854,154</b>	<b>\$7,982,748</b>
<b>Cost of Sales</b>	622,072	637,911	<b>648,396</b>	<b>6,059,776</b>
Gross profit	210,037	208,795	<b>205,758</b>	<b>1,922,972</b>
<b>Selling, General and Administrative Expenses</b> (Note 7)	148,493	149,070	<b>166,470</b>	<b>1,555,794</b>
Operating income	61,544	59,725	<b>39,288</b>	<b>367,178</b>
<b>Non-Operating Income (Expenses):</b>				
Interest and dividend income	125	114	<b>168</b>	<b>1,570</b>
Interest expenses	(6,987)	(5,329)	<b>(4,303)</b>	<b>(40,215)</b>
Loss on redemption of bonds	(1,990)	—	<b>(4,708)</b>	<b>(44,000)</b>
Gains on sales of investments in securities	129	8,021	<b>432</b>	<b>4,037</b>
Gains on sales of investments in affiliates	3,617	—	<b>—</b>	<b>—</b>
Distribution of gain from SPE	—	—	<b>3,141</b>	<b>29,355</b>
Insurance income	549	717	<b>772</b>	<b>7,215</b>
Gains on the transfer to the Japanese Government of the substitutional portion of employee pension fund liabilities	—	439	<b>—</b>	<b>—</b>
Loss on disposal of fixed assets	(993)	(1,343)	<b>(1,369)</b>	<b>(12,794)</b>
Loss on write-down of investments in securities	(3,989)	(2,030)	<b>(864)</b>	<b>(8,075)</b>
Distribution of loss from SPE	(231)	(1,263)	<b>—</b>	<b>—</b>
Restructuring charges	—	(13,658)	<b>—</b>	<b>—</b>
Others, net	(841)	(952)	<b>(413)</b>	<b>(3,860)</b>
	(10,611)	(15,284)	<b>(7,144)</b>	<b>(66,767)</b>
Income before income taxes	50,933	44,441	<b>32,144</b>	<b>300,411</b>
<b>Income Taxes</b> (Note 2 (11)):				
Current	27,272	18,676	<b>16,876</b>	<b>157,720</b>
Deferred	(5,033)	(2,253)	<b>(5,908)</b>	<b>(55,216)</b>
	22,239	16,423	<b>10,968</b>	<b>102,504</b>
Income before minority interests	28,694	28,018	<b>21,176</b>	<b>197,907</b>
<b>Minority Interests in Consolidated Subsidiaries</b>	132	1,062	<b>1,066</b>	<b>9,963</b>
Net income	¥ 28,562	¥ 26,956	<b>¥ 20,110</b>	<b>\$ 187,944</b>
		Yen		U.S. dollars
<b>Per Share</b> (Note 15):				
Net income	¥ 10,152	¥ 9,578	<b>¥ 7,139</b>	<b>\$ 66.72</b>
Cash dividends	2,000	2,000	<b>2,000</b>	<b>18.69</b>

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, 2003, 2004 and 2005

	Number of shares issued	Millions of yen		
		Common stock	Capital surplus	Retained earnings
<b>Balance at 31st March, 2002</b>	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)
<b>Balance at 31st March, 2003</b>	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)
<b>Balance at 31st March, 2004</b>	2,805,000	142,520	139,300	176,858
Net income for the year ended 31st March, 2005	—	—	—	<b>20,110</b>
Cash dividends	—	—	—	<b>(5,610)</b>
Bonuses to directors and statutory auditors	—	—	—	<b>(89)</b>
Decrease in retained earnings due to increase in consolidated subsidiaries	—	—	—	<b>(21)</b>
<b>Balance at 31st March, 2005</b>	<b>2,805,000</b>	<b>¥142,520</b>	<b>¥139,300</b>	<b>¥191,248</b>

	Number of shares issued	Thousands of U.S. dollars (Note 3)		
		Common stock	Capital surplus	Retained earnings
<b>Balance at 31st March, 2004</b>	2,805,000	\$1,331,963	\$1,301,869	\$1,652,879
Net income for the year ended 31st March, 2005	—	—	—	<b>187,944</b>
Cash dividends	—	—	—	<b>(52,430)</b>
Bonuses to directors and statutory auditors	—	—	—	<b>(832)</b>
Decrease in retained earnings due to increase in consolidated subsidiaries	—	—	—	<b>(197)</b>
<b>Balance at 31st March, 2005</b>	<b>2,805,000</b>	<b>\$1,331,963</b>	<b>\$1,301,869</b>	<b>\$1,787,364</b>

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, 2003, 2004 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2004	2005	2005
<b>Cash Flows from Operating Activities:</b>				
Income before income taxes	¥ 50,933	¥ 44,441	¥ 32,144	\$ 300,411
Depreciation	81,967	78,695	68,968	644,561
Amortization	65,682	71,413	70,363	657,598
Loss on disposal of property and equipment	9,786	15,732	5,644	52,748
Loss on disposal of intangible assets	3,993	3,294	19,558	182,785
Increase in provision for retirement benefits	6,834	1,125	212	1,981
Gains on sales of investments in securities	(129)	(8,021)	(432)	(4,037)
Loss on write-down of investments in securities	4,003	2,030	864	8,075
Interest expenses	6,987	5,329	4,302	40,206
(Increase)/decrease in accounts receivable	5,396	(29,647)	8,497	79,411
(Increase)/decrease in inventories	(4,808)	19,593	(10,865)	(101,542)
Increase/(decrease) in accounts payable	(5,920)	13,877	(14,691)	(137,299)
Increase/(decrease) in accrued consumption taxes	(805)	3,241	(6,834)	(63,869)
Others, net	23,394	(14,570)	(7,592)	(70,954)
Sub total	247,313	206,532	170,138	1,590,075
Interest and dividends received	126	114	169	1,579
Interest paid	(7,384)	(5,374)	(4,674)	(43,682)
Income taxes paid	(23,861)	(22,346)	(20,992)	(196,187)
Net cash provided by operating activities	216,194	178,926	144,641	1,351,785
<b>Cash Flows from Investing Activities:</b>				
Acquisition of property and equipment	(92,266)	(90,541)	(59,575)	(556,776)
Acquisition of intangible assets	(65,110)	(65,860)	(47,356)	(442,579)
Proceeds from sales of property and equipment	14,207	11,956	26,939	251,766
Acquisition of investments in securities and affiliates	(3,064)	(2,698)	(4,924)	(46,019)
Proceeds from investments in securities and affiliates	—	8,546	490	4,580
Acquisition of investments in consolidated subsidiaries	(4,789)	(1,256)	(334)	(3,121)
Proceeds from acquisition of subsidiary's stock	—	2,733	—	—
Others, net	2,008	2,238	831	7,766
Net cash used in investing activities	(149,014)	(134,882)	(83,929)	(784,383)
<b>Cash Flows from Financing Activities:</b>				
Proceeds from issuance of bonds	39,847	19,927	—	—
Redemption of bonds at maturity	(90,000)	—	(90,000)	(841,121)
Repayments of long-term borrowings	(23,635)	(30,580)	(16,993)	(158,813)
Increase/(decrease) in commercial paper, net	20,000	(45,000)	30,000	280,374
Increase/(decrease) in short-term borrowings, net	(2,480)	(3,520)	13,085	122,290
Cash dividends	(4,192)	(5,603)	(5,612)	(52,449)
Cash dividends to minority shareholders	(15)	(19)	(77)	(720)
Proceeds from minority shareholders' payments	—	10	10	93
Payments for acquisition of subsidiary's stock from minority shareholders	—	(1,510)	(26)	(243)
Net cash used in financing activities	(60,475)	(66,295)	(69,613)	(650,589)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	91	(359)	9	85
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	6,796	(22,610)	(8,892)	(83,102)
<b>Cash and Cash Equivalents at Beginning of Year</b>	82,742	90,124	69,135	646,121
<b>Cash and Cash Equivalents at Additional Consolidated Subsidiaries at Beginning of Year</b>	586	1,621	2,806	26,224
<b>Cash and Cash Equivalents at End of Year</b>	¥ 90,124	¥ 69,135	¥ 63,049	\$ 589,243
(Reference)				
Free Cash Flow	¥ 67,180	¥ 44,044	¥ 60,712	\$ 567,402

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 its subsidiaries have been prepared in conformity with accounting principles and practices generally accepted in Japan. The accounts of the Company and its consolidated subsidiaries 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 that disclosed therein. However, certain reclassification or summaries 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 45 of its subsidiaries (together, referred to as the “Companies”) at 31st March, 2005 (42 subsidiaries in 2004). The names of consolidated subsidiaries are listed under Major Subsidiaries and Affiliates.

3 subsidiaries were newly consolidated in the fiscal year ended 31st March, 2005 due to additional investments or an increase in their significance.

Newly consolidated subsidiaries are listed below:

NTT DATA SEKISUI SYSTEMS CORPORATION

NTT DATA SOFIA CORPORATION

Chigin Kyodo Center Communications Company, Limited

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 1st to March 31st 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) Revaluation 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 recorded in income currently. All asset and liability accounts of foreign subsidiaries and affiliates are translated at appropriate year-end current rates and all income and expense accounts are translated at the average exchange rates prevailing during the period. 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 the event that 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 the 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 of utilizing 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 hedges at every quarter year-end, regarding 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 a not more than 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 its estimated useful life, 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**

The 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, a "simple approach" is adopted; the accrued retirement benefits is recorded based on the amount that would be payable in the case that all employees retire voluntarily 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 over 15 years, and unrecognized actuarial differences are amortized using the straight-line method over the average remaining service period of employees from the next year in which they arise.

Unrecognized prior service costs are amortized using the straight-line method the average remaining service period of employees of each fiscal year in which they arise.

On 1st September, 2003, under the Law concerning Defined-Benefit Corporate Pension Plans, the NTT Employees Pension Fund received approval from the Minister of the Ministry of 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, 2005, the amount equivalent to the returned pension assets (minimum pension liability reserves) is measured to be ¥13,697 million (\$128,009 thousand). The estimated gain on the return of the substitutional portion of the Welfare Pension Fund is ¥12,163 million (\$113,673 thousand), assuming the payment of the amount equivalent to the returned pension assets (minimum pension liability reserves) was made on 31st March, 2005, and implementing measures specified in Section 44-2 of the "Practical Guidelines on 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 at a rate of ¥107=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 ¥107=U.S.\$1 or at any other rate.

**4. PROPERTY AND EQUIPMENT**

Property and equipment at 31st March, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Data communication facilities	¥ 456,443	¥ 447,190	\$ 4,179,346
Buildings and structures	213,248	216,697	2,025,206
Machinery and equipment, vehicles	42,172	43,043	402,271
Furniture, fixtures and tools	32,784	46,361	433,280
Land	48,835	48,835	456,402
Construction in progress	20,386	17,858	166,897
	813,868	819,984	7,663,402
Less: accumulated depreciation	(468,534)	(498,095)	(4,655,093)
	¥ 345,334	¥ 321,889	\$ 3,008,309

## 5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at 31st March, 2004 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Short-term borrowings	¥3,319	<b>¥29,841</b>	<b>\$278,888</b>

Short-term borrowings bore interest at a weighted-average rate of 0.3% at 31st March, 2004 and 2005, respectively.

Commercial paper at 31st March, 2004 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Commercial paper	¥ —	<b>¥30,000</b>	<b>\$280,374</b>

Commercial paper bore interest at weighted-average rates of 0.0% at 31st March, 2005.

Long-term debt at 31st March, 2004 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Long-term borrowings from banks and other financial institutions	¥ 28,694	<b>¥ 40,501</b>	<b>\$ 378,514</b>
2.95% yen bonds due 10th November, 2006 <sup>*1</sup>	10,000	<b>10,000</b>	<b>93,458</b>
2.50% yen bonds due 22nd December, 2009 <sup>*1</sup>	30,000	—	—
3.10% yen bonds due 26th February, 2008 <sup>*2</sup>	2,000	<b>2,000</b>	<b>18,691</b>
3.30% yen bonds due 26th February, 2010 <sup>*2</sup>	3,000	<b>3,000</b>	<b>28,037</b>
1.86% yen bonds due 2nd October, 2008	30,000	<b>30,000</b>	<b>280,374</b>
1.72% yen bonds due 22nd December, 2008	30,000	<b>30,000</b>	<b>280,374</b>
2.10% yen bonds due 22nd September, 2009 <sup>*1</sup>	30,000	—	—
1.09% yen bonds due 17th November, 2004	30,000	—	—
1.88% yen bonds due 21st June, 2010	30,000	<b>30,000</b>	<b>280,374</b>
1.44% yen bonds due 20th June, 2011	30,000	<b>30,000</b>	<b>280,374</b>
0.60% yen bonds due 20th June, 2007	40,000	<b>40,000</b>	<b>373,832</b>
0.30% yen bonds due 31st January, 2007	20,000	<b>20,000</b>	<b>186,916</b>
Others	5,072	<b>5,341</b>	<b>49,916</b>
	318,766	<b>240,842</b>	<b>2,250,860</b>
Less: portion due within one year	(46,846)	<b>(4,997)</b>	<b>(46,701)</b>
	<b>¥271,920</b>	<b>¥235,845</b>	<b>\$2,204,159</b>

<sup>\*1</sup> 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 are ¥20,000 million (\$186,916 thousand) for 2.95% yen bonds due 2006, ¥30,000 million (\$280,374 thousand) for 2.50% yen bonds due 2009 and ¥30,000 million (\$280,374 thousand) for 2.10% yen bonds due 2009.

<sup>\*2</sup> 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 bore interest at annual rates ranging from 0.4625% to 3.4875% at 31st March, 2004 and at annual rates ranging from 0.60938% to 1.735% at 31st March, 2005.

A breakdown of long-term borrowings from banks and other financial institutions outstanding at 31st March, 2005, classified by annual maturity during the next five years, is as follows:

Due in the years ended 31st March,	Millions of yen	Thousands of U.S. dollars
2006	¥ 4,997	\$ 46,701
2007	3,721	34,776
2008	4,456	41,645
2009	4,470	41,776
2010	4,680	43,738
Thereafter	18,177	169,878
	¥40,501	\$378,514

The Companies' assets were pledged as collateral for short-term or long-term borrowings from banks and bonds as at 31st March, 2005.

Assets pledged as collateral are as follows:

	Millions of yen	Thousands of U.S. dollars
	2005	2005
Accounts receivable	¥ 194	\$ 1,813
Software	1,868	17,458
Investments in securities	63	589

The following liabilities were collateralized by the above pledged assets :

	Millions of yen	Thousands of U.S. dollars
	2005	2005
Current portion of long-term debt	¥1,701	\$15,897

In addition to the above, the Company had collateral-backed liabilities comprising ¥142 million (\$1,327 thousand) in long-term debt at non-consolidated subsidiaries and ¥28,800 million (\$269,159 thousand) in long-term debt (including the current portion) at special purpose entities.

## 6. LEASES

All finance lease contracts other than those in 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 the acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets (data communication facilities and other), including the portion of interest thereon, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Acquisition cost:			
Data communication facilities	¥ 71,917	¥ 85,413	\$ 798,253
Buildings and structures	357	362	3,383
Machinery and equipment, vehicles	244	184	1,720
Furniture, fixtures and tools	18,673	19,191	179,355
Software	2,021	1,522	14,224
	93,212	106,672	996,935
Accumulated depreciation	(35,517)	(42,613)	(398,253)
Net book value	¥ 57,695	¥ 64,059	\$ 598,682
Depreciation*	¥ 14,170	¥ 16,747	\$ 156,514

\* 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, 2003, 2004 and 2005 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2003	2004	2005	2005
Lease expenses	¥10,120	¥14,170	<b>¥16,747</b>	<b>\$156,514</b>

The amount of outstanding future lease payments due at 31st March, 2004 and 2005, including the portion of interest thereon, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Future lease payments:			
Within one year	¥14,305	<b>¥16,536</b>	<b>\$154,542</b>
Over one year	43,390	<b>47,523</b>	<b>444,140</b>
	¥57,695	<b>¥64,059</b>	<b>\$598,682</b>

#### Operating lease contract

The amount of outstanding future lease payments due at 31st March, 2005, including the portion of interest thereon, is as follows:

	Millions of yen	Thousands of U.S. dollars
	2005	2005
Future lease payments:		
Within one year	<b>¥ 2,535</b>	<b>\$ 23,692</b>
Over one year	<b>27,139</b>	<b>253,635</b>
	<b>¥29,674</b>	<b>\$277,327</b>

## 7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses comprise the following:

	Millions of yen			Thousands of U.S. dollars
	2003	2004	2005	2005
Employees' salaries, wages and other payroll costs	¥ 48,383	¥ 48,891	<b>¥ 51,461</b>	<b>\$ 480,944</b>
Severance and pension cost	8,479	7,283	<b>5,493</b>	<b>51,336</b>
Subcontractor expenses	26,600	28,750	<b>37,116</b>	<b>346,879</b>
Research and development expenses	18,224	15,350	<b>16,542</b>	<b>154,598</b>
Other	46,807	48,796	<b>55,858</b>	<b>522,037</b>
	¥148,493	¥149,070	<b>¥166,470</b>	<b>\$1,555,794</b>

Note:

Effective from the fiscal year ended March 31st, 2005, the Company has included an amount of ¥1,304 million (\$12,187 thousand) corresponding to the value-added and equity portions of enterprise taxes in selling, general and administrative (SG&A) expenses, in accordance with Practical Treatment for Presentation of External Standards Taxation of the Enterprise Taxes in the Statements of Operations (Practical Solution Report No. 12 issued by ASBJ) on February 13th, 2005.

## 8. CASH FLOW INFORMATION

Reconciliation of "Cash and cash equivalents" to the amounts disclosed on the balance sheets at 31st March, 2003, 2004 and 2005 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2003	2004	2005	2005
Cash on hand and at banks	¥90,130	¥69,135	¥63,049	\$589,243
Time deposits falling due in more than three months	(6)	—	—	—
Cash and cash equivalents	¥90,124	¥69,135	¥63,049	\$589,243

Summary information of newly consolidated subsidiaries at 31st March, 2004 and 2005 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Current assets	¥ 1,318	¥ 954	\$ 8,916
Property and equipment	370	631	5,897
Goodwill	1,001	208	1,944
Current liabilities	(1,008)	(1,265)	(11,822)
Long-term debt	(195)	(97)	(907)
Minority interests	(169)	(89)	(832)
Acquisition costs of newly consolidated subsidiaries	1,317	342	3,196
Cash and cash equivalents	(61)	(8)	(75)
Net cash payments for acquisition of newly consolidated subsidiaries	¥ 1,256	¥ 334	\$ 3,121

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Current assets	¥ 6,010	¥—	\$—
Property and equipment	529	—	—
Goodwill	(1,472)	—	—
Current liabilities	(2,095)	—	—
Long-term debt	(418)	—	—
Minority interests	(2,020)	—	—
Company's shareholders' equity at the date of acquisition	(462)	—	—
Acquisition costs of newly consolidated subsidiaries	73	—	—
Cash and cash equivalents	(2,806)	—	—
Net proceeds from acquisition of newly consolidated subsidiaries	¥(2,733)	¥—	\$—

## 9. INCOME TAXES

The Companies are subject to several taxes based on income, which, in the aggregate, resulted in a statutory tax rate of approximately 40.7%.

The significant components of deferred tax assets and liabilities at 31st March, 2004 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Deferred tax assets:			
Provision for retirement benefits	¥39,940	<b>¥41,848</b>	<b>\$391,103</b>
Depreciation	7,809	<b>12,728</b>	<b>118,953</b>
Loss on write-down of inventories	1,174	<b>1,312</b>	<b>12,262</b>
Loss carry forwards at subsidiaries	3,458	<b>3,742</b>	<b>34,972</b>
Other	15,066	<b>14,074</b>	<b>131,533</b>
Total	67,447	<b>73,704</b>	<b>688,823</b>
Less: valuation allowance	(3,714)	<b>(4,678)</b>	<b>(43,720)</b>
Total deferred tax assets	63,733	<b>69,026</b>	<b>645,103</b>
Deferred tax liabilities:			
Special tax-purpose reserve	(2,831)	<b>(1,926)</b>	<b>(18,000)</b>
Other	(2,064)	<b>(2,478)</b>	<b>(23,159)</b>
Total deferred tax liabilities	(4,895)	<b>(4,404)</b>	<b>(41,159)</b>
Deferred tax assets, net	¥58,838	<b>¥64,622</b>	<b>\$603,944</b>

The reconciliation between the statutory tax rate and effective income tax rate for the years ended 31st March, 2003, 2004 and 2005 is as follows:

	Percent		
	2003	2004	2005
Statutory tax rate:	—	42.05%	<b>40.69%</b>
Increase (reduction) in taxes resulting from:			
Non-deductible expenses		1.03	<b>1.70</b>
Non-taxable dividends received		(0.50)	<b>(0.17)</b>
Inhabitants tax per capita		0.47	<b>0.64</b>
Tax deductions from tax standards for promotion of IT investment		(6.18)	<b>(8.33)</b>
Tax deductions from tax standards for research and development expenses		(3.17)	<b>(4.76)</b>
Other		3.25	<b>4.35</b>
Effective income tax rate		36.95%	<b>34.12%</b>

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

## 10. MARKET VALUE INFORMATION OF INVESTMENTS IN SECURITIES

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		
	Acquisition cost	2004 Book value	Unrealized gain (loss)
Securities <sup>(1)</sup>	¥1,575	¥3,214	¥1,639
Securities <sup>(2)</sup>	481	413	(68)
Total	¥2,056	¥3,627	¥1,571

Notes:

<sup>(1)</sup> These types of securities consist of those for which the book value exceeds the acquisition cost.

<sup>(2)</sup> 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
	2004
Securities:	
Sales amount	¥8,546
Total amount of gain on sale of other securities	¥8,021
Total amount of loss on sale of other securities	¥ (230)

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

	Millions of yen
	2004
Other securities:	
Unlisted securities (excluding over-the-counter securities)	¥16,523

Information regarding marketable securities classified as other securities as of 31st March, 2005 is as follows:

**(1) Other Securities for which Market Quotations are Available**

	Millions of yen			Thousands of U.S. dollars
	2005	2005	2005	2005
	Acquisition cost	Book value	Unrealized gain(loss)	Unrealized gain(loss)
Securities <sup>(*)1</sup>	¥1,859	¥4,503	¥2,644	\$24,710
Securities <sup>(*)2</sup>	280	237	(43)	(402)
Total	¥2,139	¥4,740	¥2,601	\$24,308

Notes:

<sup>(\*)1</sup> These types of securities consist of those whose book value exceeds the acquisition cost.

<sup>(\*)2</sup> These types of securities consist of those whose book value is less than the acquisition cost.

**(2) Other Securities Sold for the Year Ended 31st March, 2005**

	Millions of yen	Thousands of U.S. dollars
	2005	2005
Securities:		
Sales amount	¥475	\$4,439
Total amount of gain on sale of other securities	¥430	\$4,019
Total amount of loss on sale of other securities	¥ (18)	\$ (168)

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

	Millions of yen	Thousands of U.S. dollars
	2005	2005
Other securities:		
Unlisted securities (excluding over-the-counter securities)	¥18,697	\$174,738

Note:

Effective from the fiscal year ended March 31st, 2005, the Company has changed the presentation of investments in limited liability investment partnerships and similar partnerships (those deemed as investments in marketable securities in accordance with Article 2-2 of Japan's Securities and Exchange Law) from "Other investments" to "Investment securities".

This change follows the passing of the Law to Partially Amend the Securities and Exchange Law (Law No. 97) on June 9, 2004 and its application from December 1st, 2004, as well as amendments on February 15th, 2005 to the Practical Guidelines Concerning Accounting for Financial Instruments (The Japanese Institute of Certified Public Accountants, Accounting Committee Report No. 14).



## 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 on these arrangements.

No subsidiaries used derivative financial instruments as at 31st March, 2004 and 2005.

There were no derivative financial instruments except for financial instruments which applied for hedge accounting as at 31st March, 2004 and 2005.

## 12. PENSION AND SEVERANCE PLANS

### (1) General Information on the Pension Plan

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

The Company and 28 subsidiaries are members of the NTT Employees Pension Fund as at 31st March, 2004 and 2005.

The Company and 7 subsidiaries adopted the Severance Payment Plan as at 31st March, 2004, while the Company and 6 subsidiaries adopt it as at 31st March, 2005.

### (2) Benefit Obligation

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Benefit obligation	¥(199,280)	¥(202,923)	\$(1,896,477)
Plan assets	92,439	98,416	919,776
Benefit obligation in excess of plan assets	(106,841)	(104,507)	(976,701)
Unrecognized transition obligation	(4,382)	(3,984)	(37,234)
Unrecognized net actuarial loss	14,341	9,409	87,935
Unrecognized prior service costs	(19,693)	(18,156)	(169,682)
Net amount recognized	¥(116,575)	¥(117,238)	\$(1,095,682)

Notes:

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

(2) Due to a revision of the Employee Pension Fund Insurance Law on March 2000, the Companies revised their regulation raising the 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 "points" 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 Health, Labour and Welfare for exemption from the future obligations to disburse NTT Employees Pension Fund covering the substitutional portion. As a result of this revision of the corporate pension plan, including the deduction of the basic rate of pay in December, 2003, pension benefit obligations decreased and unrecognized prior service costs are provided for.

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

### (3) Severance and Pension Cost

	Millions of yen			Thousands of U.S. dollars
	2003	2004	2005	2005
Service costs	¥ 9,533	¥ 9,205	¥ 8,435	\$ 78,832
Interest costs	5,112	4,806	4,767	44,551
Expected return on plan assets	(2,027)	(2,017)	(2,348)	(21,944)
Amortization of transition obligation	(398)	(398)	(398)	(3,720)
Amortization of net actuarial loss	2,101	2,477	1,594	14,897
Amortization of prior service costs	(263)	(1,131)	(1,537)	(14,364)
Net periodic benefit costs	¥14,058	¥12,942	¥10,513	\$ 98,252

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

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

	2004	2005
Allocation method for the projected benefit obligation	Straight-line method	<b>Straight-line method</b>
Discount rate	2.50%	<b>2.50%</b>
Expected return on plan assets	2.50%	<b>2.50%</b>
Amortization of prior service cost	Unrecognized prior service costs are amortized using the straight-line method over the average remaining service period of employees in each fiscal year in which they arise.	<b>Unrecognized prior service costs are amortized using the straight-line method over the average remaining service period of employees in each fiscal year in which they arise.</b>
Amortization of unrecognized actuarial loss	Unrecognized actuarial differences are amortized using the straight-line method over the average remaining service period of employees from the next year in which they arise.	<b>Unrecognized actuarial differences are amortized using the straight-line method over the average remaining service period of employees from the next year in which they arise.</b>
Amortization of net transition obligation	Straight-line method for 15 years	<b>Straight-line method for 15 years</b>

**13. SEGMENT INFORMATION****(1) Business Segment**

For the year ended 31st March, 2003	Millions of yen				Elimination or corporate	Consolidated
	System Integration	Network System Services	Others	Total		
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					Elimination or corporate	Consolidated
	System Integration	Network System Services	Others	Total			
I Net sales and operating income (expenses)							
Net sales:							
(1) External customers	¥652,116	¥55,319	¥139,271	¥846,706	¥ —	¥ 846,706	
(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	
Operating expenses	¥621,993	¥54,907	¥168,854	¥845,754	¥ (58,773)	¥ 786,981	
Operating income	¥ 63,461	¥ 2,887	¥ 8,867	¥ 75,215	¥ (15,490)	¥ 59,725	
II Total assets, depreciation and capital expenditures							
Total assets	¥716,689	¥32,641	¥178,555	¥927,885	¥ 137,664	¥1,065,549	
Depreciation	¥130,726	¥ 7,711	¥ 8,509	¥146,946	¥ 661	¥ 147,607	
Capital expenditures	¥121,190	¥ 6,801	¥ 20,784	¥148,775	¥ 148	¥ 148,923	

For the year ended 31st March, 2005	Millions of yen					Elimination or corporate	Consolidated	Thousands of U.S. dollars
	System Integration	Network System Services	Others	Total				
I Net sales and operating income (expenses)								
Net sales:								
(1) External customers	<b>¥651,723</b>	<b>¥ 54,197</b>	<b>¥148,234</b>	<b>¥854,154</b>	<b>¥ —</b>	<b>¥ 854,154</b>	<b>\$7,982,748</b>	
(2) Intersegment or transfer	<b>38,124</b>	<b>2,415</b>	<b>38,268</b>	<b>78,807</b>	<b>(78,807)</b>	<b>—</b>	<b>—</b>	
Total	<b>¥689,847</b>	<b>¥ 56,612</b>	<b>¥186,502</b>	<b>¥932,961</b>	<b>¥ (78,807)</b>	<b>¥ 854,154</b>	<b>\$7,982,748</b>	
Operating expenses	<b>¥638,045</b>	<b>¥ 54,307</b>	<b>¥183,594</b>	<b>¥875,946</b>	<b>¥ (61,080)</b>	<b>¥ 814,866</b>	<b>\$7,615,570</b>	
Operating income	<b>¥ 51,802</b>	<b>¥ 2,305</b>	<b>¥ 2,908</b>	<b>¥ 57,015</b>	<b>¥ (17,727)</b>	<b>¥ 39,288</b>	<b>\$ 367,178</b>	
II Total assets, depreciation and capital expenditures								
Total assets	<b>¥706,783</b>	<b>¥34,613</b>	<b>¥163,874</b>	<b>¥905,270</b>	<b>¥133,301</b>	<b>¥1,038,571</b>	<b>\$9,706,271</b>	
Depreciation	<b>¥121,120</b>	<b>¥ 7,101</b>	<b>¥ 9,323</b>	<b>¥137,544</b>	<b>¥ 571</b>	<b>¥ 138,115</b>	<b>\$1,290,794</b>	
Capital expenditures	<b>¥ 88,848</b>	<b>¥ 8,941</b>	<b>¥ 12,928</b>	<b>¥110,717</b>	<b>¥ 104</b>	<b>¥ 110,821</b>	<b>\$1,035,710</b>	

## Notes:

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

(2) The 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 ¥16,311 million, ¥15,644 million and ¥18,178 million (\$169,888 thousand) for the years ended 31st March, 2003, 2004 and 2005, respectively. 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 ¥153,234 million, ¥137,664 million and ¥133,301 million (\$1,245,804 thousand) for the years ended 31st March, 2003, 2004 and 2005, respectively. Such assets include temporary cash investments (cash in 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 year ended 31st March, 2003. The information is not required to be disclosed because the amount of net sales and assets in Japan exceeded 90% of the amount of combined net sales for the years ended 31st March, 2004 and 2005 and the assets of all segments as at that date.

**(3) Overseas Sales**

This information is not required to be disclosed because net overseas sales represent less than 10% of consolidated net sales for the years ended 31st March, 2003, 2004 and 2005.

**14. RELATED PARTY TRANSACTIONS**

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

<b>Directors and Principal Individual Shareholders, etc.</b>			<b>2004</b>		
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 posts held by the directors	—	—			
Operating relation	—	—			
Nature of transaction	Payment of annual fees	Payment of annual fees			
Transaction amount	¥3 million	¥2 million			
Account	—	—			
Balance at year-end	—	—			
<b>Group Companies</b>			<b>2004</b>		
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	¥7,750 million			
Type of business	Mobile telecommunications business	Real estate-related and outsourcing business			
Equity ownership percentage	Not applicable	Not applicable			
Relation					
Additional posts held by the 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	¥66,262 million			
Account	Accounts receivable	Accounts due			
Balance at year-end	¥31,176 million	¥15,508 million			

Related party transactions for the year ended 31st March, 2005 are as follows:

<b>Directors and Principal Individual Shareholders, etc.</b>			<b>2005</b>		
Type	<b>Officer</b>	<b>Officer</b>			
Name of the Related party	<b>Tomokazu Hamaguchi</b>	<b>Tomokazu Hamaguchi</b>			
Address	—	—			
Common stock	—	—			
Type of business	<b>President and Chief Executive Officer</b>	<b>President and Chief Executive Officer</b>			
Equity ownership percentage	<b>(owned) direct 0.0%</b>	<b>(owned) direct 0.0%</b>			
Relation					
Additional posts held by the directors	—	—			
Operating relation	—	—			
Nature of transaction	<b>Building rental income and other business income</b>	<b>Payment of annual fees</b>			
Transaction amount	<b>¥32 million (\$299 thousand)</b>	<b>¥3 million (\$28 thousand)</b>			
Account	—	—			
Balance at year-end	—	—			

<b>2005</b>	
Type	<b>Officer</b>
Name of the Related party	<b>Shinobu Umino</b>
Address	—
Common stock	—
Type of business	<b>Senior Vice President</b>
Equity ownership percentage	<b>(owned) direct 0.0%</b>
Relation	
Additional posts held by the directors	—
Operating relation	—
Nature of transaction	<b>Payment of annual fees</b>
Transaction amount	<b>¥2 million (\$19 thousand)</b>
Account	—
Balance at year-end	—
<b>Group Companies</b>	
<b>2005</b>	
Type	<b>Subsidiary of parent company</b>
Name of the Related party	<b>NTT BUSINESS ASSOCIE Co., Ltd.</b>
Address	<b>Chiyoda-ku, Tokyo</b>
Common stock	<b>¥7,750 million (\$72,430 thousand)</b>
Type of business	<b>Real estate-related and outsourcing business</b>
Equity ownership percentage	<b>Not applicable</b>
Relation	
Additional posts held by the directors	<b>Not applicable</b>
Operating relation	<b>Funds settlement for inter-company transactions among NTT Group companies</b>
Nature of transaction	<b>Funds settlement for inter-company transactions among NTT Group companies</b>
Transaction amount	<b>¥89,518 million (\$836,617 thousand)</b>
Account	<b>Accounts due</b>
Balance at year-end	<b>¥15,393 million (\$143,860 thousand)</b>

## 15. NET INCOME PER SHARE

The basic and diluted net income per share (“EPS”) amounts are the same as those amounts previously reported as net income per share.

## 16. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31st March, 2005, the Company was contingently liable for guarantees of loans of ¥5,055 million (\$47,243 thousand) taken out by Nippon Leisure Card System Co., Ltd. in an amount.

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 (\$186,916 thousand)

8th issue of unsecured ordinary yen bonds is ¥30,000 million (\$280,374 thousand)

14th issue of unsecured ordinary yen bonds is ¥30,000 million (\$280,374 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, 2005, which was proposed by the Board of Directors of the Company and approved at the shareholders’ meeting held on 23th June, 2005, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at 31st March, 2005	<b>¥ 20,756</b>	<b>\$ 193,981</b>
Transfer from special tax-purpose reserve into retained earnings	<b>1,311</b>	<b>12,253</b>
Transfer from special tax-purpose reserve for specified communications equipment into retained earnings	<b>53</b>	<b>495</b>
Transfer to special tax purpose reserve for R&D facilities into retained earnings	<b>11</b>	<b>103</b>
Appropriations:		
Cash dividends (¥1,000 per share)	<b>(2,805)</b>	<b>(26,215)</b>
Bonuses to directors and statutory auditors	<b>(84)</b>	<b>(785)</b>
Transfer to special tax purpose reserve for R&D facilities	<b>(49)</b>	<b>(458)</b>
Transfer to general reserve	<b>(13,000)</b>	<b>(121,495)</b>
	<b>(15,938)</b>	<b>(148,953)</b>
Balance to be carried forward to the next year	<b>¥ 6,193</b>	<b>\$ 57,879</b>

## Report of Independent Auditors

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

Kasumigaseki Bldg. 32nd Floor  
3-2-5, Kasumigaseki, Chiyoda-ku,  
Tokyo 100-6088, Japan

Report of Independent Auditors

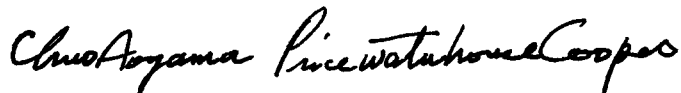
To the Board of Directors of NTT DATA CORPORATION

We have audited the accompanying consolidated balance sheets of NTT DATA CORPORATION and its subsidiaries as of March 31, 2004 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years ended March 31, 2003, 2004 and 2005, 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, 2004 and 2005, and the consolidated results of their operations and their cash flows for the years ended March 31, 2003, 2004 and 2005 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 23, 2005

## SUPPLEMENTAL INFORMATION

## Non-Consolidated Six-Year Summary

NTT DATA CORPORATION

Years ended 31st March

	Millions of yen						Thousands of U.S. dollars	
	2000	2001	2002	2003	2004	2005	2005	
<b>For the Year:</b>								
Net Sales	¥ 716,430	¥ 786,730	¥ 767,836	¥ 780,652	¥ 750,703	¥ 738,241	\$ 6,899,449	
System Integration	576,253	630,945	601,447	611,315	576,537	555,233	5,189,093	
Network System Services	48,751	50,146	52,930	54,315	54,272	53,140	496,636	
Others	91,426	105,639	113,459	115,022	119,894	129,868	1,213,720	
Cost of Sales	534,504	595,174	576,363	592,802	574,347	568,637	5,314,365	
Operating Income	50,498	58,376	56,267	57,297	51,178	30,289	283,075	
Income (Loss) before Income Taxes	(29,418)	45,525	43,990	44,359	35,403	24,154	225,738	
Net Income (Loss)	(17,997)	25,757	25,154	24,075	23,220	17,486	163,421	
New Orders Received	704,733	767,338	811,820	789,347	650,302	543,903	5,083,206	
Capital Expenditures	211,189	164,372	170,856	172,948	148,902	110,336	1,031,178	
Research and Development Expenses	22,703	17,918	19,210	18,439	15,291	16,342	152,729	
<b>At Year-End:</b>								
Property and Equipment, at Cost	991,344	971,442	1,032,302	1,002,184	805,755	799,811	7,474,869	
Less: Accumulated Depreciation	(564,804)	(576,896)	(631,351)	(603,071)	(463,170)	(490,819)	(4,587,093)	
Long-Term Debt	383,022	350,948	306,634	311,887	267,316	207,399	1,938,309	
Total Liabilities	701,839	688,723	693,861	666,961	588,378	507,509	4,743,075	
Total Shareholders' Equity	363,013	386,641	408,661	427,696	445,985	458,533	4,285,355	
Total Assets	1,064,852	1,075,364	1,102,522	1,094,657	1,034,363	966,042	9,028,430	
							Yen	U.S. dollars
<b>Per Share:</b>								
Net Income (Loss)	¥ (6,455)	¥ 9,146	¥ 8,934	¥ 8,552	¥ 8,246	¥ 6,204	\$ 57.98	
Shareholders' Equity	129,377	137,803	145,657	152,445	158,965	163,440	1,527.48	
Cash Dividends	1,000	1,000	1,000	2,000	2,000	2,000	18.69	
<b>Other Information:</b>								
Operating Income Margin (%)	7.0	7.4	7.3	7.3	6.8	4.1	—	
Return on Sales (%)	(2.5)	3.3	3.3	3.1	3.1	2.4	—	
Return on Equity (%)	(4.9)	6.9	6.3	5.8	5.3	3.9	—	
Return on Assets (%)	(1.7)	2.4	2.3	2.2	2.2	1.7	—	
Payout Ratio (%)	—	10.9	11.2	23.4	24.3	32.2	—	
Dividends on Equity (%)	0.8	0.7	0.7	1.3	1.3	1.2	—	
Number of Employees	9,307	8,718	7,434	7,550	7,232	7,620	—	
Number of Shares Issued	2,805,000	2,805,000	2,805,000	2,805,000	2,805,000	2,805,000	—	

## Notes:

(1) From fiscal 2000, NTT DATA has decided to classify its business according to three new business types: System Integration (SI), Network System Services, 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.

According to the classifications used previously, net sales were as follows:

	Millions of yen						Thousands of U.S. dollars	
	2000	2001	2002	2003	2004	2005	2005	
Data Communications Service	¥397,504	¥388,083	¥384,887	¥392,702	¥390,274	¥385,076	\$3,598,841	
Systems Development Service	212,414	277,138	252,133	254,997	221,988	187,748	1,754,654	
Other Services	106,512	121,509	130,816	132,953	138,441	165,417	1,545,954	

(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) Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March, 2005, of ¥107=U.S.\$1.



## SUPPLEMENTAL INFORMATION

## Non-Consolidated Balance Sheets

NTT DATA CORPORATION

As at 31st March, 2004 and 2005

ASSETS	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
<b>Current Assets:</b>			
Cash in hand and at banks	¥ 64,052	¥ 55,452	\$ 518,243
Accounts receivable:			
External clients	130,702	120,685	1,127,897
“NTT”	—	2	19
Subsidiaries and affiliates	5,369	7,587	70,906
	136,071	128,274	1,198,822
Less: allowance for doubtful accounts	(428)	(366)	(3,420)
	135,643	127,908	1,195,402
Accounts due	25,670	19,290	180,280
Works and software in progress	13,314	23,117	216,047
Supplies	906	590	5,514
Prepaid expenses	4,889	5,795	54,159
Deferred income taxes	6,491	5,700	53,271
Other current assets	3,603	7,274	67,981
Total current assets	254,568	245,126	2,290,897
<b>Investments and Advances:</b>			
Investments in securities	19,618	22,991	214,869
Investments in subsidiaries and affiliates	24,994	27,054	252,841
Other investments	4,664	5,096	47,626
Total investments and advances	49,276	55,141	515,336
<b>Property and Equipment, at Cost</b>	805,755	799,811	7,474,869
Less: accumulated depreciation	(463,170)	(490,819)	(4,587,093)
	342,585	308,992	2,887,776
<b>Fixed Leasehold Deposits</b>	22,625	20,636	192,860
<b>Deferred Income Taxes</b>	42,969	48,277	451,187
<b>Deferred Charges and Intangibles:</b>			
Software	296,985	250,014	2,336,580
Development cost of software in progress	22,455	34,377	321,280
Other	2,900	3,479	32,514
	322,340	287,870	2,690,374
	¥1,034,363	¥ 966,042	\$ 9,028,430

Note: Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March 2005, of ¥107 = U.S.\$1.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
<b>Current Liabilities:</b>			
Short-term borrowings	¥ 3,000	¥ 16,000	\$ 149,533
Commercial paper	—	30,000	280,374
Current portion of long-term debt	45,165	—	—
Accounts payable:			
Suppliers	53,726	44,648	417,271
Subsidiaries and affiliates	23,283	24,649	230,364
Other	25,268	26,483	247,505
	102,277	95,780	895,140
Income taxes payable	9,798	6,700	62,617
Accrued expenses	7,167	6,054	56,579
Advances received	10,687	7,850	73,364
Other current liabilities	31,928	28,233	263,860
Total current liabilities	210,022	190,617	1,781,467
<b>Long-Term Debt</b>	267,316	207,399	1,938,309
<b>Provision for Retirement Benefits</b>	111,040	109,493	1,023,299
Total liabilities	588,378	507,509	4,743,075
<b>Commitments and Contingent Liabilities</b>			
<b>Shareholders' Equity:</b>			
Common stock			
Authorized — 11,220,000 shares in 2004 and 2005			
Issued — 2,805,000 shares in 2004 and 2005			
	142,520	142,520	1,331,963
Capital Surplus			
Additional paid-in capital	139,300	139,300	1,301,869
Retained earnings			
Legal reserve	2,288	2,288	21,383
Special tax-purpose reserve	5,802	4,091	38,234
Special tax-purpose reserve for specified communication equipment	237	184	1,720
Special tax-purpose reserve for R&D facilities	—	44	411
General reserve	129,000	148,000	1,383,177
Unappropriated retained earnings	26,250	20,756	193,981
	163,577	175,363	1,638,906
Unrealized gains on investment securities, net of taxes	588	1,350	12,617
Total shareholders' equity	445,985	458,533	4,285,355
	¥1,034,363	¥966,042	\$9,028,430

## SUPPLEMENTAL INFORMATION

## Non-Consolidated Statements of Income

NTT DATA CORPORATION

For the years ended 31st March, 2003, 2004 and 2005

	Millions of yen			Thousands of U.S. dollars
	2003	2004	2005	2005
<b>Net Sales</b>	¥780,652	¥750,703	<b>¥738,241</b>	<b>\$6,899,449</b>
<b>Cost of Sales</b>	592,802	574,347	<b>568,637</b>	<b>5,314,365</b>
Gross profit	187,850	176,356	<b>169,604</b>	<b>1,585,084</b>
<b>Selling, General and Administrative Expenses</b>	130,553	125,178	<b>139,315</b>	<b>1,302,009</b>
Operating income	57,297	51,178	<b>30,289</b>	<b>283,075</b>
<b>Non-Operating Income (Expenses):</b>				
Interest income	33	23	<b>30</b>	<b>280</b>
Interest expenses	(6,971)	(5,269)	<b>(4,279)</b>	<b>(39,991)</b>
Loss on redemption of bonds	(1,990)	—	<b>(4,708)</b>	<b>(44,000)</b>
Gains on sales of securities	574	8,021	<b>406</b>	<b>3,795</b>
Insurance income	576	698	<b>744</b>	<b>6,953</b>
Distribution of gain from SPE	—	—	<b>3,141</b>	<b>29,355</b>
Loss on disposal of fixed assets <sup>π</sup>	(865)	(1,106)	<b>(1,138)</b>	<b>(10,635)</b>
Loss on write-down of investments in securities	(3,163)	(1,031)	<b>(584)</b>	<b>(5,458)</b>
Loss on write-down of investments in affiliates	(815)	(2,438)	<b>(280)</b>	<b>(2,617)</b>
Distribution of loss from SPE	(231)	(1,263)	—	—
Restructuring charge	—	(12,979)	—	—
Others, net	(86)	(431)	<b>533</b>	<b>4,981</b>
	(12,938)	(15,775)	<b>(6,135)</b>	<b>(57,337)</b>
Income before income taxes	44,359	35,403	<b>24,154</b>	<b>225,738</b>
<b>Income Taxes</b>				
Current	23,230	13,235	<b>11,684</b>	<b>109,196</b>
Deferred	(2,946)	(1,052)	<b>(5,016)</b>	<b>(46,879)</b>
	20,284	12,183	<b>6,668</b>	<b>62,317</b>
Net income	¥ 24,075	¥ 23,220	<b>¥ 17,486</b>	<b>\$ 163,421</b>
<b>Per Share:</b>				
Net income	¥ 8,552	¥ 8,246	<b>¥ 6,204</b>	<b>\$ 57.98</b>
Cash dividends	2,000	2,000	<b>2,000</b>	<b>18.69</b>

Note: Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March 2005, of ¥107 = U.S.\$1.

## SUPPLEMENTAL INFORMATION

## Non-Consolidated Statements of Shareholders' Equity

NTT DATA CORPORATION

For the years ended 31st March, 2003, 2004 and 2005

	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	Special tax-purpose reserve for R&D facilities	General reserve	Unappropriated retained earnings
<b>Balance at 31st March, 2002</b>	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)
<b>Balance at 31st March, 2003</b>	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	—	—	—	—	—	—	—	—	(90)
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)
<b>Balance at 31st March, 2004</b>	2,805,000	142,520	139,300	2,288	5,802	237	—	129,000	26,250
Net income for the year ended 31st March, 2005	—	—	—	—	—	—	—	—	17,486
Cash dividends	—	—	—	—	—	—	—	—	(5,610)
Bonuses to directors and statutory auditors	—	—	—	—	—	—	—	—	(90)
Transfer from special tax-purpose reserve	—	—	—	—	(1,711)	—	—	—	1,711
Transfer from special tax-purpose reserve for specified communication equipment	—	—	—	—	—	(53)	—	—	53
Transfer to special tax-purpose reserve for R&D facilities	—	—	—	—	—	—	44	—	(44)
Transfer to general reserve	—	—	—	—	—	—	—	19,000	(19,000)
<b>Balance at 31st March, 2005</b>	<b>2,805,000</b>	<b>¥142,520</b>	<b>¥139,300</b>	<b>¥2,288</b>	<b>¥ 4,091</b>	<b>¥184</b>	<b>¥44</b>	<b>¥148,000</b>	<b>¥ 20,756</b>

	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	Special tax-purpose reserve for R&D facilities	General reserve	Unappropriated retained earnings
<b>Balance at 31st March, 2004</b>	2,805,000	\$1,331,963	\$1,301,869	\$21,383	\$54,224	\$2,215	\$—	\$1,205,607	\$245,327
Net income for the year ended 31st March, 2005	—	—	—	—	—	—	—	—	163,421
Cash dividends	—	—	—	—	—	—	—	—	(52,430)
Bonuses to directors and statutory auditors	—	—	—	—	—	—	—	—	(841)
Transfer from special tax-purpose reserve	—	—	—	—	(15,990)	—	—	—	15,990
Transfer from special tax-purpose reserve for specified communication equipment	—	—	—	—	—	(495)	—	—	495
Transfer to special tax-purpose reserve for R&D facilities	—	—	—	—	—	—	411	—	(411)
Transfer to general reserve	—	—	—	—	—	—	—	177,570	(177,570)
<b>Balance at 31st March, 2005</b>	<b>2,805,000</b>	<b>\$1,331,963</b>	<b>\$1,301,869</b>	<b>\$21,383</b>	<b>\$38,234</b>	<b>\$1,720</b>	<b>\$411</b>	<b>\$1,383,177</b>	<b>\$ 193,981</b>

Note: Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March 2005, of ¥107=U.S.\$1.

## Major Subsidiaries and Affiliates

As of 31st March, 2005, the Company had 78 subsidiaries and 22 affiliates. In the consolidated financial statements of the Company, 45 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, 2005 (millions of yen)	Percentage Held (%)	Principal Business
<b>CONSOLIDATED SUBSIDIARIES</b>			
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	400	99.7	Systems design and sales
NTT DATA TOKAI CORPORATION	200	99.8	Systems design and sales
NTT DATA KYUSHU CORPORATION	114	100.0	Systems design and sales
NTT DATA HOKKAIDO CORPORATION	100	100.0	Systems design and sales
NTT DATA TOHOKU CORPORATION	100	100.0	Systems design and sales
NTT DATA SHINETSU CORPORATION	100	100.0	Systems design and sales
NTT DATA HOKURIKU CORPORATION	100	100.0	Systems design and sales
NTT DATA CHUGOKU CORPORATION	100	100.0	Systems design and sales
NTT DATA SHIKOKU CORPORATION	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	2,000	100.0	Systems support
NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, INC.	450	100.0	Consulting
NTT DATA FORCE CORPORATION	285	100.0	Systems design
NTT DATA FINANCIAL CORPORATION	200	74.0	Financial information services
NTT DATA SCIENCE CORPORATION	130	68.6	Systems design
NTT DATA MANAGEMENT SERVICE CORPORATION	100	100.0	General affairs outsourcing services
NTT DATA SOLUTION CORPORATION	100	100.0	Systems design
NTT DATA Net's CORPORATION	100	100.0	Systems design
NTT DATA INTELLILINK CORPORATION	100	100.0	Systems design
NTT DATA FIT CORPORATION	100	100.0	Systems design
NTT DATA SANYO SYSTEM CORPORATION	586	50.0	Systems design
NTT DATA INTRAMART CORPORATION	120	74.5	Package software sales
NTT DATA UNIVERSITY CORPORATION	100	100.0	Education and training services
NTT DATA WAVE CORPORATION	100	80.1	Systems design
NTT DATA 3C CORPORATION	100	70.0 (10.0)	Contact center businesses
Nihon Card Processing Co., Ltd.	2,675	71.5	Various services related to credit card operations
SNT Software Co., Ltd. (Note 1)	3	0.0	Licensing of software for credit card operations
NTT DATA INTERNATIONAL L.L.C.	\$17,110 thousands	100.0	General affairs and accounting outsourcing services
NTT DATA USA L.L.C.	\$10,491 thousands	100.0 (100.0)	Facility management

Name	Issued Share Capital as at 31st March, 2005 (millions of yen)	Percentage Held (%)	Principal Business
Beijing NTT Data Systems Integration Co., Ltd.	27,522 thousands Yuan	100.0	Software design
NTT DATA FRONTIER CORPORATION	280	52.5	Systems design
NTT DATA (CHINA) Co., LTD.	\$1,500 thousands	100.0	Market survey / product sales
NTT DATA AgileNet L.L.C.	\$850 thousands	100.0 (100.0)	Survey / partnership support
NTT DATA ITEC CORPORATION	90	60.0	Software development and maintenance
NTT DATA BUSINESS BRAINS CORPORATION	70	70.0	Systems design
M.I.S.I. Co., Ltd.	\$356 thousands	100.0 (100.0)	Staffing and recruitment agency Systems design
MISICOM, Inc.	\$20 thousands	100.0 (100.0)	Staffing agency
NTT DATA SEKISUI SYSTEMS CORPORATION (Note 2)	100	60.0	Systems design
NTT DATA SOFIA CORPORATION (Note 2)	80	95.0	Systems design
Chigin Kyodo Center Communications Company, Limited (Notes 1, 2)	3	0.0	Providing banking center service for regional banks
<b>EQUITY METHOD AFFILIATES</b>			
JAPAN NETWORK SYSTEM CORPORATION	1,375	31.1	Systems sales
NTT MediaCross, Inc.	100	30.0	Supplying platform services for digital broadcasting

(Notes)

1. There is no specified subsidiary.
2. (Note 1) These companies are consolidated subsidiaries after satisfying criteria for effective control.
3. (Note 2) These companies are newly consolidated subsidiaries in the year ended 31st March 2005.
4. Figures in parentheses under the percentage of voting shares held represent inclusive percentages of indirectly held shares.

# Investor Information

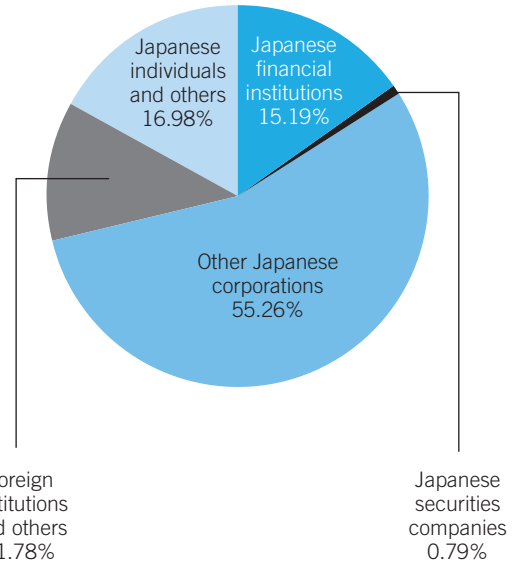
(As of 31st March, 2005)

## 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%
The Master Trust Bank of Japan, Ltd., Trust Account	127,001	4.53%
Japan Trustee Services Bank, Ltd., Trust Account	97,347	3.47%
BNP PARIBAS Securities (Japan) Limited	25,367	0.90%
The Dai-ichi Mutual Life Insurance Company	24,887	0.89%
CALYON DMA OTC	24,112	0.86%
Societe Generale Paris O.B.E. Dept	23,721	0.85%
NTT DATA Employee Share-holding Association	15,938	0.57%
State Street Bank and Trust Company 505103	14,873	0.53%
Nippon Life Insurance Company	14,507	0.52%
Total	1,887,763	67.30%

## DISTRIBUTION OF OWNERSHIP AMONG SHAREHOLDERS

(On a number of shares basis)



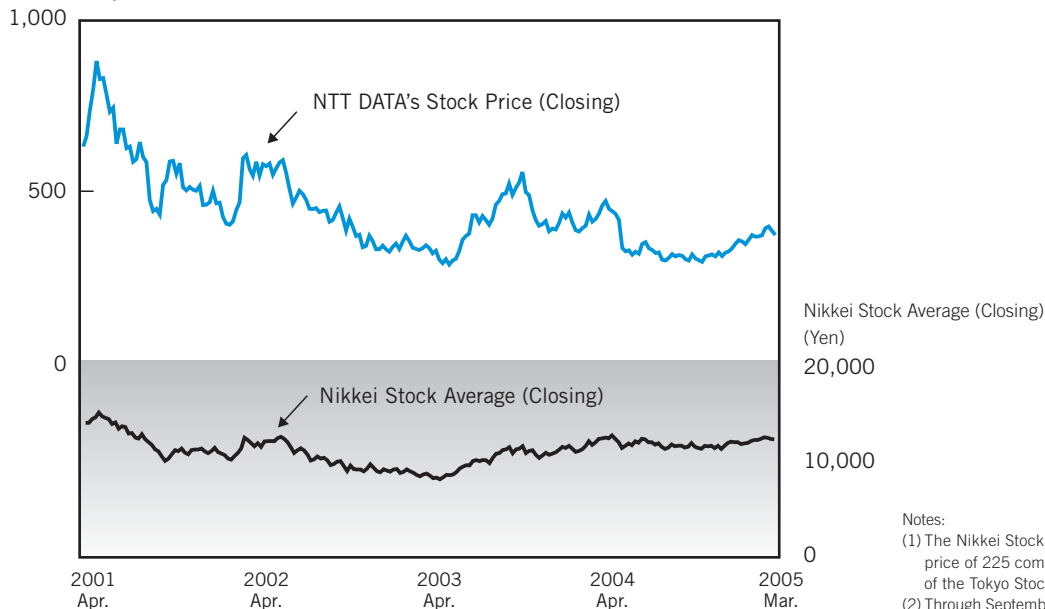
## NUMBER OF SHARES ISSUED AND NUMBER OF SHAREHOLDERS

(1) Total Number of Authorized Shares	11,220,000
(2) Number of Shares Issued and Outstanding	2,805,000
(3) Number of Shareholders	175,333

## STOCK PRICE CHART

NTT DATA's Stock Price (Closing)

(Thousands of yen)





# Corporate Data

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## DATE OF ESTABLISHMENT:

May 23, 1988

## COMMON STOCK:

¥142,520 million

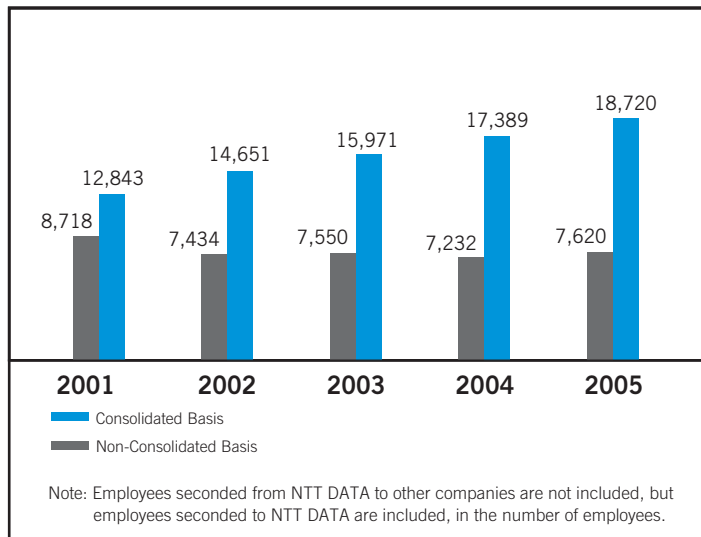
## ACCOUNT SETTLEMENT DATE:

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 its 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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Data



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