



A Test of Leadership



NTT DATA Group aims to be **No. 1 in customer satisfaction** by anticipating future developments and adroitly responding to changes in market conditions and customer needs. We also aim to deliver **sustained growth** by leading the way in Japan's IT industry through the provision of **systems and services invaluable to society.**

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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.

We will.....!



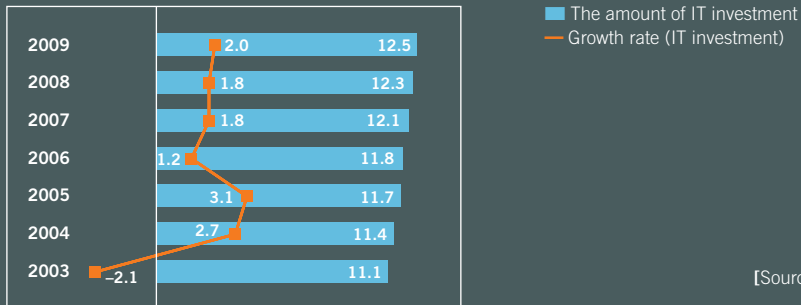
Progress is being made on business expansion with the aim of achieving targeted net sales of ¥1 trillion in the fiscal year ending March 31, 2007, underscoring NTT DATA's leadership in Japan's IT services industry. Yet this target is merely a milestone in our quest for **long-term growth**. Demand for our businesses in Japan's IT services industry is picking up, but we still face **various pressing issues** in each business. In light of our **prominent role as an industry leader and compelling social mandate**, we are committed to **surmounting these issues to deliver sound, sustained growth over the long term.**

NTT DATA's Positioning in the Market

IT Services Market Trends in Japan

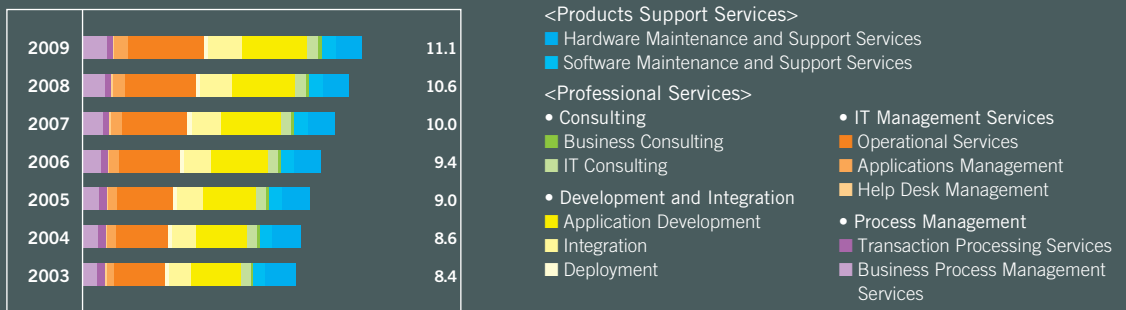
The domestic IT services market is defined by fierce competition among vendors and ongoing trends including a stronger emphasis on ROI (return on investment) among customers, smaller projects, and shorter development lead-times. However, gradual growth in this market is expected to be fueled by growing needs for ensuring the reliability of computer systems and robust capital investments accompanying improved corporate earnings. Growth is also projected from the shared use of systems and demand for outsourcing services.

Size of IT Market (%/trillions of yen)



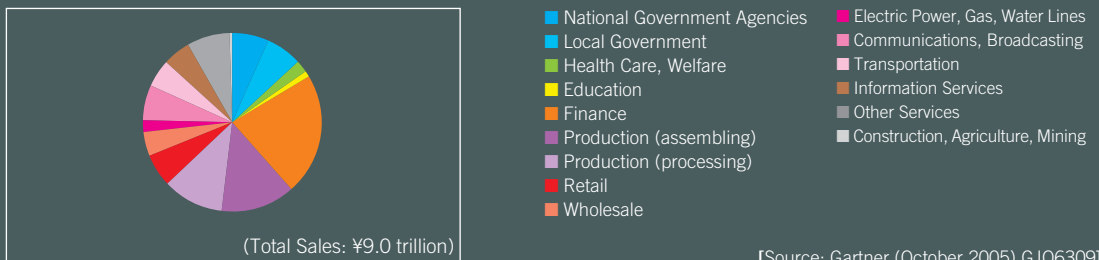
[Source: IDC Japan, Directions 2006 Tokyo]

Size of IT Service Market by Segment (trillions of yen)
[moderate case]



[Source: Gartner (October 2005) GJ06309]

Breakdown of IT Service Market Sales by Industry Sector (2005)
[moderate case]



[Source: Gartner (October 2005) GJ06309]

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.
- 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.
- 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.

Years ended 31st March	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2006
	Millions of yen											Thousands of U.S. dollars

For the Year:	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2006
Net Sales	¥562,227	¥611,603	¥676,581	¥ 710,152	¥ 725,348	¥ 801,045	¥ 801,967	¥ 832,109	¥ 846,706	¥ 854,154	¥ 907,281	\$7,754,538
Operating Income	55,411	51,862	54,197	56,833	50,738	58,778	59,446	61,544	59,725	39,288	46,867	400,573
Income (Loss) before Income Taxes	25,898	34,355	34,275	37,747	(29,177)	46,083	47,163	50,933	44,441	32,144	42,016	359,111
Net Income (Loss)	11,671	14,241	15,612	16,313	(18,114)	24,452	26,410	28,562	26,956	20,110	28,191	240,949
New Orders Received	–	–	–	–	714,882	779,418	845,400	843,571	750,796	658,161	723,674	6,185,248
Capital Expenditures	–	–	–	–	210,375	163,655	170,577	171,017	148,923	110,821	112,146	958,513
Depreciation and Amortization/Loss on Disposal of Property and Equipment and Intangibles	–	–	–	–	152,836	151,927	153,115	158,523	165,281	161,942	153,303	1,310,282
Research and Development Expenses	14,391	14,783	15,874	14,042	22,684	17,957	19,074	18,224	15,350	16,542	17,307	147,923
Free Cash Flow	–	–	–	–	(23,763)	17,702	(1,776)	67,180	44,044	60,712	53,116	453,983

At Year-End:	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2006
Total Assets	814,046	854,386	900,693	1,002,805	1,071,653	1,086,437	1,113,777	1,118,401	1,065,549	1,038,571	1,056,337	9,028,521
Total Shareholders' Equity	181,397	192,816	205,799	369,244	363,758	388,537	412,966	435,715	458,846	473,982	495,703	4,236,778
Interest-Bearing Debt	460,181	479,840	502,797	431,612	451,859	430,380	426,819	370,703	317,013	295,341	271,928	2,324,171

Per Share:	Yen											U.S. dollars
Net Income (Loss)	¥ 5,175	¥ 5,589	¥ 6,119	¥ 5,859	¥ (6,499)	¥ 8,680	¥ 9,382	¥ 10,152	¥ 9,578	¥ 7,139	¥ 10,024	\$ 85.68
Cash Dividends	10,000	10,000	10,000	1,000	1,000	1,000	1,000	2,000	2,000	2,000	3,000	25.64
Number of Employees	–	–	–	–	10,500	12,843	14,651	15,971	17,389	18,720	21,308	–

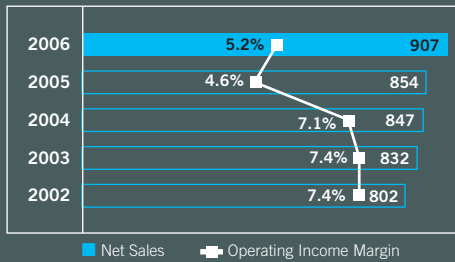
Note: Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March, 2006, of ¥117=U.S.\$1.

- 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.
- 7/99 Awarded ISO 14001 certification
- 8/01 Expanded ISO 9001 certification to additional company site.
- 9/01 Awarded BS7799 certification.
- 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.
- 7/05 SMIS CO., LTD. became a consolidated subsidiary.
- 10/05 Capgemini Japan K.K. became a consolidated subsidiary and was renamed Zacatii Consulting, Inc.
- 11/05 The Revere Group, Limited, a U.S.-based SI firm, became a consolidated subsidiary
- 3/06 HITACHI ZOSEN INFORMATION SYSTEMS COMPANY LIMITED became a consolidated subsidiary and was renamed NTT DATA ENGINEERING SYSTEMS CORPORATION.

NTT DATA Financial Performance and Results

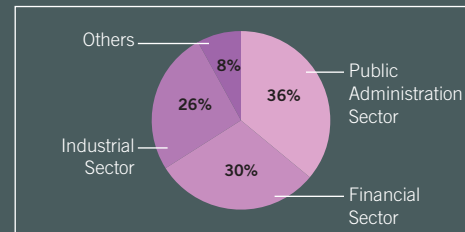
Net Sales and Operating Income Margin

(Billions of Yen/%)



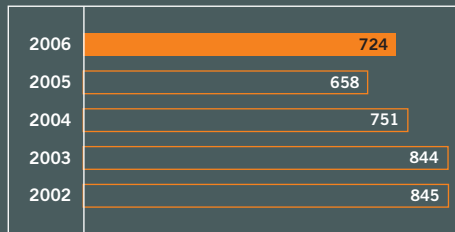
Net Sales by Sector (Fiscal 2006)

(%)



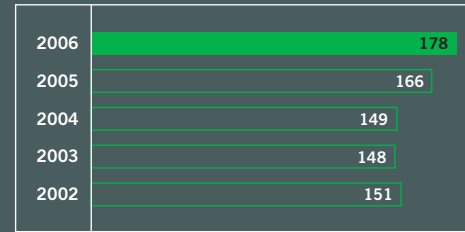
New Orders Received

(Billions of Yen)



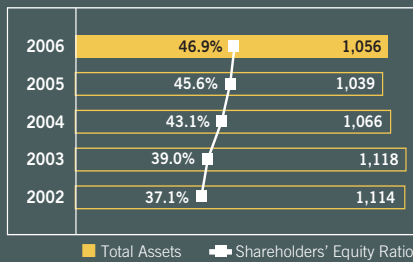
Selling, General and Administrative Expenses

(Billions of Yen)



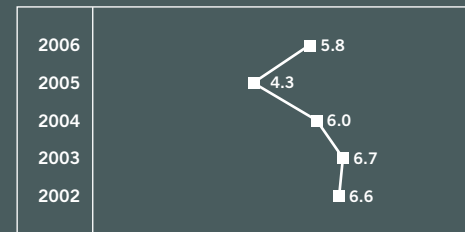
Total Assets and Shareholders' Equity Ratio

(Billions of Yen/%)



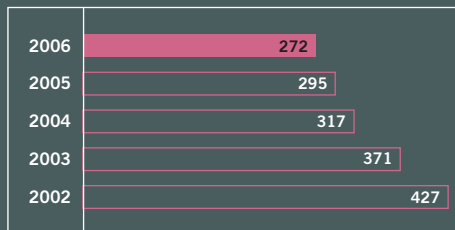
ROE

(%)



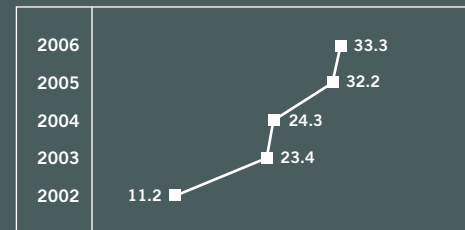
Interest-Bearing Debt

(Billions of Yen)



Dividend Payout Ratio (non-consolidated)

(%)



To Our Shareholders

Embracing the Challenge of Ambitious Targets

I'm pleased to report that NTT DATA Group delivered sales and earnings growth in fiscal 2006, the year ended March 31, 2006. We thus took significant strides toward achieving net sales of ¥1 trillion and operating income of ¥75.0 billion, both targets for fiscal 2007, the final year of the current Medium-term Management Plan. In fiscal 2006, we recorded net sales of ¥907.3 billion, up ¥53.1 billion, or 6.2%, year on year; operating income of ¥46.9 billion, up ¥7.6 billion, or 19.3%; and net income of ¥28.2 billion, up ¥8.1 billion, or 40.2%. Orders received rose 10.0%, or ¥65.5 billion, to ¥723.6 billion. In the context of this strong performance, I want to stress that our efforts to avoid over-concentration in the public administration sector, which has been maturing for some time now, and focus anew on the industrial sector have begun to deliver concrete results. Building on this momentum, we will embrace the challenge of reaching even more ambitious targets. Our goal is to achieve sales and earnings growth across all sectors.

Consolidated Operating Results for Fiscal 2006 and Fiscal 2007 Forecasts

Fiscal year ended/ending March 31	(Millions of Yen)	
	Fiscal 2006 Results	Fiscal 2007 Forecasts
Net Sales	907,281	1,000,000
Operating Income	46,867	75,000
ROE	5.8%	8.4%
Free Cash Flow	53,116	30,000
Orders Received	723,674	900,000





QUESTION 1:

In fiscal 2006, NTT DATA Group reported increases of 19.3% in operating income and 40.2% in net income on growth of 6.2% in net sales. What factors were behind this performance?

Answer:

Our operating results for fiscal 2006 could be characterized as slightly unusual when comparing only growth in net sales and earnings. Net sales rose ¥53.1 billion in fiscal 2006, mostly reflecting growth of ¥56.7 billion in the industrial sector and ¥15.5 billion in the financial sector, partly offset by a decrease of ¥24.7 billion in the public administration sector. Operating income was up ¥7.6 billion, with growth coming mainly from improvement in the cost-of-sales ratio in the Data Communications Service, owing to a decrease of roughly ¥6.5 billion in depreciation and amortization costs and disposal of fixed assets. As you can see, the factors driving sales and earnings growth are not necessarily correlated, resulting in slightly unusual operating results. We believe that earnings growth fueled by increased sales will start to drive overall earnings higher for NTT DATA in fiscal 2007 onwards.



QUESTION 2:

What progress did you make on balancing sales from the public administration, financial and industrial sectors in fiscal 2006?

Answer:

Improvement was made on crafting a more balanced sales structure in fiscal 2006. In fiscal 2007, the final year of the Medium-term Management Plan, we expect to achieve an even proportion of sales across the public administration, financial, and industrial sectors. However, accomplishing this alone will not solve all of our issues. Excessive sales in the public administration sector were out of proportion to the actual size of each market, too, magnifying the imbalance in sales. That's why efforts have been focused on increasing our customer base in the industrial sector under the current Medium-term Management Plan.

Net Sales by Sector

(Billions of Yen)

2007 Forecasts	34%	29%	28%	9%	1,000.0
2006 Results	36%	30%	26%	8%	907.3
2005 Results	41%	31%	21%	7%	854.2
2004 Results	41%	29%	21%	9%	846.7

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

Looking further ahead, I believe the composition of sales will undergo more changes to better reflect the size of each of our markets. Meanwhile, it is essential to craft an earnings structure resilient to changes in economic conditions. This will be accomplished by establishing the public administration, financial and industrial sectors as NTT DATA's core profit centers, while establishing a business model that captures synergies between each sector to improve overall profitability.





QUESTION 3:

In fiscal 2006, NTT DATA posted a decrease of 7.0% in sales in the public administration sector, confirming the views of many that this sector is a maturing market. However, new orders received remain steady, and are projected to support an upturn in sales in fiscal 2007. Is the public administration sector a truly maturing market?

Answer:

The public administration sector indeed posted a decline in sales, but new orders received were favorable, rising 9.8% year on year, or ¥18.6 billion in monetary terms. We are forecasting growth of 4.7% in net sales and an increase of 44.8% in new orders received, so it may seem as if the public administration sector has become a growth market. IT spending in the public sector is projected to remain flat or increase slightly at best, but the operating environment is growing increasingly challenging. Intensifying competition has been continuing for projects for local governments, for example.

In this context, we are targeting the following two growth fields in this sector.

The first is our response to system optimization plans. These plans refer to the conversion of the large-scale systems of national government agencies into open systems from fiscal 2007 and other initiatives. These projects fall into our existing fields of expertise, where we intend to capture orders without fail to reinforce our future earnings base.

The second is our response to the Japanese government's New IT Reform Strategy (New IT Investments). This strategy will guide moves by the government to tackle social issues in seven areas, including the medical field, by advancing IT-driven structural reforms. NTT DATA will work hard to capitalize on new IT investments through such means as strengthening measures to develop a completely online system for processing medical insurance reimbursement claims.

QUESTION 4:

In the financial sector, net sales and new orders received were strong, and continued to increase in the fiscal year ending March 31, 2007. Compared with the public administration and industrial sectors, the financial sector stands out for its stability. Is this attributable to the characteristics of the business model in this sector?

Answer:

Yes. The stability of the financial sector depends greatly on the characteristics of the business model in this sector. One key element of our business model is the large-scale outsourcing business model. To put this into perspective, NTT DATA has established the Data Communications Service model in the public administration sector and is still constructing a business model in the industrial sector. The financial sector, where we have established the outsourcing business model, has consistently delivered the most stable growth over the years. For example, NTT DATA's Banking Center for Regional Banks is a shared system that has seen increases in the number of participating banks every year. In fiscal 2006, the number of participating banks reached 10, following a decision by The Aomori Bank, Ltd. to join. In May 2006, we began offering services to five banks, making us the largest provider of such services in Japan. Efforts are also focused on further expanding peripheral businesses targeting participating banks, building on our extensive track record in this area.

These moves extend to Japan's city banks, too. In April 2004, NTT DATA acquired a 95% equity interest in Asahigin Software Co., Ltd., a former system development subsidiary of the Resona Group, to form NTT DATA SOFIA CORPORATION. Through this company, we currently provide key support services underpinning the Resona Group's IT strategy. We plan to combine the business process expertise and development skills of this new company with the sophisticated technological and marketing capabilities of the NTT DATA Group to aggressively expand business to financial IT markets besides the Resona Group.

This business has started to extend beyond the banking sector to encompass the securities and life and non-life insurers sectors. Sales from the latter sectors have been rising since fiscal 2004.



Financial institutions on the whole are seeing substantial improvement in earnings, a trend that should continue for some time. We thus expect a large increase in aggressive investments on the part of financial institutions in fields such as information and peripheral systems in response to new financial systems, and projects linking payment networks to SI business. This investment will be in addition to retaining and expanding the backbone systems business, traditionally a core operation in this sector. Against this backdrop, we envision that NTT DATA will follow a steady and stronger growth path in fiscal 2007 onward.

QUESTION 5:

NTT DATA has focused most of its efforts on the rapidly growing industrial sector in recent years. Net sales in this sector rose ¥56.7 billion, or 31.2%, representing nearly all of your sales growth in fiscal 2006. This partly reflects aggressive M&As, but some say that these M&As are not guided by any clear strategy. What is your strategy for M&As in the industrial sector?



Answer:

I can certainly understand how a cursory look at our results, especially the growth rates and absolute values, could lead some to believe that we have uncritically accepted all offers for M&As. But let me explain the facts. The number of M&As in recent years has been as follows: we consolidated two companies in fiscal 2003, four companies in fiscal 2004, four companies in fiscal 2005, and ten companies in fiscal 2006. The contribution to consolidated net sales was ¥4.0 billion in fiscal 2003, ¥31.0 billion in fiscal 2004, ¥39.0 billion in fiscal 2005, and ¥56.0 billion in fiscal 2006.

I concede this is an extremely fast pace of growth. From the standpoint of investment returns, M&As are having just as significant an impact on earnings as net sales. In fiscal 2006, the companies contributed a combined ¥3.9 billion to Group-wide operating income of ¥46.9 billion. Compared with cumulative M&A investments of ¥13.4 billion, this contribution of ¥3.9 billion to operating income is a strategically significant return. Another accomplishment besides this contribution to sales and earnings is the fact that each company has been steadily expanding its business after joining the NTT DATA Group through an M&A. We wouldn't be seeing this kind of a result if we had merely conducted M&As uncritically. Our M&A strategy mainly targets the following four domains.

The first is the information systems subsidiary strategy, which aims to acquire SI outsourcing projects from former parent companies and expand new business with their cooperation. The second is the IT services company strategy for expanding our customer base and acquiring expertise in specific technologies. The third is the consulting company strategy aimed at strengthening IT consulting abilities based on solutions to strategic issues. The fourth is our "global player" strategy, which aims to strengthen support for overseas bases of Japanese global companies.

I have another point to add. NTT DATA's existing divisions in the industrial sector have been significantly revitalized, leading to higher sales.

Turning to concrete measures to capture orders for the backbone systems of individual companies, we have been working hard on increasing orders for existing systems mainly in the telecommunications industry. As for new fields, we have been taking a consulting-oriented approach to capturing orders from major department stores and other customers, alongside efforts to expand orders in the retail field. In cross-industry systems that link various companies, we are constructing a Major Book Wholesaler SCM Center linking publishers, wholesalers, and retailers to boost distribution efficiency, as well as focusing on the traffic system-related smart card business using mobile and ubiquitous networking technologies. As an example of smart card utilization, we are steadily expanding our customer base centering on the manufacturing and retail sectors, through such means as capturing orders for legal-age ID systems for cigarette vending machines and backbone systems from major convenience store operators. Building on this progress, we will continue to aim for even higher growth. Coming from a situation where our entire corporate culture used to be tied to the public administration sector, I believe that recent developments in the industrial sector have been a healthy stimulus for the entire company.



QUESTION 6:

What did your four M&A strategies in the industrial sector accomplish and what direction will M&As take in fiscal 2007?

Answer:

Information Systems Subsidiary Strategy

NTT DATA has acquired shareholdings in the information system subsidiaries of various companies, including Japan Tobacco Inc., Sanyo Electric Co., Ltd., Nippon Sheet Glass Co., Ltd., Seiko Instruments Inc. and Sekisui Chemical Co., Ltd. We have been developing businesses at these subsidiaries after converting them into consolidated subsidiaries. I believe this strategy is progressing far better than expected, as the acquisitions were well timed and the acquired companies are generating solid operating results. The large contributions these companies have been making to NTT DATA's sales and earnings have been further raising the motivation of employees of each company.

I hope to continue implementing this strategy, focusing not only on the manufacturing field, but also the retail and services fields. With the recent upturn in economic and market conditions, it will be difficult to obtain acquisition terms as favorable as in the past. We plan to carefully respond to potential acquisitions.

IT Services Company Strategy

In March 2006, NTT DATA acquired all issued shares of HITACHI ZOSEN INFORMATION SYSTEMS COMPANY LIMITED, a former wholly owned subsidiary of Hitachi Zosen Corporation, to form NTT DATA ENGINEERING SYSTEMS CORPORATION under a new management framework. This acquisition marked a major step forward in acquiring technical expertise on Product Lifecycle Management (PLM). This covers integrated management of product information from design and development to production and aftersales services, including CAD and CAM applications for the manufacturing industry. With rising demand for PLM expertise in the manufacturing industry, a key area of focus, NTT DATA had long sought to augment its capabilities in the PLM domain. Through this step, we took the first steps toward addressing the needs of manufacturers seeking to enhance their competitiveness. In fiscal 2007, we aim to give first priority to investments that will pave the way for expanding our customer base and obtaining expertise in specific technologies. The domains we are currently focusing on include core technologies such as SCM and CRM for the manufacturing and distribution fields. Acquiring technologies in these fields gives us the means of achieving further growth through such means as the construction of next-generation transaction management systems that link companies across diverse industries and next-generation customer management systems, utilizing mobile and ubiquitous technologies to boost competitiveness.

Consulting Company Strategy

M&As in this area are also progressing well. In July 2005, NTT DATA acquired a controlling interest in SMIS CO., LTD., an information services subsidiary of The Seiyu, Ltd., a major Japanese retailer. With this step, we successfully brought SMIS's highly specialized expertise in the distribution and food services sectors into the NTT DATA Group.

In August 2005, NTT DATA took an equity interest in the Japanese subsidiary of the Capgemini group, Europe's largest multinational IT firm with operations in various countries around the world. The following October, this subsidiary was renamed Zacatii Consulting, Inc. and began operations under a new management framework. By combining Zacatii's consulting expertise with NTT DATA's SI capabilities, we will be able to provide a more extensive range of support for Capgemini's clientele of multinational companies in the Japanese market. Furthermore, we will be able to provide our customers with global operations service support through Capgemini's U.S. and European operating bases. Through these and other initiatives, we hope to take the first steps toward expanding our operations on the global stage. Improved consulting capabilities are essential to capturing new, high-value-added projects in the industrial sector. We will therefore continue to work hard on advancing M&As in this domain.

“Global Player” Strategy

The three strategies I've explained so far can deliver immediate benefits during the current Medium-term Management Plan, but the benefits of the “Global Player” strategy will start to appear a little later. The goals of the equity-based alliance with Capgemini, which I just explained, will begin to contribute to the “Global Player” strategy in future years.

We plan to start offering direct support for Japanese companies active overseas in North America. As part of these efforts, we took an equity interest in The Revere Group, Limited in November 2005. Through this alliance, NTT DATA will be able to include the upstream consulting and ERP solutions domains, where the Revere Group is strong, in the range of target businesses. In the future, we will consider expanding our overseas presence by, for example, forming equity-based alliances with medium-sized SI companies in North America and Europe, with the view to doing business with local companies.



QUESTION 7:

In fiscal 2007, NTT DATA is targeting net sales of ¥1 trillion, an increase of ¥92.7 billion from fiscal 2006, and operating income of ¥75.0 billion, an increase of ¥28.1 billion. What is the basis for these extremely ambitious targets for fiscal 2007?

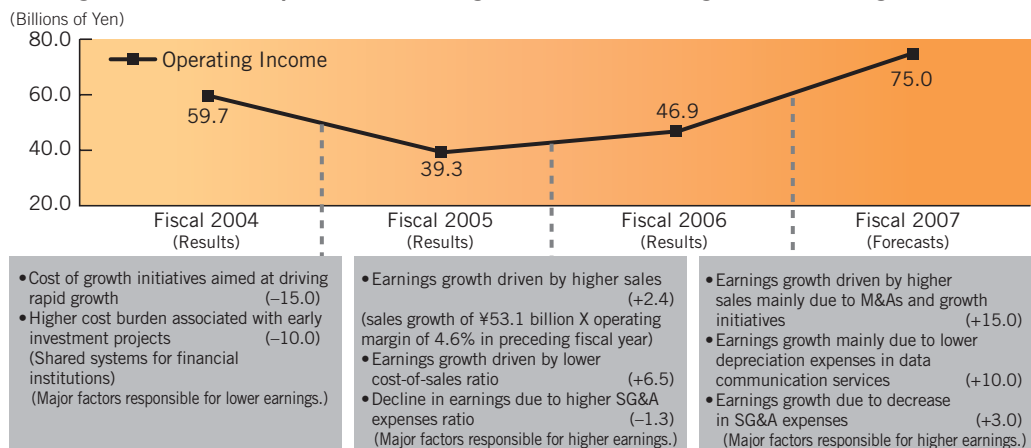
Answer:

In fiscal 2006, improvement in the cost-of-sales ratio was the main factor behind improved operating income. In addition to this factor, the major difference in fiscal 2007 will be that overall earnings growth will come from sales growth in various fields and higher sales owing to the benefits of M&A and growth initiatives. More specifically, of the targeted increase of ¥28.1 billion in operating income, ¥3.0 billion will come from cost reductions due to more efficient use of selling, general and administrative (SG&A) expenses, ¥10.0 billion will come mainly from decreases in depreciation and amortization costs related to Data Communications facilities, and the remaining ¥15.0 billion is higher earnings derived from sales growth. This ¥15.0 billion increase in operating income assumes a planned increase of ¥92.7 billion in net sales. Because new orders received were positive in each sector in fiscal 2006, we are confident that we can achieve sales increases of ¥15.5 billion in the public administration sector, ¥19.5 billion in the financial sector, and ¥36.7 billion in the industrial sector.

Consequently, we are targeting increases in net sales and operating income in fiscal 2007. Barring any marked shift in the business environment or unforeseeable contingency that causes deterioration in the profitability of various projects, we believe these targets are well within reach.

In light of this performance, we plan to increase the annual dividend for the second straight year by ¥1,000 to ¥4,000 per share in fiscal 2007. We remain committed to actively returning profits to shareholders through efforts to enhance operating results.

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





QUESTION 8:

What is your approach to plans after the completion of your current Medium-term Management Plan?

Answer:

I'm starting to be frequently asked about plans after the current Medium-term Management Plan, even though fiscal 2007 is still not over. I'm pleased that the consensus of the markets is that we will be able to achieve our plan for fiscal 2007. However, I'd like to ask for some more time before fully addressing this question.

Nevertheless, I can say that we will be taking on the challenge of raising standards across the entire Japanese IT industry by fine tuning and improving how we show to customers various processes, such as progress on defining system requirements, quality assurance, and development. This is needed because Japan's IT industry still retains many aspects of the traditional business structure of past years. Looking more closely at issues faced by NTT DATA, what comes to mind is the need for initiatives to further improve profitability such as raising the efficiency of Group-wide management, and focusing resources more sharply on carefully chosen projects. This will entail reducing the cost of sales in absolute terms through a review of project management processes, reexamining the roles of NTT DATA, Group companies and external partner companies, and studying systems for realizing optimal benefits for the Group as a whole. Through these and other measures, we aim to achieve overall cost reductions, and work to raise efficiency. Progress in these areas will help us to address strong requests from customers for better returns on IT investments with various solutions.

We will continue to pursue initiatives to improve NTT DATA's fundamental strengths, which have been implemented during the three-year period of the current Medium-term Management Plan. The main thrust of these initiatives will be shifted from increasing earnings to improving profitability.

NTT DATA is making steady progress toward achieving the immediate goals of its current Medium-term Management Plan. However, these goals are merely the starting point for our long-term growth scenario. We remain committed to advancing to an even higher stage of growth. Your support and understanding will be vital to this process.

July 2006

A handwritten signature in black ink that reads "T. Hamaguchi". The signature is written in a cursive, flowing style.

Tomokazu Hamaguchi
President and Chief Executive Officer

Corporate Governance

BASIC APPROACH TO CORPORATE GOVERNANCE

NTT DATA recognizes that reinforcing corporate governance is essential to maximizing corporate value. Every effort will be made to ensure sound and transparent management, while realizing rapid decision making and execution of business operations.

ROLES OF EACH CORPORATE ENTITY

NTT DATA has a corporate governance structure centered on a Board of Corporate Auditors. The Company has three primary governing entities, namely the General Meeting of Shareholders, the Board of Directors, and the Board of Corporate Auditors. 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 the parent company NTT Corporation). The Board holds regular meetings once a month and additional special meetings as necessary, and is responsible for decision making and supervision regarding important matters related to management and regarding issues mandated by law.

Board of Corporate Auditors:

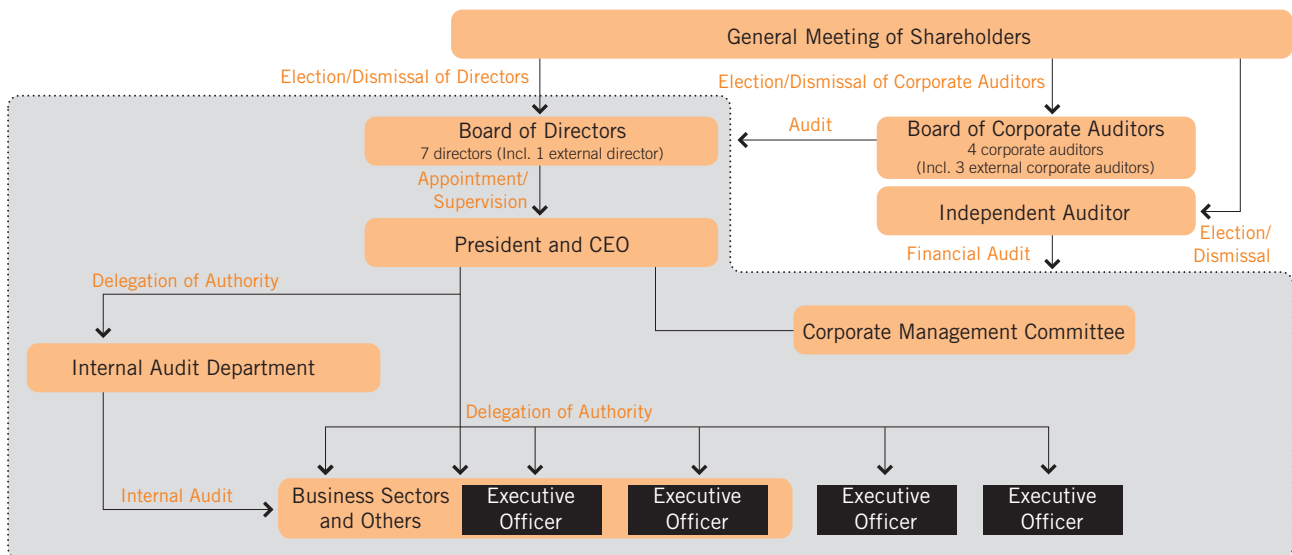
The Board of Corporate Auditors has four members, three of whom are external corporate auditors. The Board meets once a month, in principle, to decide on audit policies, plans, methods and various other important matters concerning audits. Each corporate auditor attends important meetings, such as meetings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

Corporate Management Committee:

The Corporate Management Committee consists of the president, vice presidents 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.

(As of July 1, 2006)



During the fiscal year ended March 31, 2006, the Board of Directors and Board of Corporate Auditors held a total of 24 and 29 meetings, respectively. The Corporate Management Committee held a total of 46 meetings.

EXECUTIVE OFFICER SYSTEM

Since June 2005, NTT DATA has appointed executive officers responsible for the execution of business operations so that the Board of Directors can concentrate on decision making concerning important matters and supervising business execution. By delegating significant executive authority from directors to executive officers, NTT DATA aims to accelerate decision making and speed up management processes.

REMUNERATION FOR DIRECTORS

Bonuses to directors are determined in line with the Company's operating results. NTT DATA introduced a stock purchasing system through the NTT DATA Directors' Share-Holding Association. The goals of this system are to promote shareholder-driven management by sharing the benefits and risks of share price changes and provide further long-range incentives for improving performance over the medium and long terms. Through these and other initiatives, NTT DATA is promoting management geared to enhancing shareholder value. (Please see page 47 for details on remuneration paid to directors in fiscal 2006.)

RELATIONSHIP WITH PARENT COMPANY

NTT Corporation (“NTT”), NTT DATA’s parent company, is a principal shareholder of the Company with ownership of 54.2% of its voting shares.

To reflect a broad range of perspectives in management, one employee of NTT has been appointed as an external director of NTT DATA. In light of the fact that the Board of Directors currently has a total of seven members and other factors, the Company believes that the appointment of the external director from NTT does not hinder independent decision making by management at NTT DATA.

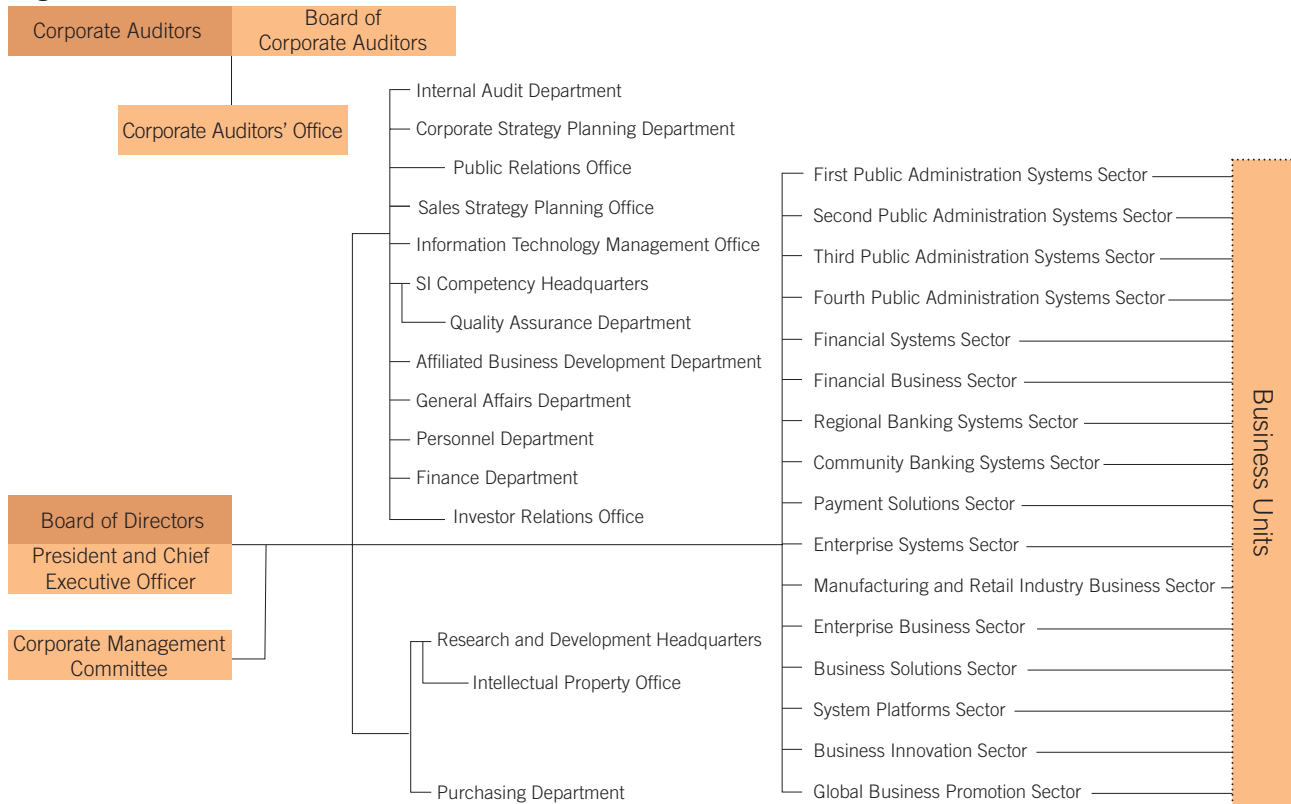
NTT DATA discusses and reports important issues to NTT. However, NTT and NTT DATA maintain close cooperation while sufficiently respecting one another’s autonomy and independence in the course of daily business operations, as part of efforts to enhance operating results in pursuit of sustained growth and development.

ORGANIZATIONAL REFORMS

Aiming to further bolster marketing capabilities, a key initiative of the medium-term management plan, NTT DATA established a Sales Strategy Planning Office in April 2006. This office plays a key role in reinforcing support for frontline sales activities and expanding the scope of initiatives to bolster marketing activities, as NTT DATA seeks to become the No. 1 in customer satisfaction.

In July 2006, the Internal Audit Office was renamed the Internal Audit Department as part of efforts to reinforce the auditing system and enhance internal audits.

Organizational Chart (As of July 1, 2006)



DISCLOSURE

NTT DATA has formulated a Disclosure Policy based on its Disclosure Guidelines. In line with its fundamental approach, this policy states that NTT DATA provides timely and fair disclosure to deepen understanding of the Company among a diverse array of stakeholders, including shareholders and other investors, so as to ensure a proper valuation of NTT DATA.

More specifically, 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/corporate/ir/index.html> (Japanese)

Compliance

FUNDAMENTAL APPROACH TO INTERNAL CONTROL SYSTEMS

NTT DATA's fundamental policy on establishing internal control systems is to implement various measures to ensure fair and transparent business operations in an efficient manner, taking into account not only compliance with laws, regulations, and the Articles of Incorporation, but also risks associated with business activities.

As the Chief Executive Officer, the president of NTT DATA is responsible for the creation and management of internal control systems.

From a standpoint independent of business execution, the Internal Audit Department has been established to audit the business activities of various business sectors and other sections to ensure compliance with laws and regulations, the Articles of Incorporation, and internal rules, as well as corporate management policies and plans. By offering concrete advice and recommendations, the internal auditing division will strive to ensure sound operations throughout the Company.

As for the risk management system, NTT DATA will appoint a Chief Risk Officer (CRO) responsible for overseeing risk management from a company-wide perspective. In parallel, legal affairs divisions will conduct screenings and take other steps to ensure that business activities comply with laws and regulations.

SYSTEMS FOR INTERNAL CONTROL

NTT DATA's principal individual internal control systems are as follows:

<SYSTEMS FOR ENSURING THAT DIRECTORS' AND EMPLOYEES' DUTIES CONFORM TO LAWS, REGULATIONS, AND THE ARTICLES OF INCORPORATION>

Aiming to be a trusted company, NTT DATA has established a fundamental policy of conducting sound business activities by observing corporate ethics. Concrete measures are as follows:

- Establish the NTT DATA Group Code of Ethics to guide the conduct of directors and employees from the perspective of legal compliance.
- Foster a strong awareness of compliance among employees by continuously offering educational and training programs related to corporate ethics.
- Implement legal checks by legal affairs divisions to ensure that business activities comply with laws and social norms.
- Establish an internal reporting system that reflects information from employees and other personnel by creating a reporting channel independent of ordinary reporting lines for business execution, to ensure sound management.
- The Internal Audit Department reports on annual audit plans to the Board of Directors and conducts internal audits based on those plans from a standpoint independent of business execution.

<SYSTEMS FOR THE STORAGE AND SAFEGUARDING OF INFORMATION RELATED TO THE PERFORMANCE OF DIRECTORS' DUTIES>

NTT DATA has established a fundamental policy of properly storing and safeguarding information while actively sharing and effectively utilizing such information. This fundamental policy also calls for safeguarding information by preventing the leakage of personal or otherwise sensitive information and the use of information for unauthorized purposes. Concrete measures are as follows:

- Record and store information on the performance of directors' duties as documents or data on electronic storage media in accordance with laws and regulations, the Articles of Incorporation, and various other internal rules.
- Construct an internal information system to promptly and properly utilize information obtained in the course of business activities.
- Formulate internal rules that stipulate requirements for proper handling of information and efficient administrative processing.
- Establish and hold regular meetings of the Information Security Committee to actively promote company-wide measures concerning information handling procedures.

<GUIDELINES AND OTHER SYSTEMS CONCERNING RISK MANAGEMENT>

It is crucial to be able to envision various business risks and implement optimal responses in the event that such risks materialize. From this perspective, NTT DATA's fundamental policy is to structure 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. Concrete measures are as follows:

- Establish a system for continuously monitoring and supervising the implementation status of risk management at various divisions, while forming a risk management promotion framework under the CRO so that the overall risk management system functions efficiently and effectively from a company-wide perspective.
- Respond to business risks by prioritizing such risks according to their frequency of occurrence and resulting impact.
- Establish systems based on various internal guidelines established from the perspective of quality assurance, etc., for risks deemed to be associated with core businesses, such as those related to system development, operation, maintenance and related operations.

(See page 49 for details on the implementation of risk management related to principal risks.)

In response to an incident involving the unauthorized removal of loan card transaction records from an NTT DATA computer center, the Company established a Special Security Enhancement Headquarters headed by the president of NTT DATA. Under this framework, NTT DATA implemented measures such as reinforcing the systems operations and management framework, implementing mutual checks and balances, tightening approval procedures, and conducting mutual audits with operations managers of other projects.

Directors and Corporate Auditors

(As of July 1, 2006)



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
Senior Executive Manager, Internal Audit 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
AKIRA WAKAYAMA
MOTOTANE MIYAZAKI

Corporate Auditor
YOSHIO MIWA

Notes:

Mr. Akira Shimada satisfies the requirements of outside directors assigned in accordance with Corporate Law.

Mr. Ritaro Matsumoto, Mr. Mototane Miyazaki and Mr. Yoshio Miwa are outside Corporate Auditors assigned in accordance with Corporate Law.

Executive Officers

(As of July 1, 2006)

**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
Senior Executive Manager, Internal Audit 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

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

Executive Vice Presidents
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 Executive Manager,
Public Business Planning and Administration Department

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

SHINICHI YAMADA
Senior Executive Manager,
Systems Platforms Sector

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
Senior Executive manager, System 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

KOICHI NISHIDA
Senior Executive Manager, Regional Banking Systems Sector

YOSHINORI HAGINO
Executive Director of NTT DATA SOFIA CORPORATION

MASANORI SHIINA
Senior Executive Manager,
Community Banking Systems Sector



Our “To Do” List ①

Drive Growth in Business

For Sustainable Growth

Growing Sales and a Stronger Earnings Structure Mutually Reinforced by Three Sectors

In fiscal 2006, consolidated net sales reached ¥907.3 billion, bringing our fiscal 2007 net sales target of ¥1 trillion well within reach. We aim to achieve a balanced sales structure not highly dependent on the public administration sector. That aim is expected to be realized in fiscal 2007 through an even distribution of sales among the three sectors: the public administration, financial, and industrial sectors. This is based on our strategy to make all three sectors key pillars of our operations, and primarily the result of our decision to focus especially on the industrial sector in accordance with the size of each market we face.

Extended Medium-term Management Plan Initiatives Throughout the Company

Net sales have increased steadily according to the progress of the Medium-term Management Plan. Management and frontline employees are working as one to accelerate the achievement of the plan’s goals. In addition to growth initiatives and M&As, existing businesses have also contributed to sound sales growth.

Net Sales by Sector
(Billions of Yen)

Year	Public Administration Sector	Financial Sector	Industrial Sector	Others	Total
2007 Forecasts	342.0	294.0	275.0	89.0	1,000.0
2006 Results	326.5	274.5	238.2	68.1	907.3
2005 Results	351.2	259.0	181.6	62.4	854.2
2004 Results	347.2	243.1	176.9	79.5	846.7

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

In fiscal 2007, the Medium-term Management Plan initiatives are projected to result in a roughly ¥13.0 billion net sales increase through growth initiatives, ¥43.0 billion increase through M&As, and ¥17.0 billion increase through existing businesses.

Results of Newly Consolidated Companies Through M&As

	2003	2004	2005	2006
Contribution to group sales	¥4.0 billion	¥31.0 billion	¥39.0 billion	¥56.0 billion
Number of consolidated companies	2	4	4	10

*The contribution to group sales represents consolidated net sales reported by newly consolidated companies in a given fiscal year.

- Investment returns
- Fiscal 2006 operating income: ¥3.9 billion
- Cumulative investments in newly consolidated companies: ¥13.4 billion

Accelerate New Customer Acquisitions by Strengthening Consulting Capabilities

In order to ensure the success of new customer acquisition efforts, reinforcement of consulting capabilities across the Company has been the top issue. The consulting capabilities

to integrate IT expertise with specialized knowledge in each customer business are the prerequisite for successful new business proposals in every market. In other words, we must be able to make proposals by approaching customers more closely to better reflect the perspective of each customer. To this end, NTT DATA SYSTEM DESIGN CORPORATION (name changed to NTT DATA BUSINESS CONSULTING CORPORATION in July 2006), Zacatii Consulting, Inc., and other companies strong in IT consulting services were established recently. Each division in NTT DATA is also enhancing consulting businesses in addition to existing operations. Through these initiatives, NTT DATA's consulting businesses have become active and notable enough to rapidly capture new customers in every sector, including the public administration, financial and industrial sectors.

A Last Spurt to Goals Through Continuing Enhancement of Sales Capabilities

Heading into the final fiscal year of the Medium-term Management Plan, we established a Sales Planning Office in April 2006 to further strengthen Company-wide sales capabilities. So far, activities to improve customer satisfaction, including checks and responses to customer satisfaction levels, have been led mainly by each sales force in each division. From now on, the Sales Planning Office will integrate those activities, cultivate a Company-wide, customer-first culture, and lead sales personnel education. Through these initiatives, we continue to make a strong last spurt to reach the goals of our Medium-term Management Plan.

Transform Business Opportunities in Carefully Identified Growing Domains

In the public administration sector, NTT DATA is working to steadily capture replacement demand for large-scale social infrastructure systems in line with the *System Optimization Plans*. Because specialized knowledge is essential to optimizing information systems of the national government agencies, we are well positioned to take advantage of our track record in this area. Also, in response to the *New IT Reform Strategy*, we are strengthening measures targeting projects to develop a system for full online processing of all medical insurance reimbursement claims, with the aim of driving further growth in the medical and public welfare fields.

In the financial sector, where there is increasingly strong IT investment sentiment among customers, we will work to increase the number of participating banks in the Banking Center for Regional Banks, Japan's largest shared system for regional banks, as well as to increase the number of individual IT outsourcing projects. In information and peripheral systems, we aim to capture greater market share in fields such as systems compatible with new BIS regulations.

In the industrial sector, IT investment sentiment among customers is increasing as their businesses improve. Our target is to capture demand for developing or replacing their backbone information systems. In manufacturing and retail fields, in particular, we will go beyond capturing demand for individual corporate systems to construct and develop cross-industry systems that link various companies.



Aiming to Generate 10% of Net Sales in the Manufacturing and Retail Fields in Fiscal 2007

Kazuyuki Arata

Senior Vice President
Senior Executive Manager,
Manufacturing & Retail Industry Business Sector

In fiscal 2007, we aim to generate at least 10% of the NTT DATA Group's targeted sales of ¥1 trillion from the manufacturing and retail fields. Key processes we are focusing on include sales, logistics, procurement, production and accounting. Customers are counting on IT in a significant way to help them reform their business process models and enhance cost competitiveness. In response, we will be increasing the premium we offer to customers mainly in the electronics, automobile, and retail fields. Efforts will also be focused on applying IT on a global scale, through such projects as SCM systems for the electronics and automobile fields.

Our approach is to see things as closely as possible from the customer's perspective. From this standpoint, we then identify the issues faced by customers, proactively propose solutions, and construct services and systems accordingly. Retaining and nurturing talented personnel is the most important requirement for accomplishing this. We have therefore sought to recruit experienced professionals in the manufacturing, retail, and other fields, as well as harnessing the skills and capabilities of personnel at information systems subsidiaries acquired through the IT-partner model of equity-based alliances. We are also deepening ties with NTT DATA SYSTEM DESIGN CORPORATION (name changed to NTT DATA BUSINESS CONSULTING CORPORATION in July 2006), which was established in 2004, so as to make the most of this company's consulting expertise in the manufacturing industry.

These and various other measures to bring a diverse array of human resources into the NTT DATA Group have helped to steadily strengthen our ability to resolve issues faced by customers.

Our “To Do” List ②

Bring Out the **Best** in Personnel

A Growth-driven Mindset to Accelerate Expansion

Number of Employees Holding Qualifications (non-consolidated)		
(As of March 31)	2005	2006
PMP (Project Management Professional)	1,454	2,368
Systems Analyst	54	66
Systems Auditor	104	114
Application Systems Engineer	291	290
Project Manager	90	112
Systems Management Engineer	57	70
Database Systems Engineer	192	207
Network Systems Engineer	643	655
Embedded Systems Development Engineer	3	5
Software Design & Development Engineer	1,687	1,770
Fundamental Information Technology Engineer	3,712	3,856
Information Systems Security Administrator	109	168
Senior Systems Administrator	22	29
Systems Administrator	627	688
Microsoft Certified Professional	526	538
Oracle Master	552	581

Progress on Fostering a Growth-driven Mindset

Human resources are the driving force behind growth at NTT DATA. Based on our long-term strategy, recruitment has continued even in an adverse environment for improving operating results. One key management policy in our current Medium-term Management Plan is to provide an environment that nurtures human resources. In keeping with this policy, we are refining personnel and human resources management in an effort to rebuild our entire personnel system.

Fostering a growth-driven mindset among employees that encourages them to work as one to achieve goals is of the highest importance. As part of personnel and human resources

management, the Personnel Department is taking the lead in holding presentations for middle-tier employees to better instill this growth-driven mindset in frontline staff. Key themes include fostering a problem-solving mentality at the front lines and face-to-face communication. Through these and other efforts, employees have begun to offer their views more often, pointing to an improvement in employees' enthusiasm for achieving growth.

Recruit Specialists Who Contribute Immediately

We have also been recruiting employees with outstanding consulting abilities to capture new customers. In fiscal 2006, NTT DATA recruited around 200 mid-career consulting specialists who can immediately contribute to performance. This was accomplished by holding our own recruitment seminars, relaxing certain recruitment conditions for mid-career recruits and recruitment activities through NTT DATA SYSTEM DESIGN CORPORATION (name changed to NTT DATA BUSINESS CONSULTING CORPORATION in July 2006). In fiscal 2007, we plan to continue recruiting roughly the same number of mid-career specialists as in fiscal 2006.

Highly Qualified Project Managers (PMs)

We are also redoubling efforts to nurture project managers (PMs). NTT DATA's PM certification system comprises four levels, from the highest rank of Principal PM, which requires experience in project management of an ultra-large-scale system as well as the ability to manage several small and medium-scale system projects, to the introductory rank of Associate PM. Internal PM certification is a mandatory condition for the assignment of PMs. These certifications are based on NTT DATA's PM Capability Standards, which set forth the required abilities of project managers. However, to obtain an internal





Every Individual Must Have Clear Goals

Eiji Yamada
 Senior Vice President
 Senior Executive Manager,
 Personnel Department

The centerpiece of our drive to promote personnel and human resources management over the three-year period of the Medium-term Management Plan is the professional Career Development Program (CDP). By defining the type of employee the Company is seeking, this program aims to help employees clearly envision their career path so that they can make progress toward clear goals while gaining experience and achieving personal growth.

We have defined several personnel categories: new project planners to develop new businesses; technicians specialized in various technologies; project managers; consultants, who use specialized knowledge in each field to offer consulting services; sales people; and corporate staff. Furthermore, employees are ranked in each respective category. Each employee enters into a category and is certified at a specific level by the

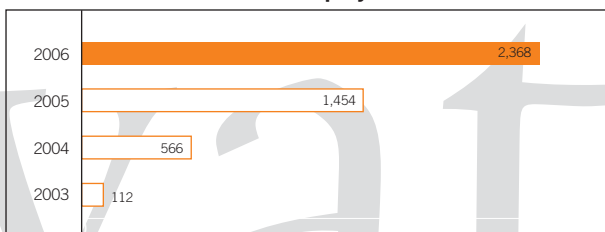
company. Following discussions between the employee, his or her supervisor, and the Personnel Department, employees are assigned and trained so that they can achieve career advancement.

We've also implemented a 360° Evaluation System targeting managers to encourage them to take notice of how others perceive them. This system observes how well managers perform their duties from the multiple perspectives of supervisors, colleagues and subordinates. By comparing their observations with the manager's self-assessment, managers may determine how they are perceived, and use this information to make future improvements.

We are also making progress on a review of evaluation and remuneration structures. In April 2006, NTT DATA abolished its seniority-based compensation system to shift to a performance-linked remuneration system. However, when evaluations have a direct bearing on compensation, it is essential that employees approve of those evaluations. I believe that facing each employee squarely in this regard by communicating with them through face-to-face interviews, for example, is fundamental to human resources management.

PM certification, employees must first obtain the international Project Management Professional (PMP) certification administered by the U.S. Project Management Institute. As of March 31, 2006, the number of PMP-certified employees had reached 2,368, roughly 900 more than in fiscal 2005. NTT DATA plans to further enhance its operating results by continuing to increase the ranks of certified PMs.

Number of PMP-certified Employees (As of March 31)



Personnel Policies for Capturing Synergies in the Public Administration, Financial and Industrial Sectors

NTT DATA recruits roughly 500 new university graduates every year. These recruits are mainly assigned to the public administration, financial and industrial sectors. Efforts are also under way to promote transfers of personnel across the three market sectors so that synergies can be captured. In addition to an in-house recruitment system, we will provide an environment where employees can apply their experience in other fields by putting in place new systems, including a free agent system that enables employees to look for new opportunities within NTT DATA. By continuing these and other initiatives, we will create fertile ground for businesses in each sector to approach each other and share expertise, with the aim of spawning businesses that extend across all three market sectors.



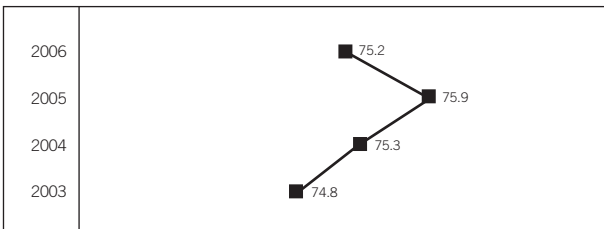
Our “To Do” List **3**

Enhance Profitability

Pursue Higher Profitability by Expanding the Top Line and Improving the Quality of SI Services

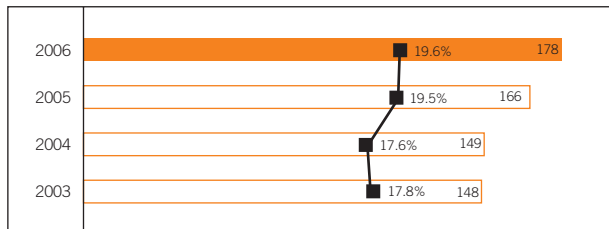
Cost-of-sales Ratio

(%)



Selling, General and Administrative (SG&A) Expenses and Ratio to Net Sales

(Billions of Yen, %)



■ Selling, General and Administrative (SG&A) Expenses
 ■ Ratio to Net Sales

Adding Value to Top-line Growth

As net sales steadily increase, the next priority will be to pursue higher profitability. Looking at sales activities, higher value has been added to services through efforts to reinforce consulting capabilities. In fact, almost all of our management consulting projects have led to system development orders, driving efficiency and profitability higher in our business activities. These and other accomplishments attest to the success of business models grounded on consulting services. And we aim to further enhance profitability by extending these activities into the future.

Stronger Competitiveness in SI Leads to Enhanced Profitability

Cost reductions are crucial to pursuing profitability. To this end, it is essential to improve quality so that inefficiencies are eliminated. The SI Competency Headquarters is taking the lead to systematically reinforce measures to strengthen competitiveness in SI across the organization. With respect to individual measures, we have established working groups comprising experts across various market sectors to systematically organize expertise, formulate system development guidelines, and

accomplish other tasks. At the front lines, Project Managers (PM) play a central role in implementing these measures. Furthermore, these measures have been compiled into an internal database available on the Company’s “Strengthening SI” website. By making use of this information, NTT DATA is improving the quality of SI without relying solely on the capabilities of individual PMs in an effort to curb rising cost of sales.

Improved Upstream Processes to Eliminate Inefficiencies

Amid growing requirements for shorter delivery periods and lower costs for systems, including large-scale systems, NTT DATA has encountered delays in initial development schedules, resulting in burgeoning costs in the latter half of projects, compounded by insufficient quality assurance and other issues. To surmount these issues, NTT DATA has formulated a Work Procedure Template, which provides a practical and standardized format for PMs to pre-check upstream processes such as project planning, definition of requirements, and design stages. We plan to continue to improve these protocols as we extend them to various Group companies.

ility

Progress on Developing Methods and Platform Technologies

Efforts are also focused on developing solutions, such as TERASOLUNA, a total software development solution that unifies project management, development processes, and frameworks; expertise in the hardware, operating systems and middleware that serve as the platform for this solution; and integrated Web models combining these fundamental technologies. These assets are being utilized in various projects.

Through the implementation of methodology checks at the time of proposals, which cover various system development methodologies, we are making progress on lowering the failure rate attributable to methodology-related issues.

Another Priority: Nurturing PMs

Enhancing the skills of PMs responsible for overseeing individual projects is also crucial to strengthening competitiveness in SI. In October 2003, NTT DATA launched the in-house PM certification system, an initiative aimed at systematically nurturing PMs and promoting step-wise career advancement. In fiscal 2007, we will establish a new system where only employees holding PM certifications may be assigned to PM duties.

Furthermore, NTT DATA has established Project Management Offices (PMOs) to provide organized support for PMs, while making a Company-wide effort to support their development.

Placing Orders for Systems in China, India and Vietnam

As part of cost-cutting efforts, NTT DATA is increasing the volume of system development projects conducted in China and is thus working to recruit and retain outstanding local system engineers. NTT DATA utilizes overseas software development not only in the systems production phase, but also in all system development stages beginning with the upstream phase. Beijing NTT Data Systems Integration Co., Ltd. plays a central role in overseas systems development. The objective is to provide all-around, high-quality systems to customers at low prices.

NTT DATA also plans to utilize overseas system development resources in India, Vietnam and other countries going forward.



Doing the Basics Right

Hiroshi Watanabe

Senior Executive Manager,
SI Competency Headquarters

The SI Competency Headquarters aims to reexamine various issues in NTT DATA's SI business, with the goal of raising competitiveness by solving each issue in cooperation with frontline project staff.

Strengthening competitiveness in SI means identifying SI issues and continuously making improvements in a straightforward manner. This is because what's important in SI is to ensure that every professional fulfills basic requirements. Various improvements targeting system development have been made and entrenched across the Company so far. These measures include enhancing and stabilizing processes, accumulating business expertise, and upgrading methods and platform technologies.

In fiscal 2006, Process Transparency Guidelines were unveiled to make these steps to enhance and stabilize processes a commitment to customers. Clearly explaining the system development process, these guidelines are agreed upon with customers prior to system development. We face various challenges, ranging from calls for shorter production schedules to numerous setbacks in upstream processes and decision-making delays in the stage of defining system requirements due to insufficient communication. In response, the new guidelines will deepen communication with customers as well as encourage greater participation in and understanding of projects. The goal is to reduce inefficiencies and respond more rapidly to customers.

Individual measures to strengthen competitiveness in SI were formulated by six working groups comprising experts in various market sectors, and have been steadily implemented at the front lines of project development. In fiscal 2007, we aim to more deeply entrench these measures to lower costs.

Our “To Do” List ④

Create Value for Society

Construct IT-driven Social Infrastructure

NTT DATA's Role in Society

NTT DATA's strengths lie in its neutrality, which enables it to construct social infrastructure using multi-vendor technology, its technologies and trust, and its foresight, which enables it to anticipate IT infrastructure attuned to societal developments at all times.

Meanwhile, steady advancement in IT has been unlocking new IT-related demand, with innovation giving rise to more sophisticated functions and faster processing speeds. In the field of e-government, the New IT Reform Strategy makes resolving issues faced by Japanese society through IT a national priority.

In this context, NTT DATA's mission is to constantly provide socially significant IT services to remain a leader in the IT industry.

Providing Large-scale Systems Critical to Japan's Society

NTT DATA has been providing numerous large-scale systems underpinning Japan's society.

Particularly noteworthy is the Zengin Data Telecommunication System, a transaction settlement system for financial institutions throughout Japan. Processing a daily transaction volume of ¥9 trillion for roughly 35,000 branch offices of financial institutions, this system was constructed and is operated at the request of the Tokyo Bankers' Association (Japan's clearinghouse for domestic exchange operations). Nearly all Japanese financial institutions are connected to this system, which enables domestic exchange transactions to be carried out in real time. With a scale unmatched by any other system in the world, this system also must perform to the highest levels of reliability and security as it lies at the heart of domestic exchange transactions in Japan. In these and other ways, NTT DATA is able to provide payment and settlement infrastructure indispensable to Japanese society because it can combine its own expertise with that of various financial institutions and other partners. It also reflects an unwavering commitment to fulfilling our social responsibility.

Recent Examples of NTT DATA's Social Contribution Systems

Field	Theme	System	Field	Theme	System	
Environment	Anti-global warming	National Registry System	Medical care	Bioscience	Biobank research support system	
		Forest Health Monitoring with Satellite Image Analysis Technology			Personalized medical support system	
	Environmental information service	Ecology Express			SecureStudy (Multi-facility case entry system)	
Healthcare	Health data management	Health Data Bank (Lifetime health management service)		Medical services and public welfare		SecureName (system for anonymous clinical testing)
	Health portal	“Creative Health Sankenjin” Service				MINS-PRO series (hospital information system)
	Data distribution	POSTOS (health checkup data distribution service)				<i>Rezept Hakase</i> (A checking system for supporting the processing of medical insurance reimbursement claims in hospitals)
	Medical cost analysis	Health planner (health check-related medical insurance claims analysis service)	<i>Kagayaki Plan II</i> (nursing care support system)			
	Simplified medical examinations	DEMECAL (home blood testing service)	Safety and security	Children's safety	i-Safety (Child protection service)	
				FairCast (Child safety communication network service)		
				Disaster prevention	Field trials of distribution of information on disaster countermeasures via email	
					NoKeos incident management system	





Strong Relationships With Various Stakeholders Are Essential

Jiro Ikoma

President of NTT DATA FIT CORPORATION
(former Senior Executive Manager, Payment Solutions Sector)

The Payment Solutions Sector contributes to society by improving the convenience, security, and efficiency of financial transactions by comprehensively coordinating various financial network services. Our ability to do so is premised on strong relationships with a range of stakeholders, including financial institutions and companies.

For example, the ANSER system offers financial network services such as customer notifications, including account deposit notices; responses to balance inquiries and other requests; and funds transfers and remittances for customers over a wide range of media, including the Internet or mobile telephone. The CAFIS system connects a broad range of credit card companies, financial institutions, retailers, and online stores.

CAFIS is Japan's largest comprehensive network system for card businesses in terms of both the number of participating companies and transaction volume. CAFIS is contributing to greater adoption of and growth in financial network services involving payments via credit card, debit card, and e-money.

In light of their social significance, these systems can have a major impact on society in the event of failure. Ensuring reliability is therefore of prime importance. Another priority is to balance the interests of all participants in these systems, including financial institutions and relevant companies based on an understanding of their requirements. NTT DATA's expertise and reliability, as well as its ability to construct systems from a neutral standpoint using multi-vendor technologies, make it uniquely qualified to construct systems of this kind.

While paying closer attention to the needs of not just our immediate clients, but also the requirements of end users, we aim to continue putting our expertise at the service of society.

In addition, we have developed payment network infrastructure such as ANSER, CAFIS, and more recently, we have started providing systems for the Multi-Payment Network. This is a nationwide network that links billing organizations and financial institutions across Japan to more efficiently collect payments of public utility fees, taxes, and other bills. The network's public visibility is increasing under the service name of "Pay-easy."

Social Contribution Through IT

NTT DATA is also engaged in activities aimed at building an even better society and protecting the environment through IT. For example, at the request of the Ministry of Economy, Trade and Industry and the Ministry of the Environment, NTT DATA constructed a National Registry System. This system enables the management of emissions trading units stipulated by the Kyoto Protocol, an initiative to combat global warming, for each country.

The National Registry System is used to electronically manage records of the ownership and transfer, etc., of emission trading units traded through various transactions and other means. The

system thereby supports the achievement of Japan's emission reduction targets under the Kyoto Protocol. In line with this national-level focus on emissions, companies seeking to fulfill their social responsibilities while achieving sustainable business growth are positioning the internal management of greenhouse gas emissions as an increasingly important theme. Accordingly, NTT DATA also offers various solutions for supporting the management of emissions trading units for enterprises.

As Japan's declining birthrate makes every child all the more precious, NTT DATA also offers systems that support the safety and security of individuals. For instance, the FairCast child safety communication network system reports emergencies at schools to contacts chosen by guardians via not only email messages, but also telephone (voice), fax, and other means. By distributing accurate information in a timely and fair manner, FairCast helps to provide peace of mind to guardians and keep children safe.

NTT DATA will continue to pursue business activities that benefit society through IT, based on strong relationships of trust with various stakeholders.

Operational Review and Strategies by Sector

Fiscal 2006 Results

Market Developments

Public Administration Sector

Net sales: ¥326.5 billion (down ¥24.7 billion, or 7.0%, year on year)

(Components)

National government-related:	¥276.4 billion
Local government-related:	¥35.5 billion
Healthcare, welfare and others:	¥14.5 billion

- Net sales to the national government fell due to the influence of the large lump-sum payment made by the Patent Office system in the previous fiscal year.
- Net sales to local government fell due to increasingly severe competition.

New orders received: ¥208.6 billion (up ¥18.6 billion, or 9.8%, year on year)

(Components)

National government-related:	¥165.6 billion
Local government-related:	¥29.2 billion
Healthcare, welfare and others:	¥13.8 billion

- New orders to the national government increased due to replacement orders for large-scale systems
- New orders to the local government decreased due to increasingly severe competition, etc.

New IT investments commenced after the formulation of the “New IT Reform Strategy” in January 2006

<National government-related>

- The total of government budgets are generally declining due to financial restructuring, the trend to “small government,” and reconsideration of the roles of public and private sectors.
- A new demand of development is foreseen in response to optimization plans and postal service privatization.

<Local government-related>

- Downsizing of core business systems is likely to continue, while demand for IT consulting, IT utilization to boost business efficiency, and shared outsourcing services are all expected to expand.

<Healthcare, welfare and other>

- Demand for medical insurance receipt-related systems (for medical facilities, examination and payment services, and insurers) is expected to grow as a result of reforms to the medical insurance system.

Financial Sector

Net sales: ¥274.5 billion (up ¥15.5 billion, or 6.0%, year on year)

(Components)

Individual systems:	¥106.3 billion
Shared systems:	¥95.7 billion
Payment-related systems:	¥43.1 billion
Financial systems for securities, life/non-life insurers and others:	¥29.3 billion

- Net sales in the area of individual systems grew due to expansion of outsourcing services to Resona Bank.
- Net sales in the area of payment-related systems increased due to the steady shift to CAFIS (Credit and Finance Information System).

New orders received: ¥247.0 billion (up ¥17.0 billion, or 7.4%, year on year)

(Components)

Individual systems:	¥113.7 billion
Shared systems:	¥94.6 billion
Payment-related systems:	¥5.9 billion
Financial systems for securities, life/non-life insurers and others:	¥32.7 billion

- New orders increased in the area of individual systems and shared systems, due to expansion in business geared to regional banks.
- New orders in the area of financial systems for securities and life/non-life insurers increased due to increase in orders of core systems and information and peripheral systems.

Growing willingness to invest in IT following the recovery of business performance

Shift in investment quality (breakdown) to strategic IT investment fields

<Major financial institutions>

- There are signs of growth in strategic IT investment, aimed at expansion into new businesses, such as increasingly sophisticated services utilizing diverse channels.
- Investment relating to next-generation systems is expected to emerge.

<Regional banks, etc.>

- There is a continuing need to improve efficiency (cost containment) of core business operations.
- Small-scale investment for system response and risk management is emerging.

<Securities, life/non-life insurers and others>

- There is a growing need to deal with the diversification of financial products and crossover regulations (Investment Service Law), and to improve risk management relating to asset management and insurance underwriting.

Industrial Sector

Net sales: ¥238.2 billion (up ¥56.6 billion, or 31.2%, year on year)

(Components)

Telecoms:	¥68.2 billion	Services/media/transport/construction:	
Manufacturing and distribution:	¥87.8 billion		¥57.7 billion
		Others:	¥24.4 billion

- Net sales in manufacturing and distribution grew as a result of growing sales to the distribution industries, such as major department stores, and net sales expansion of NTT DATA WAVE and other subsidiaries.
- In the areas of Services/Media/Transport/Construction, net sales grew due to higher sales to advertising agencies, and consolidated expansion of NTT DATE Sekisui Systems and other subsidiaries.

New orders received: ¥220.3 billion (up ¥24.1 billion, or 12.3%, year on year)

(Components)

Telecoms:	¥68.3 billion	Services/media/transport/construction:	
Manufacturing and distribution:	¥80.5 billion		¥51.3 billion
		Others:	¥20.1 billion

- In the fields of telecoms, demand for software for replacement of large-scale systems was as strong as ever, while hardware demand continued to fall due to market saturation.
- New orders in the area of manufacturing and distribution grew as a result of increase in orders from the distribution industries, such as a major department store and orders-received expansion of NTT DATA WAVE and other consolidated subsidiaries.
- In the areas of Services/Media/Transport/Construction, orders rose on the back of expansion in the smart card business, and consolidated expansion of NTT DATA Sekisui Systems and other subsidiaries.

Growing willingness to invest in IT following the recovery of business performance

Proactive response to the change in business environments, and expansion in IT investment to address security and compliance needs

<Telecoms>

IT spending directed at broadening customer services and entering and expanding new businesses is expected to grow.

<Manufacturing>

There is vigorous activity in the area of global supply chain management (SCM), resulting from the demand for SCM and product information systems for design and development, and from international expansion.

<Distribution>

Market oligopolization is driving industrial restructuring and tie-ups between companies and businesses across sectors, and fueling demand for integration and linking of systems.

<Services/Media/Transport/Construction>

Supply of systems for delivering new services to customers is expanding; and in the transport field, implementation of customer services built around smart cards continues to advance.

NTT DATA's Strategies

■ Ensuring a revenue-base through definite replacement orders for large-scale systems

■ Selection and focus of fields of action for new IT investment

1. Definite orders for renewal of large-scale systems and social infrastructure, on the basis of optimization plans and privatization, and steady development of systems for commencement of services
 - Aim to secure solid orders by offering systems that benefit the nation, leveraging NTT DATA's long-term accumulated expertise, its technological capability of offering complex, large-scale systems of stable quality, and its project management and other strengths
 - Active response to the commencement of postal service privatization services
2. Proactive response to new IT investment ("New IT reform strategy")
 - Clearly identify businesses to tackle (selection and focus) and pursue projects that can serve as a wellspring (pillar) of future profit in the narrowed down fields
 - Pour energy into systems that can serve as national networks and systems that can lead to the formation of a platform for shared use between multiple municipalities, or government agencies and prefectures
3. Expansion of sales in healthcare and welfare business
 - Reinforce efforts to develop a completely online system of processing medical insurance receipts
 - Leverage expertise in electronic medical receipt processing to advance into new areas of business, and to establish new business models

■ Further expansion in core business and payment networks

■ Development of business crossover between information and peripheral systems, and establishment of a new business mainstay

1. Maintain and expand core business
 - Ensure replacement orders for core systems and develop them efficiently
 - Develop a comprehensive vision for next-generation banking
2. Develop business crossover between information and peripheral systems
 - Devise and expand sales of solutions that can contribute to the management strategies of customers
3. Establish new business mainstays
 - By adopting an approach from the business problems of customers, focusing on securities, and life/non-life insurers, promote the expansion of large-scale outsourcing projects that will become new business mainstays
4. Enhance product distinctiveness and marketing reconstruction of next-generation basic infrastructure and linkage of payment networks and systems integration business
 - Promote the construction of next-generation CAFIS and ANSER systems (improve their distinctiveness and reliability, and expand them as revenue bases)
 - Proactively engage in the new growth fields of card-related business, such as micropayments

■ Expand market share by cultivating specific prime customers, by taking on core systems on a contract basis

■ Acquire key business segments and business resources through proactive development of an M&A strategy

1. Expand system contracts with specific prime customers
 - Work to increase NTT DATA's share of IT investment of specific prime customers
 - Present proposals to transform customer business models, and create corporate value
2. Acquire more core system contracts in new fields
 - Strengthen emphasis on consulting approach
 - Focus on matters of particular interest to customers, taking into account market changes
3. Construct and develop systems that link companies across diverse industries
 - Construct next-generation transaction management systems based on linking companies across diverse industries and next-generation customer management systems, utilizing mobile and ubiquitous technologies to boost competitiveness.
4. Proactive promotion of an M&A strategy (e.g., IT partnerships)
 - Continue to promote equity alliances with information systems subsidiaries in key business segments, in order to expand the customer base and acquire development resources that yield business expertise

Breakdown of Net Sales and New Orders Received

Net Sales (Billions of Yen)

Year	Forecast	Actual	Others	Total
2007	289.0	35.0	18.0	342.0
2006	276.4	35.5	14.6	326.5
2005	297.4	38.4	15.4	351.2
2004	301.5	35.2	10.5	347.2

New Orders Received (Billions of Yen)

Year	Forecast	Actual	Others	Total
2007	243.0	35.0	24.0	302.0
2006	165.6	29.2	13.8	208.6
2005	139.4	36.4	14.2	190.0
2004	228.9	37.4	10.7	277.0

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

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

Net Sales (Billions of Yen)

Year	Forecast	Actual	Others	Total
2007	112.0	97.0	45.0	254.0
2006	106.3	95.7	43.1	245.1
2005	89.9	97.9	42.2	230.0
2004	80.0	96.1	41.9	218.0

New Orders Received (Billions of Yen)

Year	Forecast	Actual	Others	Total
2007	123.0	86.0	47.0	256.0
2006	113.7	94.6	32.8	241.1
2005	108.0	89.6	23.4	221.0
2004	97.3	96.3	30.5	224.1

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

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

Net Sales (Billions of Yen)

Year	Forecast	Actual	Others	Total
2007	67.0	123.0	54.0	244.0
2006	68.2	87.8	57.7	213.7
2005	68.6	61.4	34.6	164.6
2004	82.5	43.7	40.7	166.9

New Orders Received (Billions of Yen)

Year	Forecast	Actual	Others	Total
2007	64.0	125.0	60.0	249.0
2006	68.3	80.5	51.3	200.1
2005	75.8	63.2	38.7	177.7
2004	81.5	45.6	41.3	168.4

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

* Eliminations on consolidation and others are included in "Others."

Principal Systems and Outlook by Sector

Name	Description	Size
Public Administration Sector		
Social Insurance Online System	A system for the online processing of various notifications and inquiries, as well as record-keeping and other tasks aimed at optimizing and raising the efficiency of administrative processing for the social insurance system (national pension fund, employees pension fund, seamen's insurance, government health insurance)	Total number of insured persons: 70.29 million Total number of pension benefit recipients: 3,225 million (As of March 31, 2005)
Postal Savings System	Online, real-time system for managing deposits with one of the world's largest number of accounts	Number of access locations: 24,149 Number of accounts: 522 million Outstanding deposits: ¥214 trillion (As of March 31, 2005)
Medical Institution Data Verification Support System	This system automatically verifies electronic receipts used to apply for medical-fee reimbursements at medical institutions, to raise the efficiency and accuracy of verification procedures for receipts.	Four major companies, including Fujitsu Limited, act as sales agents.
Financial Sector		
The Zengin Data Telecommunications System	An online system that accurately and rapidly processes domestic exchange transactions	As of April 30, 2006, 1,552 banks and 34,758 branches participated in the network. Transaction volume exceeds five million transactions per business day on average.
Integrated ATM Switching Service	This service provides fund settlement services, such as transmission of transaction amounts and other information, as well as online services required to relay mutually compatible transaction telegrams (cash payments, balance inquiries, and account holder confirmation) between ATMs (automated teller machines) and CDs (cash dispensers) held by financial institutions.	The number of subscribers connected to the system totaled around 140 financial institutions*, including financial institutions who are members of various subscribing groups and certain non-member financial institutions who subscribe to the service on an individual basis. *Credit associations, credit unions and other financial institutions are counted on the basis of the number of system centers. This system handles around 70 million transactions per month.
Banking Center for Regional Banks	An outsourcing business model based on shared systems that helps to lower the cost of core systems and to add advanced functions	As of May 2006, five banks participated in the system, while five other banks had announced their intent to do so, making this the largest shared center for regional banks in Japan.
ANSER	This system handles financial operations such as notifications, including deposits; balance inquiries; and funds 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.	This is Japan's largest comprehensive network system for card businesses in terms of both the number of participating companies and transaction volume. Monthly traffic exceeds 200 million calls.
Industrial Sector		
NTT DoCoMo i-mode gateway system	A platform that provides e-mail, Internet access, and other services for more than 46 million users of i-mode mobile phones.	One of the world's largest mission-critical client-server systems
CESTRUST Electronic Contract Service	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.)	This service is marketed by Construction-ec.com Co., Ltd., a joint venture company with five major general contractors and Oracle Corporation Japan. Number of participating companies: 1,600 as of May 31, 2006 Usage: 28,200 cases handled in fiscal 2006
"JAL IC Service"	NTT DATA provides the "JAL IC Coupon Service," which enables users to convert mileage awards into coupons and charge coupons to their non-contact smart cards to make purchases at airports, JAL-affiliated shops and other retailers.	The "JAL IC Coupon Service" was launched in January 2005 at major airports in Japan for domestic flights. These services were subsequently expanded to other airports nationwide and compatibility was extended to mobile phones with embedded smart chips. Web-based sales of airline tickets, domestic and overseas package tours using IC coupons and other initiatives were launched in June 2006.
JD-NET Pharmaceutical Industry Data Exchange System	A network infrastructure system for the pharmaceutical industry for electronic exchange of commercial transaction data between pharmaceutical manufacturers and wholesalers. The system not only processes orders among pharmaceutical manufacturers and wholesalers, but also expands operations to peripheral operations based on industry standards, involving pharmaceutical wholesale data and communication of product codes. From 2004, the system has also offered value-added services such as Web EDI and intra-industry (wholesaler to wholesaler, manufacturer to manufacturer) EDI	The system serves approximately 150 pharmaceutical wholesalers, 250 pharmaceutical manufacturers and has a monthly usage of roughly 50 million transactions. The system is one of Japan's largest shared platform systems for a specific industry nationwide. Sales of airline tickets, domestic and overseas package tours using IC coupons began in June 2006.

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>NTT DATA received an order to integrate data centers for a transaction record management system in May 2006. Development work will be steadily implemented in preparation for the start of services in January 2008. Measures are also under way to take part in a public tender in August 2006 to capture a procurement order for a reformed system.</p>
	<p>System development is steadily progressing in preparation for the privatization of Japan's postal service in October 2007. In fiscal 2006, NTT DATA was contracted to issue and manage postal savings smart cards. Service is scheduled to launch in October 2006.</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>The system provides a high level of convenience and reliability by ensuring inter-operability with internal settlement networks and drawing on expertise in the construction of large-scale systems</p>	<p>This system has become the industry standard for financial networks linking ATMs, which are indispensable to retail services offered by financial institutions. NTT DATA is currently coordinating activities with various newly established banks, such as online banks, with the view to rolling out new services. Plans call for offering additional new functions and services that meet social needs, such as those related to protecting consumers, in a timely manner.</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>In the field of Internet banking, there is no end to the damages caused by cyber crimes using phishing, spyware and other methods. In response, ANSER became the first Internet Banking ASP service to deploy electronic authentication certificates in October 2004, and subsequently unveiled a steady stream of security initiatives, such as providing software keyboards and an account locking service using mobile phones, in November 2005 and March 2006, respectively.</p>
<p>NTT DATA has been highly praised for its expertise in constructing large-scale settlement systems that serve as social infrastructure; development capabilities and operations expertise in settlement systems based on cutting-edge IT; and abilities to plan payment services</p>	<p>CAFIS is compatible with smart credit cards such as VISA and MasterCard as well as smart debit cards. In addition to e-commerce settlements and payments of utility bills using credit cards, CAFIS is also compatible with payment using non-contact smart cards, as shown by the provision of networks and terminals for NTT DoCoMo's "iD" small transaction settlement service using mobile phones equipped with "wallet" functions. NTT DATA will develop new products and services tailored to the diverse needs of financial institutions, government agencies, enterprises and the credit card industry, with the view to providing comprehensive payment settlement services that embody the pursuit of higher reliability and innovation.</p>
<p>Expertise in the optimization of performance, business process, operation, and scalability designs—an ability demonstrated in the course of adopting open-source products for hardware and software infrastructure. Project management techniques required to meet demanding specifications.</p>	<p>By realizing one of the world's largest mission-critical systems based on an open architecture, NTT DATA has proven that it can provide high-quality, high-performance systems irrespective of system format. This project had a large impact on future business development, as large-scale mission-critical systems had previously been realized mainly for mainframe systems. NTT DATA plans to extend proposals for large-scale mission-critical systems based on open architectures to various industries.</p>
<p>Expertise in the security technologies, system operations and relevant laws and regulations necessary to realize the online 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 the rest of the transportation industry as well. NTT DATA plans to use this incentive-point system as a springboard to offer services utilizing smart cards and mobile phones to numerous companies, with the aim of establishing services that serve as vital social infrastructure.</p>
<p>Leveraging its neutrality, The Company conducted various standardization operations with industry associations (Japan Pharmaceutical Manufacturers Association and The Federation of Japan Pharmaceutical Wholesalers Association) These operations included adopting standardized communications protocols and establishing various industry-standard codes and transmission formats, etc. As part of safety considerations, ample security measures were implemented as required by a system handling highly confidential transaction records of participating companies. Efforts were made to ensure high reliability, such as establishing a backup center, so that orders may be processed even during major disasters. This industry system leverages NTT DATA's neutrality and advanced SI technologies.</p>	<p>When the system was introduced (1988), monthly batch processing of B2B transaction information was mainstream. Since introduction, this information has been processed in real time, dramatically shifting the business cycle from a monthly to daily basis. Today, in addition to ethical pharmaceuticals, peripheral industries involved in health foods and other products also make use of the system, extending its value-added services to a broader range of related industries. This is one of the first examples of industry-wide B2B cooperation amid growing use of IT.</p>

Research and Development

The NTT DATA Group has been working on research and development (R&D) activities guided by a vision for realizing a ubiquitous networking society that fuses physical reality and cyberspace. Leveraging its strengths in various technological fields gained through R&D activities, NTT DATA is putting emphasis on R&D in fields closely related to its business activities. This will help to accelerate progress on strengthening marketing capabilities and strengthening competitiveness in SI, two themes of its Medium-term Management Plan.

R&D ACTIVITIES IN FISCAL 2006

<ACTIVITIES TO DEVELOP NEXT-GENERATION INFRASTRUCTURE FOR BACKBONE SYSTEMS>

Amid rapid advancement in the conversion of enterprise systems to open systems, there are growing needs for developing open mission-critical systems. In response, NTT DATA has developed PORTOMICS, an open systems platform solution offering mainframe-level reliability, and unveiled a demonstration version of this system in the third quarter of fiscal 2006. Bringing together its SI-driven experience and expertise on converting mainframes into open systems, NTT DATA began offering system optimization support services comprising three solution packages, namely system inventories valuation assessment, system optimization consultation, and system asset migration. The Company also created Migration Methodology Version 1.1 to extend and establish related procedures.

In another development, the Open Source Development Center (OSDC) was established in fiscal 2005 as an organization dedicated to augmenting development and support systems for infrastructure to develop systems based on open source software (OSS). This center completed the development of Prossione, a full OSS solution, including middleware, for a system that enables the provision of system construction and maintenance support. This low-cost platform solution makes full use of open-source software to construct low-end to mid-range systems targeting IA servers.

<SOFTWARE ENGINEERING ACTIVITIES>

With the emergence of the ubiquitous networking society, software is playing a part in virtually every aspect of social infrastructure systems. System construction is becoming increasingly complicated in step with this trend. In this context, we must strengthen software production capabilities and assure quality to meet increasingly diverse and sophisticated customer expectations to provide systems that offer high customer satisfaction. To this end, NTT DATA has established the Center for Applied Software Engineering in the Research and Development Headquarters as a dedicated organization to promote the systematization of the entire software development lifecycle and establish and investigate software development environments and methods for further enhancing software development productivity, all from a software engineering standpoint. Software development site analysis and technology development targeting the solution of issues have been initiated.

In fiscal 2006, NTT DATA began promoting initiatives to apply various R&D accomplishments to its businesses in five key fields: IT strategy modeling, system modeling, increasing the visibility of development projects, raising the efficiency of tests, and optimizing user interfaces. Specific accomplishments included the development of a modeling method that enables the visualization and quantitative assessment of the IT strategy formulation process through the application of a "Balanced Scorecard."

<TECHNOLOGIES FOR ANALYSIS OF LARGE VOLUMES OF INFORMATION>

Following on from fiscal 2005, NTT DATA remains committed to Tangible Future, a specific R&D vision aimed at realizing a ubiquitous networking society. More specifically, 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.

In fiscal 2006, NTT DATA developed a method for assessing companies by analyzing corporate characteristics embedded in large volumes of corporate information, and a categorization management method for data analysis procedures. In addition, NTT DATA developed a technology for displaying relationships and similarities between information in a visually straightforward manner by formatting text-based information from patent documents.

NTT DATA has jointly developed a Lifestyle-related Disease Prediction System (Hisayama Genki Yoho) in conjunction with Kyushu University. While continuing operational trials from the previous fiscal year, NTT DATA expanded targeted disorders and improved the user interface, taking into consideration user needs.

<ACTIVITIES TO DEVELOP UBIQUITOUS PLATFORMS>

Following on from fiscal 2005, NTT DATA continued to pursue the e-Collaboration 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 field, NTT DATA continued to pursue R&D in ubiquitous platforms.

In fiscal 2006, NTT DATA jointly studied a ubiquitous service platform (ID commerce platform) with Fujitsu Limited, NEC Corporation, Hitachi, Ltd. and TOSHIBA TEC CORPORATION. The ID commerce platform uses an ID code as a main item to seamlessly link various information systems and devices. More specifically, the concept and architecture for the ID commerce platform were defined, functional requirements were established, and specifications for implementation functions were formulated. Based on these specifications, the companies developed software components and checked the interoperability of each component.

As a core next-generation intelligent office technology for the ubiquitous networking society, NTT DATA developed a "presence server" capable of real-time monitoring of the status, or "presence," of various devices and developed VoIP solutions to dramatically improve the productivity of office and call center operations.

<ACTIONS TO STRENGTHEN SECURITY>

One critical technology underpinning the ubiquitous networking society is security technology, which enables all users to safely access IT services. 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.

In fiscal 2006, concrete R&D themes included security policy control technologies capable of integrating multiple such policies without contradiction, biometric authentication technologies for identifying users with certainty, network control technologies to automatically detect network structure status and unauthorized access, measures to guard against degradation and compromise of encryption technologies for information systems, and attribute authentication technology for use in mobile IT environments.

<CONSULTING/ADVISORY ACTIVITIES FOR SOCIETY>

NTT DATA took part in a survey mission concerning information security in the U.S. sponsored by the Nippon Keidanren's Committee on Information & Telecommunication Policy, and presented its perspective on "Security Governance," while working to promote cooperation between the Nippon Keidanren and U.S. industry organizations. NTT DATA also analyzed research data on changes in lifestyles prompted by data communications technologies such as the Internet, and presented its vision for the direction of a network-oriented society from the standpoints of consumption, working styles, socializing and interaction, healthcare and medicine, local communities and more.

OUTLOOK FOR R&D ACTIVITIES

Future R&D activities will put emphasis on developing technologies for promoting business process reforms driven by PDCA management cycles in the SI business, as an R&D field more closely tied to business activities. Specific priorities include reforms of production technologies, decision-making support technologies, and integration technologies, as well as presenting a vision for society as a whole. In these and other areas, NTT DATA aims to pursue R&D activities that have a direct bearing on strengthening competitiveness in SI and strengthening marketing capabilities.

<INNOVATIONS OF PRODUCTION TECHNOLOGIES>

Efforts will be focused on various aspects of improving the productivity of software development, such as technologies including methodologies and tools; processes, including visualization of development processes; and personnel development in software engineering. The goal is to strengthen competitiveness in SI.

<INNOVATIONS OF DECISION-MAKING SUPPORT TECHNOLOGIES>

NTT DATA will advance R&D in analysis methodologies and software that help to continuously improve operations by analyzing large volumes of data held by companies and public-sector organizations. By supporting fast management decision making and operational reforms, NTT DATA aims to improve its ability to offer proposals to customers.

<INNOVATIONS OF INTEGRATION TECHNOLOGIES>

NTT DATA will advance R&D in methodologies for optimizing IT investments for resolving management issues, and developing architectures (services and system structures) for highly secure and scalable information systems. The goal is to enhance IT consulting capabilities.

<PRESENTING A VISION FOR SOCIETY>

NTT DATA seeks to present a vision for society that characterizes the nature of systems, operation and management, thinking and behavior, and ICT (Information & Communications Technology), focusing on fields where ICT has a significant role to fulfill. The aim is to work hand in hand with a wide range of players, including NTT DATA customers, to realize this vision.

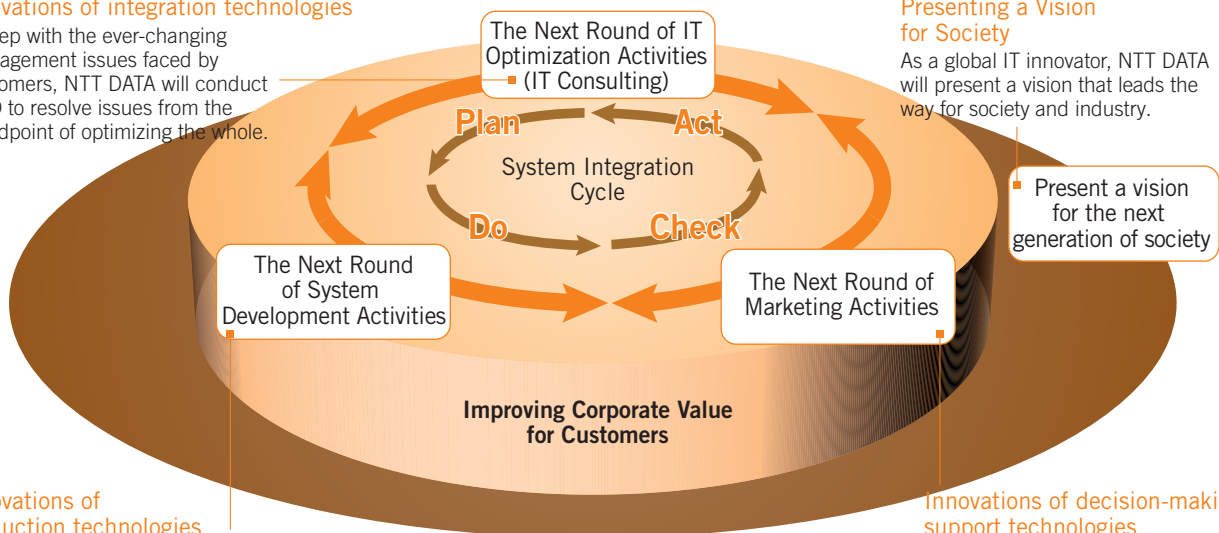
Shift emphasis to business process reforms driven by PDCA management cycles in the SI business

Innovations of integration technologies

In step with the ever-changing management issues faced by customers, NTT DATA will conduct R&D to resolve issues from the standpoint of optimizing the whole.

Presenting a Vision for Society

As a global IT innovator, NTT DATA will present a vision that leads the way for society and industry.



Present a vision for the next generation of society

Innovations of production technologies

Dramatic improvements in productivity are needed to rapidly respond to diverse customer requests amid calls for changes in working styles.

Innovations of decision-making support technologies

Analyze and utilize data stored in information systems to assist in decision making and developing new business opportunities.

Intellectual Property Initiatives

The NTT DATA Group positions intellectual property as a key management resource. By properly managing intellectual property, the NTT DATA Group aims to reinforce the competitiveness of its products and services in the marketplace, while promoting initiatives that enable customers to place even greater trust in each product and service.

APPROACH TO INITIATIVES TO PROMOTE 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 in its markets. This is accomplished by obtaining intellectual property that contributes to business activities.

Other important themes include avoiding the infringement of other companies' intellectual property rights and securely managing and protecting intellectual property and critical trade secrets gathered from customers and business partners in the course of business.

Our approach to these themes helps us to enhance our corporate value.

PROMOTION 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. In fiscal 2006, intellectual property (IP) coordinators were also assigned to each NTT DATA Group company. Under this framework, NTT DATA 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.

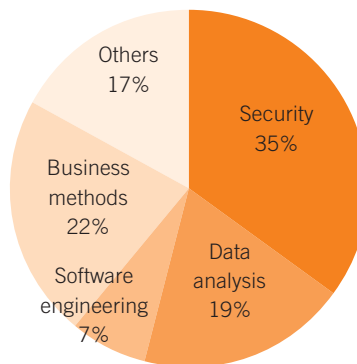
As part of efforts to respond swiftly and accurately to risks related to intellectual property, the Intellectual Property Office deepened cooperation with related internal sections such as the Legal Office, and outside professionals.

INTELLECTUAL PROPERTY AT NTT DATA

<PATENTS>

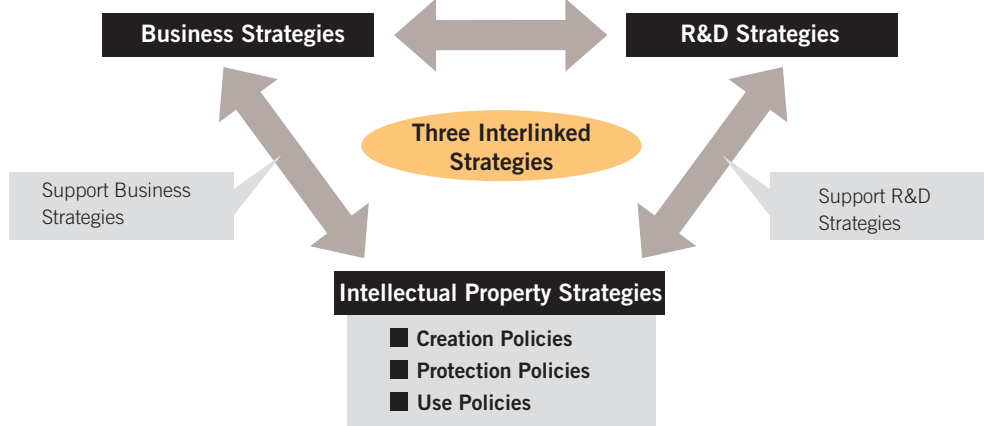
Many of the patents filed in fiscal 2006 by NTT DATA were related to technologies envisioned for use in proprietary services and implementation several years from now. The chart below shows a breakdown of patents filed by NTT DATA in fiscal 2006 by type of technology. R&D departments took the lead in filing a range of patents in fields centering on a large proportion of inventions concerning security technologies, specifically system authentication and access control technologies.

Patents Filed in Fiscal 2006 by Type of Technology



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.

Formation and Promotion of Intellectual Property Strategies



With respect to securing patent rights, NTT DATA files for patents to establish competitive advantage and differentiate proprietary products and services in the marketplace, considering factors such as recently constructed systems, as well as industry and peer company trends. Some examples include smart card authentication technologies, as well as customer-oriented data management and operational support technologies. As of March 31, 2006, NTT DATA held roughly 380 patents in Japan.

Remuneration paid to employee inventors when patents are enforced includes a component commensurate to the contribution of the patent to businesses without limit. Through this system, we intend to motivate employees further to make inventions that contribute to business activities.

<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, 2006, NTT DATA held roughly 1,500 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 system development standards, are also being taken.

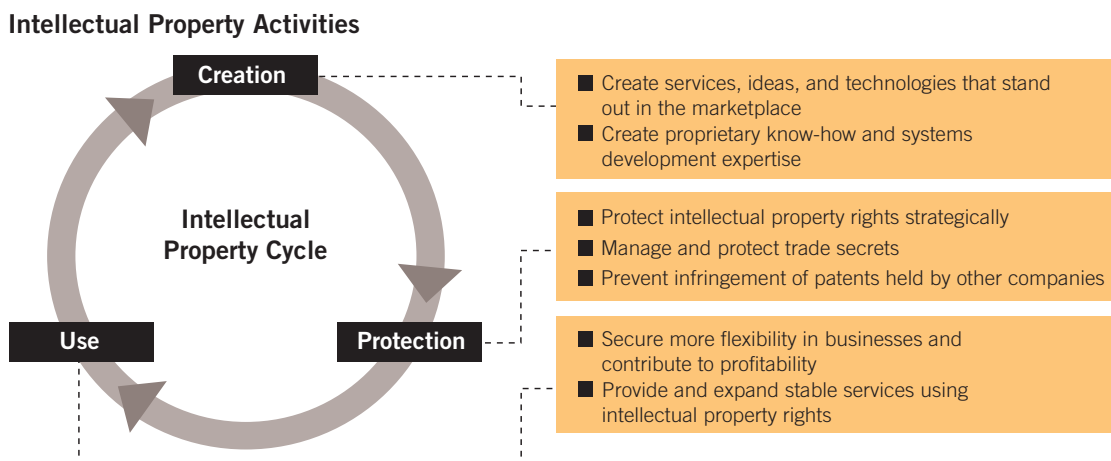
NTT DATA keeps track of internal information on a diverse array of other R&D themes and industry knowledge. We hope to apply this information across our organization to upgrade various systems and reduce development costs. Knowledge-sharing systems, such as an environment for sharing solutions-related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

Besides the aforementioned 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 RISKS>

As an initiative to prevent the infringement of patents held by other companies, 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 to increase knowledge and awareness of this issue throughout NTT DATA.

Furthermore, NTT DATA implements a stringent risk management system to securely manage trade secrets collected from customers, and prevent the outflow of expertise and other intellectual property from the Company. Measures include the formulation of an Information Security Policy, implementation of assessments, and inclusion of these principles into the NTT DATA Group Code of Ethics.



Global Operations

Guided by its Group vision of becoming a “Global IT Innovator,” the NTT DATA Group is working to develop operations worldwide in support of the global business activities of its customers. NTT DATA is enhancing its responsiveness to customers through such means as expanding its global network of operating bases to provide global IT solutions.

NORTH AMERICA AND EUROPE: REGIONS WITH STRONG IT DEMAND

In North America, numerous Japanese companies in the electronics, automobile and other industries have moved into the region, giving rise to strong demand for IT-related services. In response, 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. Furthermore, in fiscal 2006, NTT DATA took an equity interest in The Revere Group, Limited, which has an extensive track record in ERP projects, including upstream consulting, as well as experience and expertise across a wide range of business sectors. The Revere Group’s strong suit lies in IT consulting, software development and other services primarily for the manufacturing, financial services and healthcare industries.

Leveraging these and other sources of expertise, NTT DATA will continue to work hard on expanding its business together with its five service bases in North America.

Meanwhile, NTT DATA has taken an equity interest in the Japanese subsidiary of CapGemini S.A., Europe’s largest multinational IT services company. In October 2005, this Japanese subsidiary was reestablished as Zacatii Consulting, Inc. By combining NTT DATA’s SI capabilities with Zacatii’s consulting expertise, NTT DATA will be able to better respond to the needs of Japanese companies, while providing an extensive range of support for the Cap Gemini Group’s clientele of multinational companies in the Japanese market. Furthermore, Cap Gemini’s U.S. and European operating bases will help NTT DATA provide enhanced services to its customers.

AN EXPANDING ASIAN MARKET

In China, NTT DATA has been involved in several projects over the past ten years or so. Projects have included the “National Postal Financial Clearance and Network System,” “China National Automated Payment System for the People’s Bank of China,” and the “smart card system for

employees of the Beijing People’s Municipal Government.” NTT DATA has also conducted 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 and one of China’s largest software vendors have established a joint venture called Xi’an UFIDA Software Engineering Co., Ltd. to provide IT services to local Japanese companies.

Meanwhile, Beijing NTT Data Systems Integration Co., Ltd. has gained technologies and expertise through the construction of these projects in China, and has also retained outstanding personnel over the years. Today, these and other resources serve as the foundation for the NTT DATA Group’s overseas system development. Looking ahead, NTT DATA will utilize overseas system development resources not only for software production, but also for the entire software development process, beginning with upstream processes, to provide all-around, high-quality systems to customers at low prices.

In Southeast Asia, NTT DATA designed a customs system in Indonesia, and developed the MSC project and an e-procurement system in Malaysia.

In Asia outside Japan, NTT DATA currently has nine operating bases, centering on those in China. As Japanese companies see further growth in retail and other businesses in this region, NTT DATA will continue to expand its service network to meet the needs for IT services of its customers in Japan and across Asia.

OUTLOOK

Improving consulting abilities and expanding its operating network from a global perspective will ultimately help the NTT DATA Group to capture new, high-value-added projects. Looking ahead, NTT DATA will continue to expand its service and operating network through such means as forming additional equity-based alliances with medium-sized SI companies and other partners in North America, Europe, and Asia.

Number of Overseas Operating Bases as of March 31, 2006



Net Sales of Overseas Operating Bases

(Billions of Yen)

2007 Forecasts	8.3	5.7 M&As (Prior-year M&As)	6.0 M&As (Current year M&As)	20.0
2006 Results	8.1	1.4	9.5	
2005 Results	5.5	5.5		

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.

SOCIAL CONTRIBUTION ACTIVITIES

NTT DATA is engaged in social contribution activities emphasizing support for people, including fields such as public welfare, community service, and international relations; support for the environment; and support for culture and the arts. Through these activities, NTT DATA hopes to play a part in building a better 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.

NTT DATA held an IT seminar for elementary and junior high school students, the generation who will be entrusted with advancing 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 a guide dog seminar and demonstration held for members of local communities aimed at deepening understanding of sight impairments.

Fiscal 2006 was a year that saw several major natural disasters occur 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.

- U.S. Hurricane Katrina: ¥1.5 million
- Earthquake in Northern Pakistan: ¥1.5 million

• SUPPORT FOR THE ENVIRONMENT

One new initiative in fiscal 2006 saw NTT DATA hold an Environmental Photo Contest aimed at drawing attention to the natural environment around us. NTT DATA contributed a matching donation proportional to the number of contest participants.

NTT DATA also sponsors the “Think Daily” webpage for the Think the Earth Project, which runs a website designed to stimulate thought on environmental issues. NTT DATA also provided assistance in creating a system for the MIYAKE-ECO.NET program, which supports the restoration of Miyake Island through a community website that presents information on the island’s natural environment to a nationwide audience.

• 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.



Guide dog seminar and demonstration
(in cooperation with the Japan Guide Dog Association)



“NTT DATA-style Valentine” sweets on display

ENVIRONMENTAL PRESERVATION INITIATIVES

The NTT DATA Group is committed to realizing a more prosperous, harmonious society. To this end, the Company undertakes three main types of environmental preservation activities.

• **ISO 14001 CERTIFICATION**

NTT DATA has conducted company-wide ISO 14001 certification activities since 1999. As of March 31, 2006, all organizations at NTT DATA and 21 Group companies have acquired ISO 14001 certification. Plans call for the registration of 3 more companies in fiscal 2007. 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 and conducting environmental accounting in 2000.

• **FOSTERING ENVIRONMENTAL AWARENESS AMONG EMPLOYEES**

To foster a stronger awareness of environmental issues among employees, the NTT DATA Group conducts a range of events, such as offering online learning courses in environmental preservation programs to staff. In another program, employees are invited to submit original Japanese senryu poems (humorous, satirical poetry) on environmental themes for publication in an annual calendar.

Beginning in 2005, the NTT DATA Group joined Team Minus 6%, a national movement for promoting the prevention of global warming, as part of its commitment to good corporate citizenship.

Environmental initiatives in businesses activities are focused on the following three priorities:

- **PROMOTE ENVIRONMENTALLY RESPONSIBLE SYSTEM DEVELOPMENT**
- **PROMOTE GREEN PURCHASING AND ENVIRONMENTALLY RESPONSIBLE SYSTEM CONSTRUCTION AND DESIGN**
- **IMPLEMENT RESOURCE AND ENERGY CONSERVATION, REUSE SUPPLIES, PROMOTE RECYCLING AND REDUCE WASTE**

In parallel with energy and resource conservation initiatives at operating sites, the NTT DATA Group provides products and services that help to solve environmental issues, as well as related information systems, as part of its business activities.

Examples include Japan’s National Registry System for Emissions Trading Management, compatible with measures outlined in the Kyoto Protocol for combating global warming, as well as content distribution systems such as Ecology Express. NTT DATA plans to continue providing a broad range of information systems that help to protect the environment.

NTT DATA also offers energy conservation products. One example is an energy-conserving voltage regulator called “Ecolista” currently sold by subsidiary NTT DATA EX TECHNO Corporation.

In green purchasing initiatives, NTT DATA is increasing the number of items purchased through this program, while conducting evaluations of suppliers’ environmental approaches and products.

Furthermore, NTT DATA is active in the social aspects of environmental preservation through efforts to contribute to local communities and the Internet-driven society at large.



NTT DATA's Environmental Protection Symbol Mark
“Thanks for Your Consideration”



Annual Social and Environmental Report (in Japanese only)
<http://www.nttdata.co.jp/corporate/csr/report/index.html>

Consolidated Six-Year Summary

NTT DATA CORPORATION AND SUBSIDIARIES
Years ended 31st March

	Millions of yen						Thousands of U.S. dollars	
	2001	2002	2003	2004	2005	2006	2006	
For the Year:								
Net Sales	¥ 801,045	¥ 801,967	¥ 832,109	¥ 846,706	¥ 854,154	¥ 907,281	\$ 7,754,538	
System Integration	650,632	624,921	671,256	685,454	689,847	720,078	6,154,513	
Network System Services	52,111	58,243	60,262	57,794	56,612	62,158	531,265	
Others	142,424	209,550	173,883	177,721	186,502	210,797	1,801,683	
Elimination or Corporate	(44,122)	(90,747)	(73,292)	(74,263)	(78,807)	(85,752)	(732,923)	
Cost of Sales	598,245	591,301	622,072	637,911	648,396	682,224	5,830,974	
Operating Income	58,778	59,446	61,544	59,725	39,288	46,867	400,573	
Income before Income Taxes	46,083	47,163	50,933	44,441	32,144	42,016	359,111	
Net Income	24,452	26,410	28,562	26,956	20,110	28,191	240,949	
New Orders Received	779,418	845,400	843,571	750,796	658,161	723,674	6,185,248	
Capital Expenditures	163,655	170,577	171,017	148,923	110,821	112,146	958,513	
Depreciation and Amortization/ Loss on Disposal of Property and Equipment and Intangibles	151,927	153,115	158,523	165,281	161,942	153,303	1,310,282	
Research and Development Expenses	17,957	19,074	18,224	15,350	16,542	17,307	147,923	
Free Cash Flow	17,702	(1,776)	67,180	44,044	60,712	53,116	453,983	
EBITDA	210,705	212,561	220,067	225,006	201,230	200,170	1,710,855	
At Year-End:								
Property and Equipment, at Cost	973,046	1,034,563	1,008,791	813,868	819,984	820,609	7,013,752	
Less: Accumulated Depreciation	(577,951)	(632,917)	(607,447)	(468,534)	(498,095)	(513,193)	(4,386,265)	
Long-Term Debt	351,354	307,879	313,860	271,920	235,845	200,656	1,715,009	
Total Liabilities	696,848	699,443	679,872	600,318	557,092	550,727	4,707,068	
Total Shareholders' Equity	388,537	412,966	435,715	458,846	473,982	495,703	4,236,778	
Total Assets	1,086,437	1,113,777	1,118,401	1,065,549	1,038,571	1,056,337	9,028,521	
	Yen						U.S. dollars	
Per Share:								
Net Income	¥ 8,680	¥ 9,382	¥ 10,152	¥ 9,578	¥ 7,139	¥ 10,024	\$ 85.68	
Shareholders' Equity	138,479	147,192	155,304	163,550	168,947	176,695	1,510.21	
Other Information:								
Operating Income Margin (%)	7.3	7.4	7.4	7.1	4.6	5.2	—	
Return on Sales (%)	3.1	3.3	3.4	3.2	2.4	3.1	—	
Return on Equity (%)	6.5	6.6	6.7	6.0	4.3	5.8	—	
Return on Assets (%)	2.3	2.4	2.6	2.5	1.9	2.7	—	
EBITDA Margin (%)	26.3	26.5	26.4	26.6	23.6	22.1	—	
Equity Ratio (%)	35.8	37.1	39.0	43.1	45.6	46.9	—	
Number of Employees	12,843	14,651	15,971	17,389	18,720	21,308	—	

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, 2006, of ¥117=U.S.\$1.

Management's Discussion and Analysis

Market Conditions in Fiscal 2006, Ended 31st March, 2006

In the fiscal year ended 31st March, 2006, macroeconomic conditions in Japan steadily improved, supported by higher corporate earnings and an upturn in capital expenditures.

Japan's IT services industry, despite intensifying competition among vendors and a stronger emphasis on ROI by customers, is expected to experience gradual growth, driven by rising demand related to ensuring the security of computer systems and stronger capital expenditures in tandem with the recovery in corporate earnings.

Implementation of Management Initiatives

In fiscal 2006, NTT DATA implemented initiatives to improve its 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 No. 1 in customer satisfaction by delivering systems and services that provide customers with higher value.

• Main Initiatives to Improve Fundamental Strengths

· *Strengthening marketing capabilities*

Initiatives to strengthen marketing capabilities were led by our Customer Representatives (CRs) and focused on reforming marketing processes to improve customer satisfaction. In parallel with these initiatives, a Sales Planning Department was established, with responsibility for increasing employee awareness of the need to be customer oriented, centrally managing requests and complaints from customers, training marketing staff, and promoting a culture grounded in recognizing the importance of the marketing function across the company.

· *Strengthen competitiveness in SI*

The second of the three main initiatives has seen NTT DATA implement measures to improve and stabilize development processes, accumulate business-process expertise, and establish methodology and platform technologies. The Software Engineering Promotion Center was set up to encourage employees to obtain Project Management Professional (PMP) certification, an international certification for project management, and to raise productivity.

· *Proactively create new products and services*

The third main initiative—proactively create new products and services—has seen us invite employees throughout the Company to submit business ideas for new products and services that anticipate emerging customer needs, led by the Business Innovation Center, and launch several new businesses.

· *Efficient use of SG&A expenses*

NTT DATA has taken steps to review and increase the efficiency of operations at administrative departments through such means as reallocating personnel and centralizing office buildings to

reduce administrative expenses. The Company also advanced efforts to slash expenses to use selling expenses and R&D expenses more efficiently by concentrating these resources on carefully chosen themes.

· *Environment that nurtures human resources*

NTT DATA has set its sights on becoming No. 1 in employee satisfaction in the IT industry. To this end, we reassigned personnel to optimal posts and enhanced skills development, in addition to reviewing our employee job performance evaluation and compensation systems.

• Key Growth Initiatives

· *Bolster marketing and development strengths in the industrial sector and other fields*

This growth initiative involved the recruitment of approximately 200 experienced professionals with business-process expertise and consulting skills, at NTT DATA and subsidiary NTT DATA SYSTEM DESIGN CORPORATION (name changed to NTT DATA BUSINESS CONSULTING CORPORATION in July 2006).

· *Development of advanced solutions and services*

In the development of advanced solutions and services, NTT DATA and Nissan Motor Co., Ltd. jointly developed a die inventory management system using stacked-type RFID tags, the first such system to be used in the manufacturing industry anywhere in the world. NTT DATA is also advancing research into personalized medicine matched to individuals' genetic patterns in conjunction with Tokyo Women's Medical University and Order-Made Souyaku Co., Ltd. and has begun experimental trials.

· *Develop and build infrastructure toward next-generation mission-critical systems.*

As for the development and building of infrastructure for next generation enterprise and mission-critical systems, NTT DATA established platforms for carrying out all processes from systems development to operations using open source software. Particularly noteworthy was the completion of the development of PORTOMICS middleware. This middleware compensates for the differences in various software vendors' products to realize on open-source systems the high-performance and high-quality services once limited to mainframe systems. The Company also began trial operations of the Linaccident, a tool which swiftly determines the causes of system problems when computers running on Linux operating systems malfunction. In addition, NTT DATA released an open source software application called Hinemos that enables the integrated administration of multiple computers.

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

The NTT DATA Group

In fiscal 2006, the NTT DATA Group included all 93 of its subsidiaries into its scope of consolidation, as part of an initiative to further promote Group-wide management. This involved the consolidation of 48 subsidiaries, comprising former non-consolidated subsidiaries, and newly established subsidiaries through equity investments. NTT DATA has only one equity-method affiliate, NTT Mediacross, Inc. The newly consolidated subsidiaries made a contribution of ¥22.0 billion to Group-wide sales to external customers in fiscal 2006.

Review of Operating Results – Comparison With the Previous Fiscal Year

• New Orders Received and Order Backlog

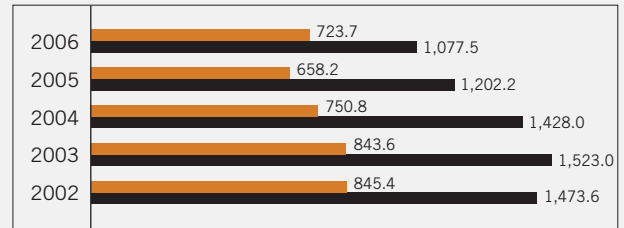
As a result of the above, orders rose ¥65.5 billion to ¥723.7 billion, a 10.0% increase compared with the previous fiscal year, reversing the recent downturn in orders. This was due mainly to orders received for upgrading and renewing large-scale systems for central government agencies, and an increase in new orders from the manufacturing and retail sectors. The order backlog as of the end of the current fiscal year was ¥1,077.5 billion, a decline of ¥124.7 billion, or 10.4% from the end of the previous fiscal year.

• Net Sales

Net sales rose ¥53.1 billion, or 6.2%, to ¥907.3 billion, lifted by the expansion of outsourcing services for financial institutions and increases in new orders for systems from the manufacturing and retail sectors.

New Orders Received and Order Backlog

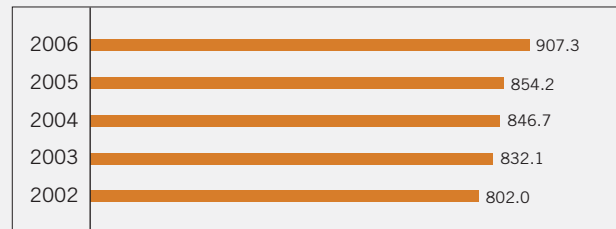
(Billions of Yen)



■ New Orders Received ■ Order Backlog

Net Sales

(Billions of Yen)



• Overview by Sector

· Public Administration Sector

In the public administration sector, NTT DATA won orders to issue and manage Postal Savings Smart Cash Cards and to provide comprehensive administration services to the Japan Patent Office. The Company also began providing financial accounting system services to the Tokyo Metropolitan Government.

Net sales decreased ¥24.7 billion, or 7.0%, to ¥326.5 billion. New orders received increased ¥18.6 billion, or 9.8%, to ¥208.6 billion.

· Financial Sector

In the financial sector, NTT DATA concluded a basic agreement with the Bank of Yokohama, Ltd. as well as the Hokuriku Bank, Ltd., and the Hokkaido Bank, Ltd., both of which are subsidiaries of the Hokuho Financial Group, Inc., on the shared use of a next-generation system equipped with functions for processing bank deposits, foreign exchange, loans, foreign currencies and other operations, as well as providing links to an external data center. Moreover, the Aomori Bank, Ltd. decided to join the Banking Center for Regional Banks, a shared system for financial institutions.

Net sales increased ¥15.5 billion, or 6.0%, at ¥274.5 billion. New orders received increased ¥17.0 billion, or 7.4%, to ¥247.0 billion.

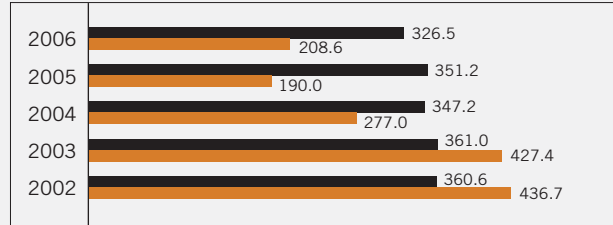
· Industrial Sector

In the industrial sector, NTT DATA and NEC Corporation jointly developed the MAPS system, which ensures the efficient operation of NTT DoCoMo's mopera U FOMA mobile Internet connection service. NTT DATA acquired control of HITACHI ZOSEN INFORMATION SYSTEMS COMPANY LIMITED to provide manufacturers with integrated management systems covering all areas from design and development to production and aftersales services.

Net sales increased ¥56.6 billion, or 31.2%, at ¥238.2 billion. New orders received increased ¥24.1 billion, or 12.3%, to ¥220.3 billion.

Public Administration Sector

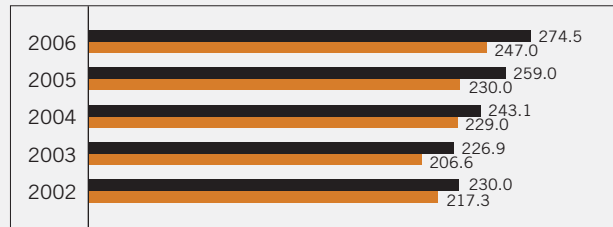
(Billions of Yen)



■ Net Sales ■ New Orders Received

Financial Sector

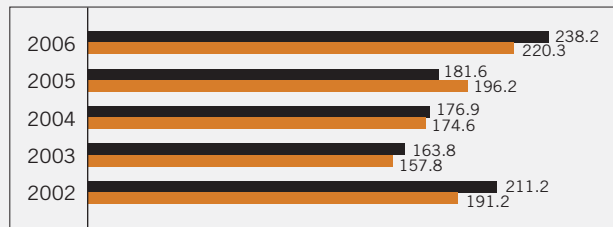
(Billions of Yen)



■ Net Sales ■ New Orders Received

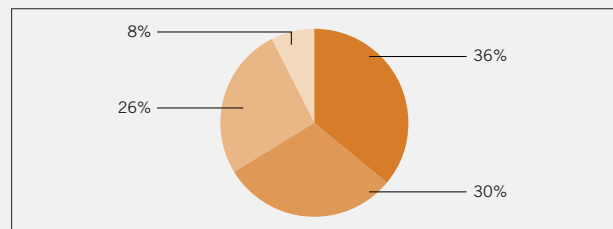
Industrial Sector

(Billions of Yen)



■ Net Sales ■ New Orders Received

Net Sales by Sector (Fiscal 2006)



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

• **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 2006, segment sales increased ¥30.2 billion, or 4.4%, to ¥720.1 billion on strong orders for outsourcing services for financial institutions and from the addition of newly consolidated subsidiaries.

Segment operating income rose ¥4.2 billion, or 8.1%, to ¥56.0 billion, resulting in higher sales and earnings. The operating margin improved by 0.3 of a percentage point to 7.8%.

· *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.

Segment sales rose ¥5.5 billion, or 9.8%, to ¥62.2 billion, supported by steady sales from the CAFIS system, a credit and debit card infrastructure. Segment operating income increased ¥0.8 billion, or 34.4%, to ¥3.1 billion and the operating margin rose 0.9 of a percentage point to 5.0%.

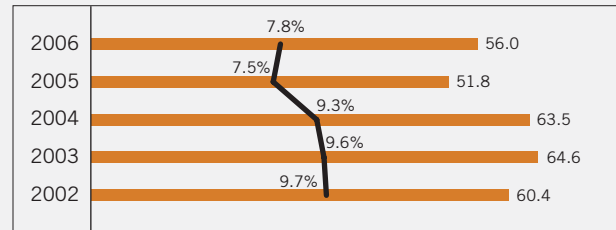
· *Others*

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. Segment sales increased ¥24.3 billion, or 13.0%, to ¥210.8 billion due mainly to a favorable system maintenance and operations business and the addition of newly consolidated subsidiaries.

Segment operating income increased ¥3.2 billion, or 109.9%, to ¥6.1 billion. As a result, the segment reported higher sales and earnings. The operating margin improved by 1.3 percentage points to 2.9%.

System Integration

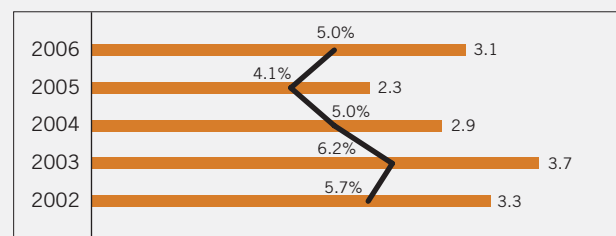
(Billions of Yen/%)



■ Operating Income — Operating Income Margin

Network System Services

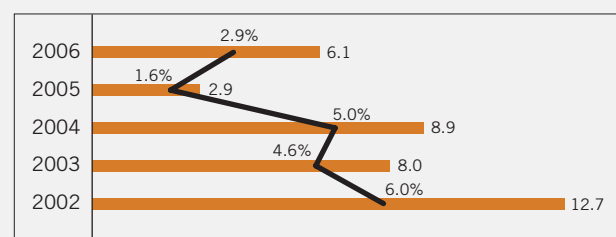
(Billions of Yen/%)



■ Operating Income — Operating Income Margin

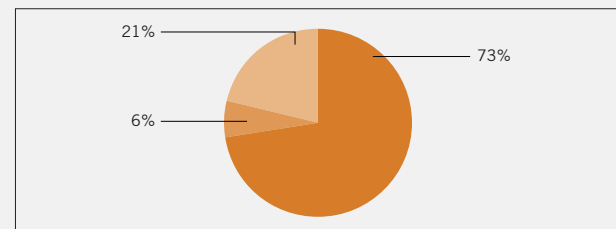
Others

(Billions of Yen/%)



■ Operating Income — Operating Income Margin

Net Sales by Segment (Fiscal 2006)



■ System Integration ■ Network System Services ■ Others

• **Operating Expenses and Operating Income**

The cost of sales ratio decreased by 0.7 of a percentage point from the previous fiscal year to 75.2% as the cost of sales rose only ¥33.8 billion, or 5.2%, to ¥682.2 billion. This mainly reflected improvement in the cost of sales ratio for data communications services due to reductions in depreciation, and for shared systems, despite an increase in the cost of sales ratio in step with increasing orders for new projects. Selling, general and administrative (SG&A) expenses increased ¥11.7 billion, or 7.0%, to ¥178.2 billion, raising the SG&A ratio 0.1 of a percentage point to 19.6%. The SG&A ratio benefited from higher sales but deteriorated due to the adoption of the accounting standards for pension benefit obligations by certain subsidiaries.

As a result, operating income rose ¥7.6 billion, or 19.3%, to ¥46.9 billion, and the operating margin improved 0.6 of a percentage point to 5.2%.

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

Net non-operating expenses were ¥4.9 billion, an improvement of ¥2.3 billion compared with the previous fiscal year. The primary reason was the absence of bond redemption expenses booked in the previous fiscal year. As a result, income before income taxes increased ¥9.9 billion, or 30.7%, to ¥42.0 billion. Net income rose ¥8.1 billion, or 40.2%, to ¥28.2 billion. The return on sales was 3.1%, an improvement of 0.7 of a percentage point from the previous fiscal year.

Net income per share was ¥10,024.29, an increase of ¥2,885.08, or 40.4%, from the previous fiscal year.

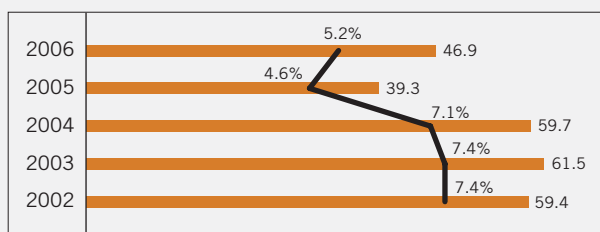
• **Dividends**

NTT DATA's fundamental policy on the distribution of profit is to pay a stable dividend based on a comprehensive assessment of consolidated operating results, the Company's financial position, the dividend payout ratio and other factors, while at the same time building up the internal reserves necessary for financing long-term growth.

NTT DATA paid an annual dividend of ¥3,000 per common share, including interim and year-end dividends of ¥1,500 per share. This was an increase of ¥1,000 per common share compared with the previous fiscal year. As a result, the dividend payout ratio increased by 1.1 percentage points from the previous fiscal year to 33.3%.

Operating Income and Operating Income Margin

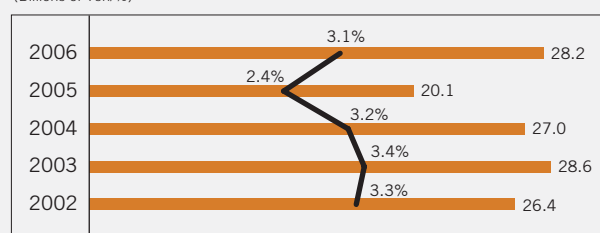
(Billions of Yen/%)



■ Operating Income — Operating Income Margin

Net Income and Return on Sales

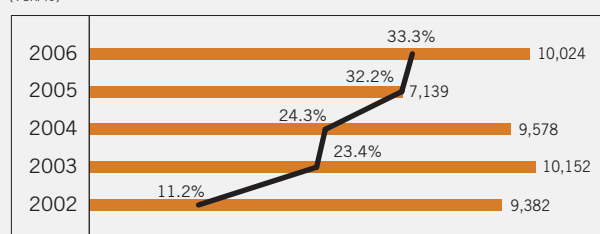
(Billions of Yen/%)



■ Net Income — Return on Sales

Net Income per Share and Payout Ratio

(Yen/%)



■ Net Income per Share — Payout Ratio

Review of Operations: the Year Ended 31st March, 2005 (Fiscal 2005) Compared With the Year Ended 31st March, 2004 (Fiscal 2004)

Improve Key Fundamental Strengths

· *Strengthen marketing capabilities*

The Company 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.

· *Strengthen competitiveness in SI*

The Company implemented measures to improve and stabilize development processes, accumulate business-process expertise, and assemble platform technologies, and encouraged employees to obtain the Project Management Professional (PMP) certification, an international certification for project management, which was another key priority.

· *Proactively create new products and services*

The Company invited employees throughout the Company to submit proposals for new businesses that involve new products and services. This resulted in a flood of new proposals.

· *Use SG&A expenses more efficiently*

The Company took 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 were shifted to selling expenses related to marketing and other activities.

· *Provide an environment that nurtures human resources*

The Company set our sights on becoming No. 1 in employee satisfaction in the IT industry, and conducted an employee satisfaction survey, in addition to reassigning personnel to optimal posts and holding training programs to upgrade skills.

Key Growth Initiatives

· *Bolster marketing and development strengths in the industrial sector and other fields*

The Company 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.

· *Develop advanced solution and services*

The Company expanded the user base of Health Data Bank, a system that distributes health management information over the Internet to employees of corporate clients. Additionally, the Company developed systems leveraging leading-edge technologies in ubiquitous networking, mobile communications and other fields, such as RFID tags.

· *Develop and build infrastructure toward next-generation mission-critical systems*

The Company completed the Open Source Development Center (OSDC) in August 2004, and 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.

• **New Orders Received and Order Backlog**

In fiscal 2005, new orders received decreased 12.3% or ¥92.6 billion year on year, to ¥658.2 billion. The order backlog was down 15.8% or ¥225.8 billion year on year, to ¥1,202.2 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.

• **Net Sales**

In fiscal 2005 net sales rose ¥7.5 billion, or 0.9% year on year, to ¥854.2 billion.

• **Operating Expenses and Operating Income**

In fiscal 2005, 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, in fiscal 2005, 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.

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

Net non-operating expenses improved ¥2.9 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, in fiscal 2005, 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. The return on sales was 2.4%, down 0.8 of a percentage point from the previous fiscal year. Net income per share was down ¥2,439.13 per share, or 25.5%, at ¥7,139.21.

• **Segment Review**

· *System Integration Business*

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, new orders received declined 15.3%, or ¥92.7 billion, to ¥513.6 billion. Segment sales rose 0.6%, or ¥4.4 billion, to ¥689.8 billion. Segment operating income decreased 18.4%, or ¥11.7 billion, to ¥51.8 billion. The operating income margin was 7.5%, down 1.8 percentage points from the previous fiscal year.

· *Network System Services*

In fiscal 2005 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%, or ¥1.2 billion, to ¥56.6 billion. Segment operating income was down 20.2%, or ¥0.6 billion, at ¥2.3 billion. The operating income margin was 4.1%, down 0.9 of a percentage point from the previous fiscal year.

· *Others*

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, new orders received were on a par with the previous year, at ¥144.5 billion. Segment sales rose 4.9%, or ¥8.8 billion, to ¥186.5 billion, while segment operating income decreased 67.2%, or ¥6.0 billion, to ¥2.9 billion. The operating income margin was 1.6%, down 3.4 percentage points from the previous fiscal year.

Liquidity and Sources of Funds

• **Financial Policy**

NTT DATA's financial policy is to reliably procure funds to continuously 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.

• **Liquidity**

Total current assets increased ¥56.3 billion, or 20.3%, to ¥333.4 billion, while total current liabilities were up ¥24.7 billion, or 12.1%, at ¥228.7 billion. The current ratio edged up by 0.10 to 1.46 times, compared with 1.36 times in the previous fiscal year.

The increase in current assets is largely attributable to the inclusion of 48 additional subsidiaries into the consolidation.

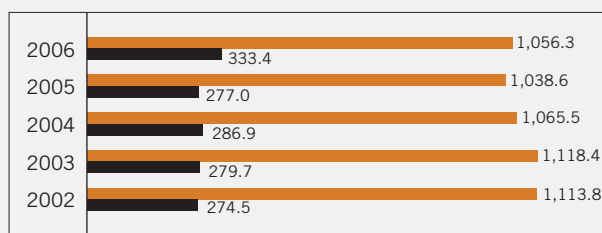
NTT DATA has ample alternative sources of liquidity (cash and cash equivalents), such as a CP issuing authority of ¥100.0 billion.

Credit ratings

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+

Total Assets and Total Current Assets

(Billions of Yen)



■ Total Assets ■ Total Current Assets

• Tangible/Intangible Fixed Assets

Tangible fixed assets totaled ¥307.4 billion as of 31st March, 2006, down ¥14.5 billion, or 4.5%. Intangible assets were ¥294.2 billion, a decline of ¥30.1 billion, or 9.3%, from a year earlier. These decreases were mainly attributable to the fact that depreciation exceeded capital investment.

• Investments and Other Assets

Investments in securities were ¥24.3 billion, up ¥0.9 billion, or 3.6%, from a year earlier. The main components are listed shares carried at a fair value of ¥6.4 billion, and non-listed shares carried at a book value of ¥17.9 billion. Another component was shares in affiliated companies of ¥2.7 billion, a decrease of ¥6.6 billion from a year earlier. NTT DATA booked an unrealized gain of ¥4.0 billion on shares carried at fair value, ¥1.4 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, net of taxes, which totaled ¥2.4 billion as of 31st March, 2006.

• Minority Interests

As of 31st March, 2006, minority interests in consolidated subsidiaries were ¥9.9 billion, ¥2.4 billion, or 32.1%, higher than a year earlier. This mainly comprises the interests of minority shareholders in earnings of consolidated subsidiaries. In fiscal 2006, minority interests in earnings of consolidated subsidiaries were ¥1.1 billion, largely the same as in previous fiscal year.

• Shareholders' Equity

Total shareholders' equity rose ¥21.7 billion, or 4.6%, to ¥495.7 billion. The main contributing factor was an increase in retained earnings. The shareholders' equity ratio increased 1.3 percentage points from the previous fiscal year to 46.9%. Shareholders' equity per share was ¥176,695.37, an increase of ¥7,748.07, or 4.6%, from a year earlier.

• Cash Flows

The NTT DATA Group is actively promoting greater management of the balance sheet to improve its ability to generate cash flows. NTT DATA has introduced a Group-wide cash management system, which now includes approximately 60 domestic subsidiaries. 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.

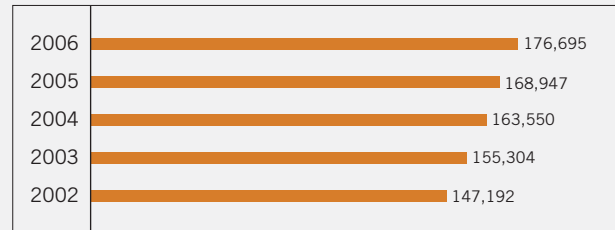
Cash and cash equivalents increased ¥23.2 billion from the end of the previous fiscal year to ¥86.2 billion as of the end of fiscal 2006. This level is equivalent to 114% of the average monthly sales of ¥75.6 billion in fiscal 2006, and sufficiently meets NTT DATA's liquidity requirements for normal business operations. Cash flows from operating, investing, and financing activities were as follows.

Net cash provided by operating activities was ¥175.2 billion, ¥30.6 billion more than in the previous fiscal year. This was mainly due to an increase of ¥9.9 billion in income before income taxes, a decline in income taxes, and an improvement in the working capital position.

Net cash used in investing activities was ¥122.1 billion, ¥38.1 billion more than in the previous fiscal year. The main reason was an increase in the acquisition of property and equipment and investments in consolidated subsidiaries. As a result, NTT DATA recorded positive free cash flows of ¥53.1 billion, a decrease of ¥7.6 billion from the previous fiscal year.

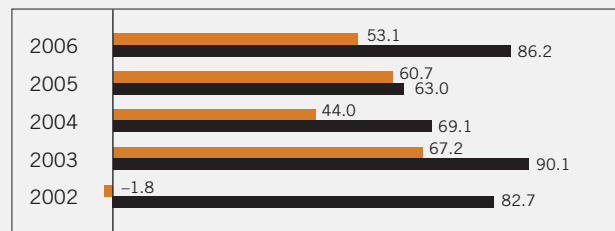
Shareholders' Equity per Share

(Yen)



Free Cash Flow and Cash and Cash Equivalents at End of Year

(Billions of Yen)



■ Free Cash Flow ■ Cash and Cash Equivalents at End of Year

Net cash used in financing activities was ¥31.4 billion, ¥38.3 billion less than in the previous fiscal year, due to a decrease in the repayment of interest-bearing debt.

Key Management Indicators

Our businesses require that we make steady investments in large-scale systems owned by the company. Depreciation of these systems 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 2006, EBITDA decreased ¥1.1 billion to ¥200.2 billion, while the EBITDA margin decreased 1.5 percentage points to 22.1%. These declines mainly reflected the absence of lump-sum payments for data communications services from certain government agencies recorded in the previous fiscal year.

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 ¥23.4 billion to ¥271.9 billion in fiscal 2006 using free cash flow for repayment. Consequently, the debt ratio (see note) improved 3.0 percentage points to 35.4%. Direct financing represented 77% (an increase of 1 percentage point from the previous fiscal year) of total interest-bearing debt.

In fiscal 2006, ROE increased 1.5 percentage points to 5.8%. This was mainly because the return on sales improved by 0.7 of a percentage point to 3.1% while the asset turnover ratio at 0.9 times and the financial leverage ratio at 2.1 held steady at the previous fiscal-year levels.

Capital Expenditures

The NTT DATA Group's capital expenditures have declined in recent years, reflecting a cyclic downturn in demand for upgrading large-scale systems. Capital expenditures in fiscal 2006 were ¥112.1 billion, largely unchanged from the previous fiscal year.

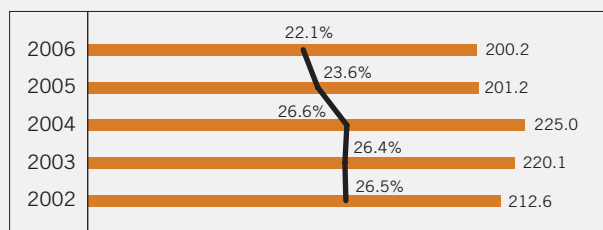
Research and Development

In fiscal 2006, R&D activities remained focused on three priority themes: promoting new businesses, strengthening competitiveness in SI, and developing new fundamental 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 2006, R&D expenses were ¥17.3 billion, ¥0.8 billion higher than in the previous fiscal year.

EBITDA and EBITDA Margin

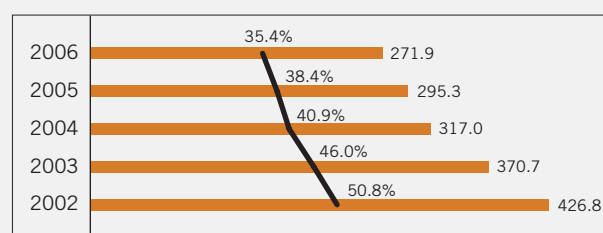
(Billions of Yen/%)



■ EBITDA — EBITDA Margin

Interest-bearing Debt and Debt Ratio

(Billions of Yen/%)

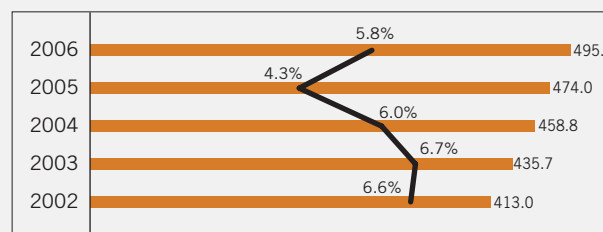


■ Interest-bearing Debt — Debt Ratio

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

Shareholders' Equity and ROE

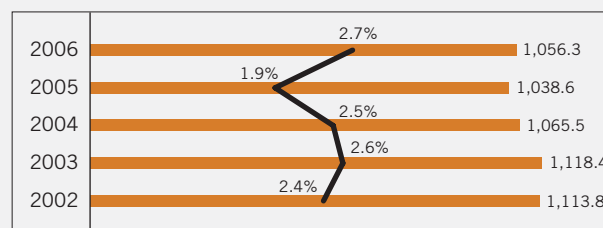
(Billions of Yen/%)



■ Shareholders' Equity — ROE

Total Assets and ROA

(Billions of Yen/%)



■ Total Assets — ROA

Growth Initiative Costs

NTT DATA invested roughly ¥15.0 billion in promoting growth initiatives in fiscal 2006, the same level as in fiscal 2005. The components of growth initiative costs were roughly ¥2.5 billion for bolstering marketing and development strengths in the industrial sector and other fields; roughly ¥9.0 billion for the development of advanced solutions and services; and approximately ¥3.5 billion for the development and establishment of infrastructure toward next-generation enterprise and mission-critical systems. NTT DATA estimates show that growth initiatives resulted in additional orders of approximately ¥17.0 billion and pushed up sales by approximately ¥12.0 billion in fiscal 2006.

IT Partner Business

The NTT DATA Group is pressing ahead with the IT Partner Business to reinforce business in the industrial sector. The IT Partner Business is 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. Recently, NTT DATA expanded this business, which has been centered on traditional acquisitions of information system subsidiaries, to include acquisitions of IT service firms, consulting companies and global players. As a result, the number of NTT DATA's consolidated subsidiaries associated with the IT Partner Business increased from 4 as of 31st March, 2005 to 10 as of 31st March, 2006. These consolidated subsidiaries contributed ¥56.0 billion to consolidated net sales in fiscal 2006.

Consolidated Business Results

(Billions of yen)

	2003	2004	2005	2006
Contribution to consolidated sales	4.0	31.0	39.0	56.0
Number of consolidated subsidiaries	2	4	4	10

*Contribution to consolidated net sales represents the amount recorded as consolidated net sales in each fiscal year.

Remuneration

• Remuneration for Directors and Corporate Auditors

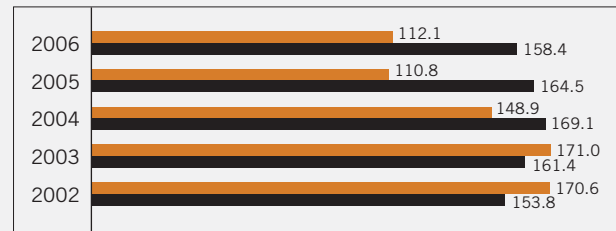
The remuneration structure for directors and corporate auditors is partly linked to operating results, in order to provide added incentive for senior management to conduct shareholder-oriented management and further improve enterprise value. In fiscal 2006, overall remuneration paid to NTT DATA's 23 directors was ¥0.23 billion (¥0.23 billion for 23 internal directors; no compensation was paid to external directors). The appropriation of earnings for fiscal 2006 included bonuses for 24 directors of ¥0.07 billion, and retirement bonuses for 7 retirees of ¥0.25 billion, based on a resolution by the general meeting of shareholders. Remuneration paid to the Company's 5 corporate auditors was ¥0.06 billion. The appropriation of earnings for fiscal 2006 included bonuses of ¥0.02 billion for four auditors and a retirement bonus of ¥0.02 billion for one retiree, 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 audit contracts concluded with this agency, as follows. Based on the audit contract, remuneration paid for services related to the

Capital Expenditures and Depreciation and Amortization and Others

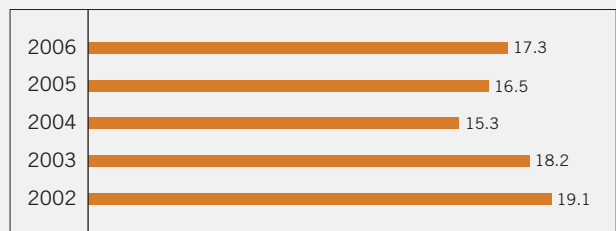
(Billions of Yen)



■ Capital Expenditures ■ Depreciation and Amortization and Others

Research and Development

(Billions of Yen)



certificate of audit was ¥0.16 billion, while remuneration paid for other services totaled ¥0.03 billion. Remuneration paid for services related to the certificate of audit principally involved audits of the financial statements of NTT DATA and its subsidiaries. Remuneration paid for other services included fees for 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 2007

In fiscal 2007, the Japanese economy is expected to remain on a steady recovery path, mainly supported by ongoing improvements in corporate earnings. Despite intense competition among vendors and a persistently strong emphasis on the return on investment (ROI) by customers, the IT services industry is likely to record modest market growth, reflecting higher demand for ensuring the security of computer systems, and strong capital expenditures accompanying the recovery in business performance.

In fiscal 2007, the NTT DATA Group will continue to make a concerted effort to implement three initiatives—bolster 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, and additionally reinforced by our growth initiatives.

• Forecast for Fiscal 2007

Since fiscal 2007, the current fiscal year, is the final year of the Medium-term Management Plan, NTT DATA's targets for fiscal 2007 correspond to the initial targets of the current Medium-term Management Plan. Every effort will be made to achieve these targets. Specifically, NTT DATA is targeting net sales of ¥1 trillion, an increase of ¥92.7 billion, or 10.2%, from fiscal 2006, on the strength of higher sales in all market sectors and contributions from our growth initiatives, including M&As. We are forecasting operating income of ¥75.0 billion, an increase of ¥28.1 billion, or 60.0%, from fiscal 2006. Higher sales, lower depreciation expenses, and curbs on selling, general and administrative (SG&A) expenses, will be the main contributing factors to growth in operating income. We are also forecasting new orders received of ¥900.0 billion, up by ¥176.3 billion, or 24.4%, on the basis of an expansion in new orders from the manufacturing and retail sectors and orders for upgrading large-scale IT systems for central government agencies. NTT DATA is projecting free cash flow of ¥30.0 billion, even as the Company invests actively, using ample operating cash flows. As a result of the above, we are forecasting a return on equity of 8.4%, up 2.6 percentage points from fiscal 2006 and higher than the Medium-term Management Plan target of 8%.

• Outlook by Sector

· Public Administration Sector

Despite a cyclic downturn in IT investment budgets at national government agencies in recent years, we expect to win orders for upgrading large-scale systems as investment in optimization plans for business processes and systems grows. In the medical, welfare and other areas, NTT DATA also expects higher orders, with growth coming mainly from demand for upgrading medical systems and the Company's active involvement in proposing new PFI models. As a result of the above, we are forecasting orders of ¥302.0 billion, an increase of ¥93.4 billion, or 44.8%, from fiscal 2006. While we are expecting sales to increase on orders for adding more functions to systems from national government agencies, sales in other areas

are likely to be mostly the same as in fiscal 2006. Consequently, we are projecting sales of ¥342.0 billion in this segment, an increase of ¥15.5 billion, or 4.7%, from fiscal 2006.

· Financial Sector

Despite higher orders for stand-alone systems from individual regional banks, we expect lower orders for shared systems in fiscal 2007, due in part to the downturn in demand for upgrading large-scale systems in fiscal 2006. Higher orders are projected for financial systems mainly for the securities, life and non-life insurance fields, particularly infrastructure systems, information systems and peripheral systems. As a result, we are projecting new orders received of ¥265.0 billion in this sector, an increase of ¥18.0 billion, or 7.3%, from fiscal 2006. In stand-alone systems, we expect sales to increase on higher orders from regional banks, and we expect higher sales of financial systems mainly for the securities, life and non-life insurance fields, with growth coming from infrastructure, information and peripheral systems in each respective field. As a result of the above, we are projecting net sales in this sector of ¥294.0 billion, up ¥19.5 billion, or 7.1%, from fiscal 2006.

· Industrial Sector

We are projecting substantial overall growth in new orders received, underpinned by higher orders from the manufacturing and retail sectors for legal-age ID systems for cigarette vending machines using IC cards and systems for major convenience store chains; expansion of the scope of consolidation at NTT DATA ENGINEERING SYSTEMS CORPORATION; and new equity-based alliances. This increase is expected to be partly offset by a decline in orders in the telecommunications field, mainly due to a cyclic downturn in demand for upgrading large-scale systems. Consequently, new orders received in this sector are forecast to increase ¥54.7 billion, or 24.8%, to ¥275.0 billion in fiscal 2006. Sales are expected to climb ¥36.7 billion, or 15.4%, to ¥275.0 billion, mainly due to sales of the aforementioned legal-age ID systems for cigarette vending machines using IC cards, systems for major convenience store chains, and growth at consolidated subsidiaries such as NTT DATA ENGINEERING SYSTEMS CORPORATION.

• Outlook for Growth Initiatives

We expect certain growth initiatives to fall behind schedule mainly due to delays in their progress. We plan to narrow down the next set of growth initiatives to those which will yield certain results. Specifically, we are budgeting about ¥10.0 billion for growth initiatives in fiscal 2007 (about ¥15.0 billion in fiscal 2006). This will include development of next-generation infrastructure systems, development of new services using mobile/IC cards, and other initiatives. We expect these initiatives to translate into ¥33.0 billion (roughly ¥17.0 billion in fiscal 2006) in additional orders and about ¥25.0 billion in additional sales (roughly ¥12.0 billion in fiscal 2006).

• Outlook for Capital Expenditures

Plans call for capital expenditures in fiscal 2007 to increase ¥17.9 billion, or 15.9%, to ¥130.0 billion, due mainly to higher investments targeting demand for upgrading large-scale systems.

• Outlook for Dividends

In keeping with its policy of linking dividends to consolidated operating results and other factors, NTT DATA plans to increase the annual dividend for fiscal 2007 by ¥1,000 from fiscal 2006 to ¥4,000 per share.

Risk Factors and Management

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

• Risks Relating to Price Declines and Intensified Competition

Corporate IT investment, which has been restrained in recent years, is showing signs of improvement in step with an upturn in corporate earnings. Nevertheless, the NTT DATA Group's business results and financial condition may be affected by declines in the sales prices of systems and services it offers due to various environmental conditions, such as stronger cost requirements on the part of 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.

• Risk Arising From Changes in Government Procurement Policies in the e-Government Construction Plan

The Japanese government carried out a sweeping review of government-related IT systems following the approval of the e-Government Construction Plan in July 2003. Under this e-Government, optimization plans were formulated for most of the systems controlled by individual government ministries and agencies.

The optimization plan for each system identifies the potential for cost reductions from optimizing processes and systems, and there are plans to introduce competitive bidding. The NTT DATA Group's business results and financial condition may be affected by the anticipated increase in competition.

• 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 sometimes 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

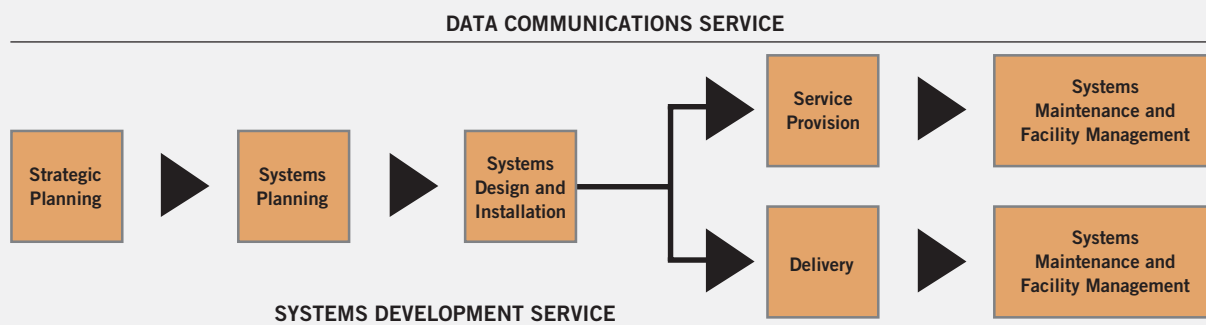
NTT Corporation ("NTT"), our parent company, is a principal shareholder of NTT DATA with ownership of 54.2% of our voting shares as of 31st March, 2006. NTT DATA carries out operations independently of NTT and its other subsidiaries, but discusses and reports important issues to NTT. Against this backdrop of influence, NTT may take actions in its own interest that may not necessarily lie in the best interests of other shareholders of NTT DATA.

STRUCTURE OF NTT DATA'S SI BUSINESS

Data Communications Service and Systems Development Service

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

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



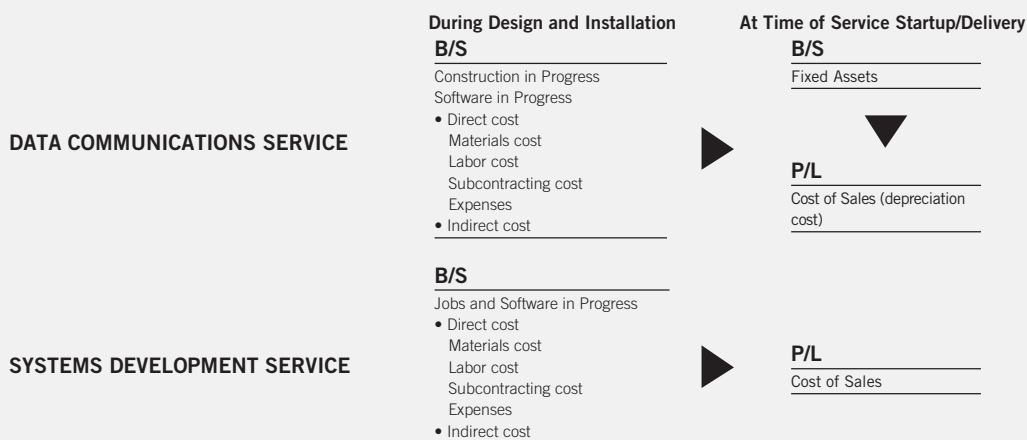
◆ The Major Differences Between Data Communications Service and Systems Development Service

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

◆ Selection of Data Communications Service or Systems Development Service

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

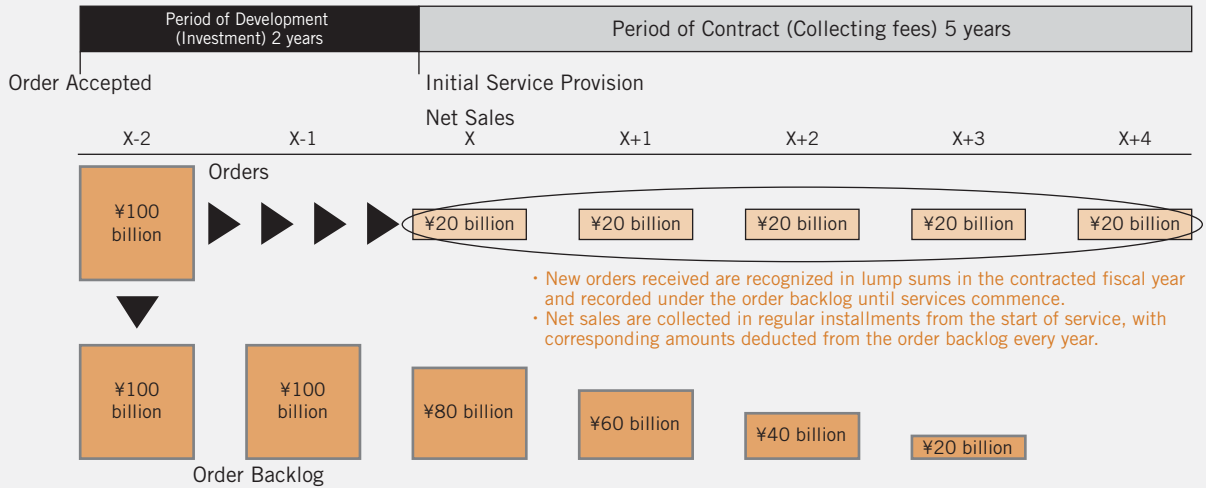
Cost Flow for Data Communications Service and Systems Development Service



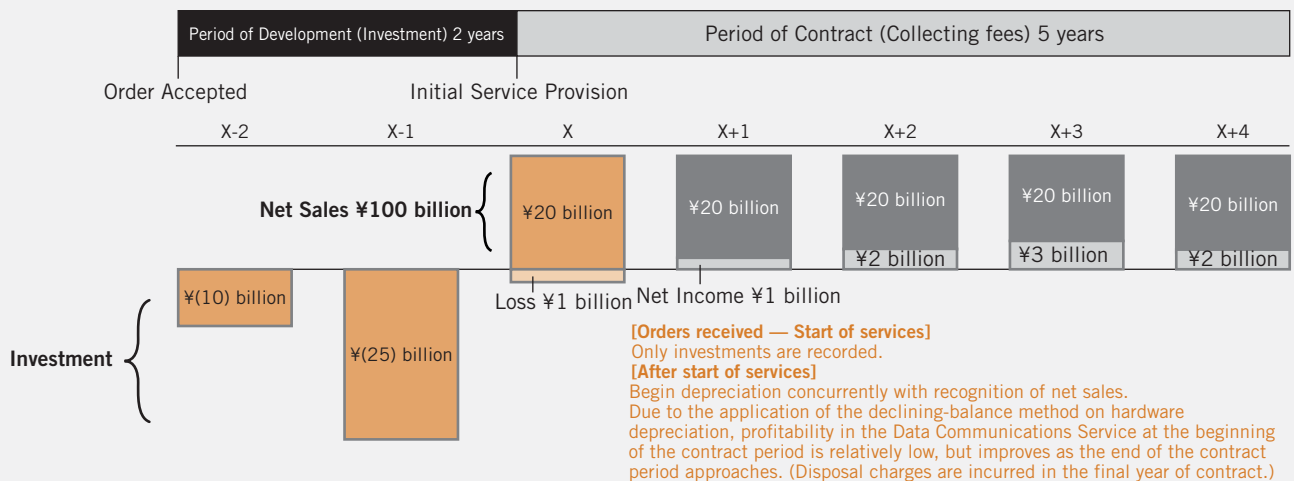
Depreciation/Amortization of Fixed Assets

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

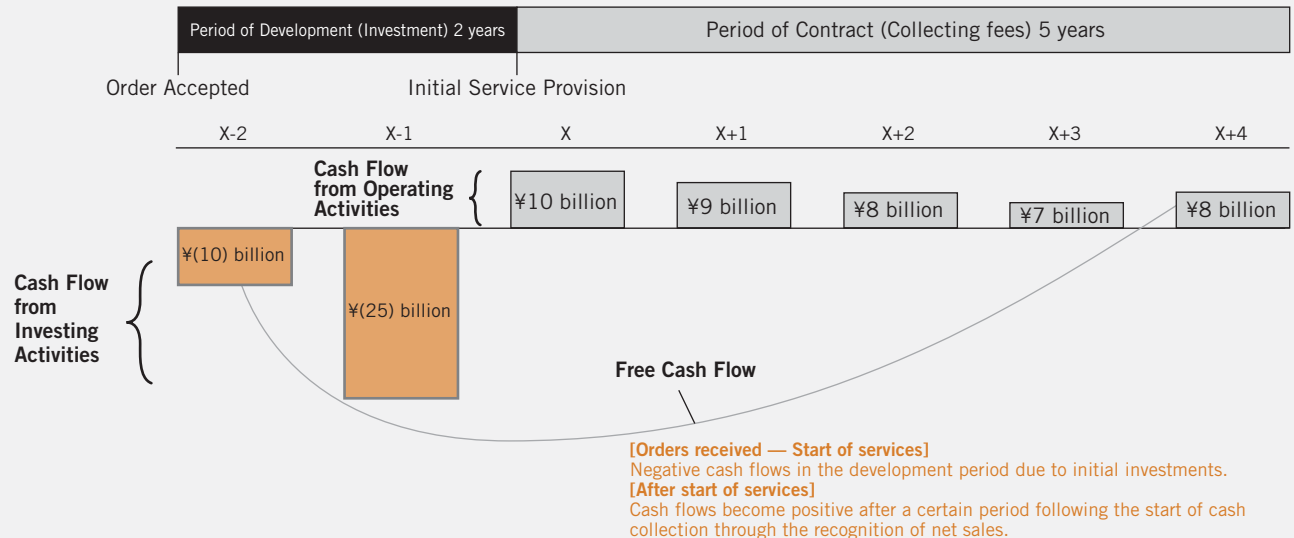
Orders, Net Sales, and Order Backlog in Data Communications Service (Model)



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



Cash Flow in Data Communications Service (Model)



Consolidated Balance Sheets

NTT DATA CORPORATION AND SUBSIDIARIES

As at 31st March, 2005 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2006	2006
ASSETS			
Current Assets:			
Cash in hand and at banks	¥ 63,049	¥ 86,243	\$ 737,120
Accounts receivable (Note 6)	145,576	165,437	1,413,991
Less: allowance for doubtful accounts	(453)	(458)	(3,915)
	145,123	164,979	1,410,076
Inventories	32,131	48,097	411,085
Deferred income taxes (Note 10)	8,817	11,608	99,214
Other current assets	27,908	22,445	191,838
Total current assets	277,028	333,372	2,849,333
Investments and Advances:			
Investments in securities (Note 11)	23,437	24,290	207,607
Investments in unconsolidated subsidiaries and affiliates	9,211	2,655	22,692
Other investments	25,098	26,840	229,402
Total investments and advances	57,746	53,785	459,701
Property and Equipment, at Cost (Note 4)	819,984	820,609	7,013,752
Less: accumulated depreciation	(498,095)	(513,193)	(4,386,265)
	321,889	307,416	2,627,487
Deferred Income Taxes (Note 10)	55,805	65,169	557,000
Deferred Charges and Intangibles:			
Software	285,649	251,088	2,146,051
Development costs of software in progress	33,719	29,944	255,932
Other	6,735	15,563	133,017
	326,103	296,595	2,535,000
Total Assets	¥1,038,571	¥1,056,337	\$ 9,028,521

The accompanying notes are an integral part of the statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2006	2006
Current Liabilities:			
Short-term borrowings (Note 6)	¥ 29,841	¥ 28,899	\$ 247,000
Commercial paper (Note 6)	30,000	15,000	128,205
Current portion of long-term debt (Note 6)	4,997	33,601	287,188
Accounts payable	100,206	105,579	902,385
Income taxes payable	10,140	16,309	139,393
Other current liabilities	28,825	29,351	250,863
Total current liabilities	204,009	228,739	1,955,034
Long-Term Debt (Note 6)	235,845	200,656	1,715,009
Provision for Retirement Benefits (Notes 2(13) and 13)	117,238	121,332	1,037,025
Total liabilities	557,092	550,727	4,707,068
Minority Interests in Consolidated Subsidiaries	7,497	9,907	84,675
Commitments and Contingent Liabilities (Note 17)			
Shareholders' Equity:			
Common stock			
Authorized — 11,220,000 shares in 2005 and 2006			
Issued — 2,805,000 shares in 2005 and 2006	142,520	142,520	1,218,120
Additional paid-in capital	139,300	139,300	1,190,598
Retained earnings	191,248	211,781	1,810,094
Unrealized gains on investment securities, net of taxes	1,389	2,396	20,479
Foreign currency translation adjustments	(475)	(294)	(2,513)
Total shareholders' equity	473,982	495,703	4,236,778
Total liabilities and shareholders' equity	¥1,038,571	¥1,056,337	\$9,028,521

Consolidated Statements of Income

NTT DATA CORPORATION AND SUBSIDIARIES

For the years ended 31st March, 2004, 2005 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2005	2006	2006
Net Sales (Note 14)	¥846,706	¥854,154	¥907,281	\$7,754,538
Cost of Sales	637,911	648,396	682,224	5,830,974
Gross profit	208,795	205,758	225,057	1,923,564
Selling, General and Administrative Expenses (Note 8)	149,070	166,470	178,190	1,522,991
Operating income	59,725	39,288	46,867	400,573
Non-Operating Income (Expenses):				
Interest and dividend income	114	168	378	3,231
Interest expenses	(5,329)	(4,303)	(3,745)	(32,009)
Loss on redemption of bonds	—	(4,708)	—	—
Gains on sales of investments in securities	8,021	432	355	3,034
Insurance income	717	772	908	7,761
Distribution of gain from SPE	—	3,141	—	—
Gain on investment in limited liability partnerships	—	235	629	5,376
Gains on the transfer to the Japanese Government of the substitutional portion of employee pension fund liabilities	439	—	—	—
Equity in losses of affiliated companies	—	(171)	(481)	(4,111)
Loss on disposal of fixed assets	(1,343)	(1,369)	(948)	(8,103)
Loss on impairment of investments in securities	(2,030)	(864)	(1,659)	(14,179)
Distribution of loss from SPE	(1,263)	—	—	—
Restructuring charges	(13,658)	—	—	—
Others, net	(952)	(477)	(288)	(2,462)
	(15,284)	(7,144)	(4,851)	(41,462)
Income before income taxes and minority interest	44,441	32,144	42,016	359,111
Income Taxes				
Current	18,676	16,876	23,546	201,248
Deferred	(2,253)	(5,908)	(10,852)	(92,752)
	16,423	10,968	12,694	108,496
Income before minority interests	28,018	21,176	29,322	250,615
Minority Interests in Consolidated Subsidiaries	1,062	1,066	1,131	9,666
Net income	¥ 26,956	¥ 20,110	¥ 28,191	\$ 240,949
		Yen		U.S. dollars
Per Share: (Note 16)				
Net income	¥9,578	¥7,139	¥10,024	\$85.68
Cash dividends	2,000	2,000	3,000	25.64

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, 2004, 2005 and 2006

	Number of shares issued	Millions of yen		
		Common stock	Capital surplus	Retained earnings
Balance at 31st March, 2003	2,805,000	¥142,520	¥139,300	¥154,080
Increase due to inclusion of additional subsidiaries in the consolidation	—	—	—	1,519
Net income for the year ended 31st March, 2004	—	—	—	26,956
Cash dividends	—	—	—	(5,610)
Bonuses to directors and statutory auditors	—	—	—	(87)
Balance at 31st March, 2004	2,805,000	142,520	139,300	176,858
Net income for the year ended 31st March, 2005	—	—	—	20,110
Cash dividends	—	—	—	(5,610)
Bonuses to directors and statutory auditors	—	—	—	(89)
Decrease in retained earnings due to increase in consolidated subsidiaries	—	—	—	(21)
Balance at 31st March, 2005	2,805,000	142,520	139,300	191,248
Increase due to exclusion of affiliates accounted for by the equity method	—	—	—	72
Net income for the year ended 31st March, 2006	—	—	—	28,191
Cash dividends	—	—	—	(7,013)
Bonuses to directors and statutory auditors	—	—	—	(108)
Decrease in retained earnings due to increase in consolidated subsidiaries	—	—	—	(609)
Balance at 31st March, 2006	2,805,000	¥142,520	¥139,300	¥211,781

	Number of shares issued	Thousands of U.S. dollars (Note 3)		
		Common stock	Capital surplus	Retained earnings
Balance at 31st March, 2005	2,805,000	\$1,218,120	\$1,190,598	\$1,634,598
Increase due to exclusion of affiliates accounted for by the equity method	—	—	—	615
Net income for the year ended 31st March, 2005	—	—	—	240,949
Cash dividends	—	—	—	(59,940)
Bonuses to directors and statutory auditors	—	—	—	(923)
Decrease in retained earnings due to increase in consolidated subsidiaries	—	—	—	(5,205)
Balance at 31st March, 2006	2,805,000	\$1,218,120	\$1,190,598	\$1,810,094

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, 2004, 2005 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2005	2006	2006
Cash Flows from Operating Activities:				
Income before income taxes	¥ 44,441	¥ 32,144	¥ 42,016	\$ 359,111
Depreciation	78,695	68,968	65,766	562,103
Amortization	71,413	70,363	76,140	650,769
Loss on disposal of property and equipment	15,732	5,644	6,547	55,957
Loss on disposal of intangible assets	3,294	19,558	9,908	84,684
Increase in provision for retirement benefits	1,125	212	2,265	19,359
Gains on sales of investments in securities	(8,021)	(432)	(355)	(3,034)
Loss on write-down of investments in securities	2,030	864	1,659	14,179
Interest expenses	5,329	4,302	3,745	32,009
(Increase)/decrease in accounts receivable	(29,647)	8,497	(12,779)	(109,222)
(Increase)/decrease in inventories	19,593	(10,865)	(15,062)	(128,735)
Increase/(decrease) in accounts payable	13,877	(14,691)	9,665	82,607
Increase/(decrease) in accrued consumption taxes	3,241	(6,834)	1,010	8,632
Others, net	(14,570)	(7,592)	5,397	46,128
Sub total	206,532	170,138	195,922	1,674,547
Interest and dividends received	114	169	378	3,231
Interest paid	(5,374)	(4,674)	(3,746)	(32,017)
Income taxes paid	(22,346)	(20,992)	(17,361)	(148,385)
Net cash provided by operating activities	178,926	144,641	175,193	1,497,376
Cash Flows from Investing Activities:				
Acquisition of property and equipment	(90,541)	(59,575)	(67,383)	(575,923)
Acquisition of intangible assets	(65,860)	(47,356)	(53,701)	(458,983)
Proceeds from sales of property and equipment	11,956	26,939	11,707	100,060
Acquisition of investments in securities and affiliates	(2,698)	(4,924)	(1,027)	(8,778)
Proceeds from investments in securities and affiliates	8,546	490	1,034	8,838
Acquisition of investments in consolidated subsidiaries	(1,256)	(334)	(11,379)	(97,256)
Proceeds from acquisition of subsidiary's stock	2,733	—	152	1,299
Others, net	2,238	831	(1,480)	(12,650)
Net cash used in investing activities	(134,882)	(83,929)	(122,077)	(1,043,393)
Cash Flows from Financing Activities:				
Proceeds from issuance of bonds	19,927	—	—	—
Redemption of bonds at maturity	—	(90,000)	—	—
Repayments of long-term borrowings	(30,580)	(16,993)	(8,241)	(70,436)
Increase/(decrease) in commercial paper, net	(45,000)	30,000	(15,000)	(128,205)
Increase/(decrease) in short-term borrowings, net	(3,520)	13,085	(1,171)	(10,008)
Cash dividends	(5,603)	(5,612)	(7,017)	(59,974)
Cash dividends to minority shareholders	(19)	(77)	(120)	(1,026)
Proceeds from minority shareholders' payments	10	10	198	1,692
Payments for acquisition of subsidiary's stock from minority shareholders	(1,510)	(26)	(7)	(60)
Net cash used in financing activities	(66,295)	(69,613)	(31,358)	(268,017)
Effect of Exchange Rate Changes on Cash and Cash Equivalents				
	(359)	9	199	1,701
Net Increase/(Decrease) in Cash and Cash Equivalents	(22,610)	(8,892)	21,957	187,667
Cash and Cash Equivalents at Beginning of Year	90,124	69,135	63,049	538,880
Cash and Cash Equivalents at Additional Consolidated Subsidiaries at Beginning of Year	1,621	2,806	1,237	10,573
Cash and Cash Equivalents at End of Year	¥ 69,135	¥ 63,049	¥ 86,243	\$ 737,120
(Reference)				
Free Cash Flow	¥ 44,044	¥ 60,712	¥ 53,116	\$ 453,983

The accompanying notes are an integral part of the statements.

Notes to the consolidated financial statements

NTT DATA CORPORATION AND SUBSIDIARIES

1. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting Principles

The accompanying consolidated financial statements of NTT DATA CORPORATION (the “Company”) and its subsidiaries have been prepared in conformity with accounting principles generally accepted in Japan. The accounts of the Company and its consolidated subsidiaries are maintained in accordance with the principles set forth in the Japanese Commercial Code, the Japanese Securities and Exchange Law and in conformity with accounting principles 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Scope of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of the 93 subsidiaries (together, referred to as the “Companies”) at 31st March, 2006 (45 subsidiaries in 2005). The names of consolidated subsidiaries are mainly listed under Major Subsidiaries and Affiliates.

In the fiscal year ended March 31, 2006, NTT DATA added 48 companies to its scope of consolidation, including previously non-consolidated companies and newly established subsidiaries through investments. This step was taken from the standpoint of advancing group-wide management.

Mainly of newly consolidated subsidiaries are listed below:

NTT DATA SECURITY CORPORATION
 THE REVERE GROUP, LIMITED
 NTT DATA COMMUNITY PRODUCE CORPORATION
 NTT DATA BELL SCM SOLUTIONS CORPORATION
 SMIS CO., LTD.
 Zacatii Consulting, Inc.
 ISAC, Inc.
 NTT DATA ENGINEERING SYSTEMS CORPORATION
 MAINTEC COMPANY, LIMITED
 COMET INFORMATION Co., Ltd.

Capgemini Japan K.K. changed its name to Zacatii Consulting, Inc. on October 1, 2005.

The fiscal years of one domestic subsidiary and eight foreign subsidiaries end on December 31.

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

The fiscal year of one domestic subsidiary ends on September 30.

This subsidiary prepares its financial statement by provisionally closing accounts on March 31.

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

The Company accounts for one affiliated company, NTT MEDIACROSS, Inc., using the equity method.

JAPAN NETWORK SYSTEM CORPORATION was excluded from scope of application of the equity method. Because JAPAN NETWORK SYSTEM CORPORATION is no longer an affiliated company of NTT DATA due to sales of shares on March 23, 2006.

The remaining affiliates 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 2 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, NTT Employees Pension Fund received approval from the Minister of the Ministry of the Health, Labour and Welfare for exemption from the future pension benefit obligations to disburse NTT Employees Pension Fund covering the substitutional portion.

As of 31st March, 2006, the amount equivalent to the returned pension assets (minimum pension liability reserves) is measured to be ¥15,682 million (\$134,034 thousand). The estimated gain on the return of the substitutional portion of the Welfare Pension Fund is ¥17,225 million (\$147,222 thousand), assuming the payment of the amount equivalent to the returned pension assets (minimum pension liability reserves) was made on 31st March, 2006, and implementing measures specified in Section 44-2 of the "Practical Guidelines on Accounting for Retirement Benefits (Interim Report)"(JICPA Report No. 13).

Eight consolidated subsidiaries have changed their method of calculating pension benefit obligations from the simplified method to the actuarial method.

This change reflects the fact that in recent years, the number of employees at each of these subsidiaries has remained above a certain level and imbalances in the age structure and period of service of employees have been eliminated. This trend can be reasonably expected to continue into the future, lending a high degree of confidence to the results of an actuarial calculation using the actuarial method.

Due to this change, the increase in the provision for retirement benefits is ¥1,789 million (\$15,291 thousand) and has recorded as selling, general and administrative expenses on the Consolidated Statements of Income ended March 31, 2006.

(14) Cash and Cash Equivalents

Cash and Cash Equivalents in the consolidated statements of cash flows are composed of cash in 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 ¥117=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 ¥117=U.S.\$1 or at any other rate.

4. PROPERTY AND EQUIPMENT

Property and equipment at 31st March, 2005 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Data communication facilities	¥ 447,190	¥ 449,462	\$ 3,841,556
Buildings and structures	216,697	221,384	1,892,171
Machinery and equipment, vehicles	43,043	43,707	373,564
Furniture, fixtures and tools	46,361	38,699	330,761
Land	48,835	48,836	417,401
Construction in progress	17,858	18,521	158,299
	819,984	820,609	7,013,752
Less: accumulated depreciation	(498,095)	(513,193)	(4,386,265)
	¥ 321,889	¥ 307,416	\$ 2,627,487

Note: Effective from the fiscal year ended March 31, 2006, the Company has adopted accounting standards for the impairment of fixed assets, pursuant to the "Opinion concerning Establishment of the Accounting Standard for the Impairment of Fixed Assets," issued by the Business Accounting Council on August 9, 2002 and ASB Guidance No.6 "Guidance for Accounting Standard for the Impairment of Fixed Assets" issued on October 31, 2003 by the Accounting Standards Board of Japan. The adoption of these pronouncements will not have a material impact on the consolidated financial position and results of operations of the company. Accumulative impairment losses are deducted directly from net book value of each asset in accordance with revised guidelines for the preparation of financial statements.

5. INTANGIBLE ASSETS

Goodwill as at March 31, 2005 and 2006, included in intangible assets, were ¥2,016 and ¥7,489 million (\$64,008 thousand), respectively.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at 31st March, 2005 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Short-term borrowings	¥29,841	¥28,899	\$247,000

Short-term borrowings bore interest at a weighted-average rate of 0.3% at 31st March, 2005 and 0.4% at 31st March 2006.

Commercial paper at 31st March, 2005 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Commercial paper	¥30,000	¥15,000	\$128,205

Commercial paper bore interest at weighted-average rates of 0.0% at 31st March, 2005 and 0.1% at 31st March 2006.

Long-term debt at 31st March, 2005 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Long-term borrowings from banks and other financial institutions	¥ 40,501	¥ 32,877	\$ 281,000
2.95% yen bonds due 10th November, 2006 ^{*1}	10,000	10,000	85,471
3.10% yen bonds due 26th February, 2008 ^{*2}	2,000	2,000	17,094
3.30% yen bonds due 26th February, 2010 ^{*2}	3,000	3,000	25,641
1.86% yen bonds due 2nd October, 2008	30,000	30,000	256,410
1.72% yen bonds due 22nd December, 2008	30,000	30,000	256,410
1.88% yen bonds due 21st June, 2010	30,000	30,000	256,410
1.44% yen bonds due 20th June, 2011	30,000	30,000	256,410
0.60% yen bonds due 20th June, 2007	40,000	40,000	341,881
0.30% yen bonds due 31st January, 2007	20,000	20,000	170,940
0.50%-0.56% yen bonds due 28th September, 2007 to 31st March, 2008 ^{*3}	—	152	1,299
Others	5,341	6,228	53,231
	240,842	234,257	2,002,197
Less: portion due within one year	(4,997)	(33,601)	(287,188)
	¥235,845	¥200,656	\$1,715,009

^{*1} The Company has entered into underwriting contracts with financial institutions under which the counterparty agrees to fulfill bond obligations that satisfy the transitional provisions of Accounting Standards for Financial Instruments and the amounts are ¥20,000 million (\$170,940 thousand) for 2.95% yen bonds due 2006.

^{*2} Interest is to be paid in U.S. dollars. Fixed annual interest payments in U.S. dollars are \$24,899.59 per ¥100 million for 3.10% yen bonds due 2008 and \$26,634.38 per ¥100 million for 3.30% yen bonds due 2010. In addition to, the interest rates after the currency swap are 2.57% for 3.10% yen bonds due 2008 and 2.75% for 3.30% yen bonds due 2010.

^{*3} Bonds issued by NTT DATA ENGINEERING SYSTEMS CORPORATION are shown. The interest rate of 0.50% represents a variable interest rate, which is computed by adding 0.15% to the yen TIBOR (Tokyo Inter-Bank Offer Rate), after taking into account interest swaps.

Note: Bonds besides those issued by NTT DATA ENGINEERING SYSTEMS CORPORATION are issued by the Company.

Long-term borrowings from banks and other financial institutions bore interest at annual rates ranging from 0.60938% to 1.735% at 31st March, 2005 and at annual rates ranging from 0.66% to 4.5% at 31st March, 2006.

A breakdown of long-term borrowings from banks and other financial institutions outstanding at 31st March, 2006, 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
2007	¥ 3,519	\$ 30,077
2008	3,992	34,120
2009	3,977	33,991
2010	4,108	35,111
2011	13,942	119,162
Thereafter	3,339	28,539
	¥32,877	\$281,000

The Companies' assets were pledged as collateral for long-term borrowings from banks as at 31st March, 2006.

Assets pledged as collateral are as follows:

	Millions of yen	Thousands of U.S. dollars
	2006	2006
Accounts receivable	¥302	\$2,581

The Company had collateral-backed liabilities comprising ¥22,260 million (\$190,256 thousand) in long-term debt (including the current portion) at special purpose entities.

7. 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
	2005	2006	2006
Acquisition cost:			
Data communication facilities	¥ 85,413	¥ 88,415	\$ 755,684
Buildings and structures	362	405	3,462
Machinery and equipment, vehicles	184	105	897
Furniture, fixtures and tools	19,191	21,080	180,171
Software	1,522	2,648	22,632
	106,672	112,653	962,846
Accumulated depreciation	(42,613)	(54,996)	(470,051)
Net book value	¥ 64,059	¥ 57,657	\$ 492,795
Depreciation*	¥ 16,747	¥ 19,554	\$ 167,128

*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, 2004, 2005 and 2006 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2005	2006	2006
Lease expenses	¥14,170	¥16,747	¥19,554	\$167,128

The amount of outstanding future lease payments due at 31st March, 2005 and 2006, including the portion of interest thereon, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Future lease payments:			
Within one year	¥16,536	¥17,262	\$147,539
Over one year	47,523	40,395	345,256
	¥64,059	¥57,657	\$492,795

Operating lease contract

The amount of outstanding future lease payments due at 31st March, 2006, including the portion of interest thereon, is as follows:

	Millions of yen	Thousands of U.S. dollars
	2006	2006
Future lease payments:		
Within one year	¥ 2,535	\$ 21,667
Over one year	24,604	210,290
	¥27,139	\$231,957

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses comprise the following:

	Millions of yen			Thousands of U.S. dollars
	2004	2005	2006	2006
Employees' salaries, wages and other payroll costs	¥ 48,891	¥ 51,461	¥ 56,812	\$ 485,573
Severance and pension costs	7,283	5,493	7,209	61,615
Subcontractor expenses	28,750	37,116	40,115	342,863
Research and development expenses	15,350	16,542	17,307	147,923
Other	48,796	55,858	56,747	485,017
	¥149,070	¥166,470	¥178,190	\$1,522,991

Note: Effective from the fiscal year ended March 31st, 2005, the Company has included an amount of ¥1,304 million 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, 2004.

9. CASH FLOW INFORMATION

Reconciliation of "Cash and cash equivalents" to the amounts disclosed on the balance sheets at 31st March, 2005 and 2006 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2005	2006	2006
Cash in hand and at banks	¥69,135	¥63,049	¥86,243	\$737,120
Cash and cash equivalents	¥69,135	¥63,049	¥86,243	\$737,120

Summary information of newly consolidated subsidiaries at 31st March, 2005 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Current assets	¥ 954	¥ 7,037	\$ 60,145
Property and equipment	631	4,762	40,701
Goodwill	208	6,591	56,333
Current liabilities	(1,265)	(4,047)	(34,590)
Long-term debt	(97)	(2,088)	(17,846)
Minority interests	(89)	(334)	(2,854)
Acquisition costs of newly consolidated subsidiaries	342	11,921	101,889
Cash and cash equivalents	(8)	(542)	(4,633)
Net: Acquisition of investments in consolidated subsidiaries	¥ 334	¥11,379	\$ 97,256

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Current assets	—	¥ 725	\$ 6,197
Property and equipment	—	70	598
Goodwill	—	—	—
Current liabilities	—	(373)	(3,188)
Long-term debt	—	(204)	(1,744)
Minority interests	—	(30)	(256)
Company's shareholders' equity at the date of acquisition	—	—	—
Acquisition costs of newly consolidated subsidiaries	—	188	1,607
Cash and cash equivalents	—	(340)	(2,906)
Net: Proceeds from acquisition of subsidiary's stock	—	¥(152)	\$(1,299)

10. 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, 2005 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Deferred tax assets:			
Provision for retirement benefits	¥41,848	¥44,986	\$384,496
Depreciation	12,728	17,516	149,710
Loss on write-down of inventories	1,312	1,624	13,880
Loss carry forwards at subsidiaries	3,742	4,832	41,299
Other	14,074	16,656	142,359
Total	73,704	85,614	731,744
Less: valuation allowance	(4,678)	(4,694)	(40,120)
Total deferred tax assets	69,026	80,920	691,624
Deferred tax liabilities:			
Special tax-purpose reserve	(1,926)	(1,286)	(10,991)
Other	(2,478)	(2,857)	(24,419)
Total deferred tax liabilities	(4,404)	(4,143)	(35,410)
Deferred tax assets, net	¥64,622	¥76,777	\$656,214

The reconciliation between the statutory tax rate and effective income tax rate for the years ended 31st March, 2004, 2005 and 2006 is as follows:

	Percent		
	2004	2005	2006
Statutory tax rate:	42.05%	40.69%	40.69%
Increase (reduction) in taxes resulting from:			
Non-deductible expenses	1.03	1.70	1.04
Non-taxable dividends received	(0.50)	(0.17)	(0.26)
Inhabitants tax per capita	0.47	0.64	0.55
Tax deductions from tax standards for promotion of IT investment	(6.18)	(8.33)	(9.40)
Tax deductions from tax standards for research and development expenses	(3.17)	(4.76)	(3.76)
Other	3.25	4.35	1.35
Effective income tax rate	36.95%	34.12%	30.21%

11. MARKET VALUE INFORMATION OF INVESTMENTS IN SECURITIES

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		
	2005		
	Acquisition cost	Book value	Unrealized gain (loss)
Securities ^(*1)	¥1,859	¥4,503	¥2,644
Securities ^(*2)	280	237	(43)
Total	¥2,139	¥4,740	¥2,601

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

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

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

	Millions of yen
	2005
Securities:	
Sales amount	¥475
Total amount of gain on sale of other securities	¥430
Total amount of loss on sale of other securities	¥(18)

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

	Millions of yen
	2005
Other securities:	
Unlisted securities (excluding over-the-counter securities)	¥18,697

Information regarding marketable securities classified as other securities as of 31st March, 2006 is as follows:

(1) Other Securities for which Market Quotations are Available

	Millions of yen			Thousands of U.S. dollars
	2006	2006	2006	2006
	Acquisition cost	Book value	Unrealized gain (loss)	Unrealized gain (loss)
Securities ^(*1)	¥2,129	¥6,175	¥4,046	\$34,581
Securities ^(*2)	256	235	(21)	(179)
Total	¥2,385	¥6,410	¥4,025	\$34,402

Notes: ^(*1) These types of securities consist of those whose book value exceeds the acquisition cost.

^(*2) 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, 2006

	Millions of yen	Thousands of U.S. dollars
	2006	2006
Securities:		
Sales amount	¥301	\$2,573
Total amount of gain on sale of other securities	¥165	\$1,410
Total amount of loss on sale of other securities	¥(23)	\$(197)

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

	Millions of yen	Thousands of U.S. dollars
	2006	2006
Other securities:		
Unlisted securities (excluding over-the-counter securities)	¥17,880	\$152,821

12. 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.

Consolidated subsidiaries discuss derivative transactions with NTT DATA prior to implementing such transactions.

There were no derivative financial instruments except for financial instruments which applied for hedge accounting as at 31st March, 2005 and 2006.

13. 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, 2005, while the Company and 55 subsidiaries are members of it as at 31st March, 2006.

The Company and 6 subsidiaries adopted the Severance Payment Plan as at 31st March, 2005 and 2006.

(2) Benefit Obligation

	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Benefit obligation	¥(202,923)	¥(216,994)	\$(1,854,650)
Plan assets	98,416	123,976	1,059,624
Benefit obligation in excess of plan assets	(104,507)	(93,018)	(795,026)
Unrecognized transition obligation	(3,984)	(3,585)	(30,641)
Unrecognized net actuarial loss	9,409	(8,109)	(69,308)
Unrecognized prior service costs	(18,156)	(16,620)	(142,050)
Net amount recognized	¥(117,238)	¥(121,332)	\$(1,037,025)

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 the Health, Labour and Welfare for exemption from the future obligations to disburse NTT Employees Pension Fund covering the substitutional portion. As a result of 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
	2004	2005	2006	2006
Service costs	¥ 9,205	¥ 8,435	¥10,089	\$ 86,231
Interest costs	4,806	4,767	4,890	41,795
Expected return on plan assets	(2,017)	(2,348)	(2,499)	(21,359)
Amortization of transition obligation	(398)	(398)	(398)	(3,402)
Amortization of net actuarial loss	2,477	1,594	1,365	11,667
Amortization of prior service costs	(1,131)	(1,537)	(1,537)	(13,137)
Net periodic benefit costs	¥12,942	¥10,513	¥11,910	\$101,795

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

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

	2005	2006
Allocation method for the projected benefit obligation	Straight-line method	Straight-line method
Discount rate	2.50%	2.50%
Expected return on plan assets	2.50%	2.50%
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	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
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	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
Amortization of net transition obligation	Straight-line method for 15 years	Straight-line method for 15 years

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

For the year ended 31st March, 2004	Millions of yen					
	System Integration	Network System Services	Others	Total	Elimination or corporate	Consolidated
I Net sales and operating income (expenses)						
Net sales:						
(1) External customers	¥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					
	System Integration	Network System Services	Others	Total	Elimination or corporate	Consolidated
I Net sales and operating income (expenses)						
Net sales:						
(1) External customers	¥651,723	¥54,197	¥148,234	¥854,154	¥ —	¥ 854,154
(2) Intersegment or transfer	38,124	2,415	38,268	78,807	(78,807)	—
Total	¥689,847	¥56,612	¥186,502	¥932,961	¥ (78,807)	¥ 854,154
Operating expenses	¥638,045	¥54,307	¥183,594	¥875,946	¥ (61,080)	¥ 814,866
Operating income	¥ 51,802	¥ 2,305	¥ 2,908	¥ 57,015	¥ (17,727)	¥ 39,288
II Total assets, depreciation and capital expenditures						
Total assets	¥706,783	¥34,613	¥163,874	¥905,270	¥133,301	¥1,038,571
Depreciation	¥121,120	¥ 7,101	¥ 9,323	¥137,544	¥ 571	¥ 138,115
Capital expenditures	¥ 88,848	¥ 8,941	¥ 12,928	¥110,717	¥ 104	¥ 110,821

For the year ended 31st March, 2006	Millions of yen						Thousands of U.S. dollars
	System Integration	Network System Services	Others	Total	Elimination or corporate	Consolidated	Consolidated
I Net sales and operating income (expenses)							
Net sales:							
(1) External customers	¥677,487	¥58,912	¥170,882	¥907,281	¥ —	¥ 907,281	\$7,754,538
(2) Intersegment or transfer	42,591	3,246	39,915	85,752	(85,752)	—	—
Total	¥720,078	¥62,158	¥210,797	¥993,033	¥ (85,752)	¥ 907,281	\$7,754,538
Operating expenses	¥664,103	¥59,061	¥204,693	¥927,857	¥ (67,443)	¥ 860,414	\$7,353,965
Operating income	¥ 55,975	¥ 3,097	¥ 6,104	¥ 65,176	¥ (18,309)	¥ 46,867	\$ 400,573
II Total assets, depreciation and capital expenditures							
Total assets	¥682,076	¥40,272	¥170,812	¥893,160	¥163,177	¥1,056,337	\$9,028,521
Depreciation	¥119,203	¥ 7,406	¥ 11,646	¥138,255	¥ 521	¥ 138,776	\$1,186,120
Capital expenditures	¥ 85,337	¥12,319	¥ 14,420	¥112,076	¥ 70	¥ 112,146	\$ 958,513

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 ¥15,644 million, ¥18,178 million and ¥18,854 million (\$161,145 thousand) for the years ended 31st March, 2004, 2005 and 2006 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 ¥137,664 million, ¥133,301 million and ¥163,177 million (\$1,394,675 thousand) for the years ended 31st March, 2004, 2005 and 2006 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

The information is not required to be disclosed because the amounts of net sales and assets in Japan exceeded 90% of the amount of combined net sales for the years ended 31st March, 2004, 2005 and 2006 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, 2004, 2005 and 2006.

15. RELATED PARTY TRANSACTIONS

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

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

Directors and Principal Individual Shareholders, etc.	2005	
Type	Officer	
Name of the Related party	Shinobu Umino	
Address	—	
Common stock	—	
Type of business	Senior Vice President	
Equity ownership percentage	(owned) direct 0.0%	
Relation		
Additional posts held by the directors	—	
Operating relation	—	
Nature of transaction	Payment of annual fees	
Transaction amount	¥2 million	
Account	—	
Balance at year-end	—	

Group Companies	2005	
Type	Subsidiary of parent company	
Name of the Related party	NTT BUSINESS ASSOCIE Co., Ltd.	
Address	Chiyoda-ku, Tokyo	
Common stock	¥7,750 million	
Type of business	Real estate-related and outsourcing business	
Equity ownership percentage	Not applicable	
Relation		
Additional posts held by the directors	Not applicable	
Operating relation	Funds settlement for inter-company transactions among NTT Group Companies	
Nature of transaction	Funds settlement for inter-company transactions among NTT Group Companies	
Transaction amount	¥89,518 million	
Account	Accounts due	
Balance at year-end	¥15,393 million	

Related party transactions for the year ended 31st March, 2006 are as follows:

Directors and Principal Individual Shareholders, etc.	2006	
Type	Officer	Officer
Name of the Related party	Tomokazu Hamaguchi	Tomokazu Hamaguchi
Address	—	—
Common stock	—	—
Type of business	President and Chief Executive Officer	President and Chief Executive Officer
Equity ownership percentage	(owned) direct 0.0%	(owned) direct 0.0%
Relation		
Additional posts held by the directors	—	—
Operating relation	—	—
Nature of transaction	Building rental income and other business income	Payment of annual fees
Transaction amount	¥28 million (\$239 thousand)	¥4 million (\$34 thousand)
Account	—	—
Balance at year-end	—	—

Directors and Principal Individual Shareholders, etc.	2006	
Type	Officer	Officer
Name of the Related party	Naoshi Nakamura	Naoshi Nakamura
Address	—	—
Common stock	—	—
Type of business	Advisor	Advisor
Equity ownership percentage	(owned) direct 0.0%	(owned) direct 0.0%
Relation		
Additional posts held by the directors	—	—
Operating relation	—	—
Nature of transaction	System consulting service income	Payment of annual fees
Transaction amount	¥14 million (\$120 thousand)	¥2 million (\$17 thousand)
Account	—	—
Balance at year-end	—	—

Directors and Principal Individual Shareholders, etc.	2006	
Type	Officer	Officer
Name of the Related party	Toru Yamashita	Toru Yamashita
Address	—	—
Common stock	—	—
Type of business	Senior Executive Vice President & Representative Director	Senior Executive Vice President & Representative Director
Equity ownership percentage	(owned) direct 0.0%	(owned) direct 0.0%
Relation		
Additional posts held by the directors	—	—
Operating relation	—	—
Nature of transaction	System consulting service income	Payment of annual fees
Transaction amount	¥106 million (\$906 thousand)	¥0 million (\$0 thousand)
Account	—	—
Balance at year-end	—	—

Group Companies	2006
Type	Subsidiary of parent company
Name of the Related party	NTT BUSINESS ASSOCIE Co., Ltd.
Address	Chiyoda-ku, Tokyo
Common stock	¥7,750 million (\$66,239 thousand)
Type of business	Real estate-related and outsourcing business
Equity ownership percentage	Not applicable
Relation	
Additional posts held by the directors	Not applicable
Operating relation	Funds settlement for inter-company transactions among NTT Group Companies
Nature of transaction	Funds settlement for inter-company transactions among NTT Group Companies
Transaction amount	¥60,699 million (\$518,795 thousand)
Account	Accounts due
Balance at year-end	¥10,029 million (\$85,718 thousand)

Note: The Company's management believes that all transactions with related parties as described in the preceding table were in accordance with terms and conditions decided on a market-determined basis.

16. 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.

17. COMMITMENTS AND CONTINGENT LIABILITIES

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 (\$170,940 thousand)
- 8th issue of unsecured ordinary yen bonds is ¥30,000 million (\$256,410 thousand)
- 14th issue of unsecured ordinary yen bonds is ¥30,000 million (\$256,410 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.

18. SUBSEQUENT EVENTS

Appropriations of Retained Earnings of the Company

The appropriation of retained earnings in respect of the year ended 31st March, 2006, which was proposed by the Board of Directors of the Company and approved at the shareholders' meeting held on 22nd June, 2006, were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at 31st March, 2006	¥ 27,300	\$ 233,333
Transfer from special tax-purpose reserve into retained earnings	927	7,923
Transfer from special tax-purpose reserve for specified communications equipment into retained earnings	53	453
Transfer to special tax purpose reserve for R&D facilities into retained earnings	23	197
Appropriations:		
Cash dividends (¥1,500 per share)	(4,208)	(35,966)
Bonuses to directors and statutory auditors	(72)	(615)
Transfer to special tax purpose reserve for R&D facilities	(25)	(214)
Transfer to general reserve	(12,000)	(102,564)
	(16,305)	(139,359)
Balance to be carried forward to the next year	¥ 11,998	\$ 102,547

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 and Shareholders of NTT DATA CORPORATION

We have audited the accompanying consolidated balance sheets of NTT DATA CORPORATION and its subsidiaries as of March 31, 2005 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NTT DATA CORPORATION and its subsidiaries as of March 31, 2005 and 2006, and the consolidated results of their operations and their cash flows for the years then ended 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.



ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan

June 22, 2006

SUPPLEMENTAL INFORMATION

Non-Consolidated Six-Year Summary

NTT DATA CORPORATION
Years ended 31st March

	Millions of yen						Thousands of U.S. dollars	
	2001	2002	2003	2004	2005	2006	2006	
For the Year:								
Net Sales	¥ 786,730	¥ 767,836	¥ 780,652	¥ 750,703	¥ 738,241	¥ 757,586	\$ 6,475,094	
System Integration	630,945	601,447	611,315	576,537	555,233	560,735	4,792,607	
Network System Services	50,146	52,930	54,315	54,272	53,140	55,253	472,248	
Others	105,639	113,459	115,022	119,894	129,868	141,598	1,210,239	
Cost of Sales	595,174	576,363	592,802	574,347	568,637	580,523	4,961,735	
Operating Income	58,376	56,267	57,297	51,178	30,289	36,477	311,769	
Income before								
Income Taxes	45,525	43,990	44,359	35,403	24,154	34,162	291,983	
Net Income	25,757	25,154	24,075	23,220	17,486	25,314	216,359	
New Orders Received	767,338	811,820	789,347	650,302	543,903	577,056	4,932,103	
Capital Expenditures	164,372	170,856	172,948	148,902	110,336	108,365	926,197	
Research and Development Expenses	17,918	19,210	18,439	15,291	16,342	16,975	145,085	
At Year-End:								
Property and Equipment, at Cost	971,442	1,032,302	1,002,184	805,755	799,811	796,662	6,809,077	
Less: Accumulated								
Depreciation	(576,896)	(631,351)	(603,071)	(463,170)	(490,819)	(502,083)	(4,291,308)	
Long-Term Debt	350,948	306,634	311,887	267,316	207,399	177,259	1,515,034	
Total Liabilities	688,723	693,861	666,961	588,378	507,509	494,803	4,229,085	
Total Shareholders' Equity	386,641	408,661	427,696	445,985	458,533	477,775	4,083,547	
Total Assets	1,075,364	1,102,522	1,094,657	1,034,363	966,042	972,578	8,312,632	
	Yen						U.S. dollars	
Per Share:								
Net Income	¥ 9,146	¥ 8,934	¥ 8,552	¥ 8,246	¥ 6,204	¥ 8,999	\$ 76.91	
Shareholders' Equity	137,803	145,657	152,445	158,965	163,440	170,304	1,455.59	
Cash Dividends	1,000	1,000	2,000	2,000	2,000	3,000	25.64	
Other Information:								
Operating Income Margin (%)	7.4	7.3	7.3	6.8	4.1	4.8	—	
Return on Sales (%)	3.3	3.3	3.1	3.1	2.4	3.3	—	
Return on Equity (%)	6.9	6.3	5.8	5.3	3.9	5.4	—	
Return on Assets (%)	2.4	2.3	2.2	2.2	1.7	2.6	—	
Payout Ratio (%)	10.9	11.2	23.4	24.3	32.2	33.3	—	
Dividends on Equity (%)	0.7	0.7	1.3	1.3	1.2	1.8	—	
Number of Employees	8,718	7,434	7,550	7,232	7,620	7,980	—	
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	
	2001	2002	2003	2004	2005	2006	2006
Data Communications Service	¥388,083	¥384,887	¥392,702	¥390,274	¥385,076	¥342,853	\$2,930,368
Systems Development Service	277,138	252,133	254,997	221,988	187,748	220,136	1,881,504
Other Services	121,509	130,816	132,953	138,441	165,417	194,597	1,663,222

(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, 2006, of ¥117=U.S.\$1.

SUPPLEMENTAL INFORMATION

Non-Consolidated Balance Sheets

NTT DATA CORPORATION

As at 31st March, 2005 and 2006

ASSETS	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Current Assets:			
Cash in hand and at banks	¥ 55,452	¥ 74,452	\$ 636,342
Accounts receivable:			
External clients	120,685	127,065	1,086,026
“NTT”	2	22	188
Subsidiaries and affiliates	7,587	2,890	24,701
	128,274	129,977	1,110,915
Less: allowance for doubtful accounts	(366)	(334)	(2,855)
	127,908	129,643	1,108,060
Accounts due	19,290	15,216	130,051
Work and software in progress	23,117	35,661	304,795
Supplies	590	946	8,085
Prepaid expenses	5,795	7,196	61,504
Deferred income taxes	5,700	7,132	60,957
Other current assets	7,274	12,454	106,445
Total current assets	245,126	282,700	2,416,239
Investments and Advances:			
Investments in securities	22,991	23,807	203,479
Investments in subsidiaries and affiliates	27,054	35,563	303,957
Other investments	5,096	8,043	68,743
Total investments and advances	55,141	67,413	576,179
Property and Equipment, at Cost	799,811	796,662	6,809,077
Less: accumulated depreciation	(490,819)	(502,083)	(4,291,308)
	308,992	294,579	2,517,769
Fixed Leasehold Deposits	20,636	21,422	183,094
Deferred Income Taxes	48,277	54,955	469,701
Deferred Charges and Intangibles:			
Software	250,014	217,837	1,861,855
Development cost of software in progress	34,377	28,855	246,624
Other	3,479	4,817	41,171
	287,870	251,509	2,149,650
Total Assets	¥ 966,042	¥ 972,578	\$ 8,312,632

Note: Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March 2006, of ¥117=U.S.\$1.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	2005	2006	2006
Current Liabilities:			
Short-term borrowings	¥ 16,000	¥ 11,600	\$ 99,145
Commercial paper	30,000	15,000	128,205
Current portion of long-term debt	—	30,000	256,410
Accounts payable:			
Suppliers	44,648	45,392	387,966
Subsidiaries and affiliates	24,649	23,035	196,880
Other	26,483	26,728	228,445
	95,780	95,155	813,291
Income taxes payable	6,700	12,393	105,923
Accrued expenses	6,054	6,703	57,291
Advances received	7,850	6,581	56,248
Other current liabilities	28,233	31,842	272,154
Total current liabilities	190,617	209,274	1,788,667
Long-Term Debt	207,399	177,259	1,515,034
Provision for Retirement Benefits	109,493	108,270	925,384
Total liabilities	507,509	494,803	4,229,085
Commitments and Contingent Liabilities			
Shareholders' Equity:			
Common stock			
Authorized — 11,220,000 shares in 2005 and 2006			
Issued — 2,805,000 shares in 2005 and 2006	142,520	142,520	1,218,120
Capital Surplus			
Additional paid-in capital	139,300	139,300	1,190,598
Retained earnings			
Legal reserve	2,288	2,288	19,556
Special tax-purpose reserve	4,091	2,780	23,761
Special tax-purpose reserve for specified communication equipment	184	131	1,120
Special tax-purpose reserve for R&D facilities	44	82	700
General reserve	148,000	161,000	1,376,068
Unappropriated retained earnings	20,756	27,300	233,333
	175,363	193,581	1,654,538
Unrealized gains on investment securities, net of taxes	1,350	2,374	20,291
Total shareholders' equity	458,533	477,775	4,083,547
Total liabilities and shareholders' equity	¥966,042	¥972,578	\$8,312,632

SUPPLEMENTAL INFORMATION

Non-Consolidated Statements of Income

NTT DATA CORPORATION

For the years ended 31st March, 2004, 2005 and 2006

	Millions of yen			Thousands of U.S. dollars
	2004	2005	2006	2006
Net Sales	¥750,703	¥738,241	¥757,586	\$6,475,094
Cost of Sales	574,347	568,637	580,523	4,961,735
Gross profit	176,356	169,604	177,063	1,513,359
Selling, General and Administrative Expenses	125,178	139,315	140,586	1,201,590
Operating income	51,178	30,289	36,477	311,769
Non-Operating Income (Expenses):				
Interest income	23	30	68	582
Interest expenses	(5,269)	(4,279)	(3,025)	(25,855)
Loss on redemption of bonds	—	(4,708)	—	—
Gains on sales of securities	8,021	406	117	1,000
Insurance income	698	744	883	7,547
Distribution of gain from SPE	—	3,141	2,094	17,897
Gain on investment in limited liability investment partnerships	—	235	629	5,376
Loss on disposal of fixed assets	(1,106)	(1,138)	(810)	(6,923)
Loss on impairment of investments in securities	(1,031)	(584)	(1,494)	(12,769)
Loss on impairment of investments in affiliates	(2,438)	(280)	(926)	(7,915)
Distribution of loss from SPE	(1,263)	—	—	—
Restructuring charge	(12,979)	—	—	—
Others, net	(431)	298	149	1,274
	(15,775)	(6,135)	(2,315)	(19,786)
Income before income taxes	35,403	24,154	34,162	291,983
Income Taxes				
Current	13,235	11,684	17,662	150,957
Deferred	(1,052)	(5,016)	(8,814)	(75,333)
	12,183	6,668	8,848	75,624
Net income	¥23,220	¥17,486	¥ 25,314	\$ 216,359
		Yen		U.S.dollars
Per Share:				
Net income	¥8,246	¥6,204	¥8,999	\$76.91
Cash dividends	2,000	2,000	3,000	25.64

Note: Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March 2006, of ¥117=U.S.\$1.

SUPPLEMENTAL INFORMATION

Non-Consolidated Statements of Shareholders' Equity

NTT DATA CORPORATION

For the years ended 31st March, 2004, 2005 and 2006

	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
Balance at 31st March, 2003	2,805,000	¥142,520	¥139,300	¥2,288	¥ 7,365	¥285	¥—	¥109,000	¥ 27,116
Net income for the year ended									
31st March, 2004	—	—	—	—	—	—	—	—	23,220
Cash dividends	—	—	—	—	—	—	—	—	(5,610)
Bonuses to directors and statutory auditors	—	—	—	—	—	—	—	—	(87)
Transfer from special tax-purpose reserve	—	—	—	—	(1,563)	—	—	—	1,563
Transfer from special tax-purpose reserve for specified communication equipment	—	—	—	—	—	(48)	—	—	48
Transfer to general reserve	—	—	—	—	—	—	—	20,000	(20,000)
Balance at 31st March, 2004	2,805,000	142,520	139,300	2,288	5,802	237	—	129,000	26,250
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)
Balance at 31st March, 2005	2,805,000	142,520	139,300	2,288	4,091	184	44	148,000	20,756
Net income for the year ended									
31st March, 2006	—	—	—	—	—	—	—	—	25,314
Cash dividends	—	—	—	—	—	—	—	—	(7,012)
Bonuses to directors and statutory auditors	—	—	—	—	—	—	—	—	(84)
Transfer from special tax-purpose reserve	—	—	—	—	(1,311)	—	—	—	1,311
Transfer from special tax-purpose reserve for specified communication equipment	—	—	—	—	—	(53)	—	—	53
Transfer to special tax-purpose reserve for R&D facilities	—	—	—	—	—	—	38	—	(38)
Transfer to general reserve	—	—	—	—	—	—	—	13,000	(13,000)
Balance at 31st March, 2006	2,805,000	¥142,520	¥139,300	¥2,288	¥ 2,780	¥131	¥82	¥161,000	¥ 27,300

	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
Balance at 31st March, 2005	2,805,000	\$1,218,120	\$1,190,598	\$19,556	\$34,966	\$1,573	\$376	\$1,264,957	\$177,401
Net income for the year ended									
31st March, 2006	—	—	—	—	—	—	—	—	216,359
Cash dividends	—	—	—	—	—	—	—	—	(59,932)
Bonuses to directors and statutory auditors	—	—	—	—	—	—	—	—	(718)
Transfer from special tax-purpose reserve	—	—	—	—	(11,205)	—	—	—	11,205
Transfer from special tax-purpose reserve for specified communication equipment	—	—	—	—	—	(453)	—	—	453
Transfer to special tax-purpose reserve for R&D facilities	—	—	—	—	—	—	324	—	(324)
Transfer to general reserve	—	—	—	—	—	—	—	111,111	(111,111)
Balance at 31st March, 2006	2,805,000	\$1,218,120	\$1,190,598	\$19,556	\$23,761	\$1,120	\$700	\$1,376,068	\$233,333

Note: Yen amounts are translated into U.S. dollars, solely for convenience, at the prevailing exchange rate on 31st March 2006, of ¥117 = U.S.\$1.

Major Subsidiaries and Affiliates

As of March 31, 2006, the Company had 93 subsidiaries and 24 affiliates. In the consolidated financial statements of the Company, all subsidiaries were consolidated and one affiliate was accounted for by the equity method. The following table provides information relating to the Company's principal consolidated subsidiaries and affiliates.

Name	Issued Share Capital as of March 31, 2006 (millions of yen)	Percentage of Held (%)	Principal Business
Consolidated Subsidiaries			
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 TOKAI CORPORATION	200	99.8	Systems design and sales
NTT DATA HOKURIKU CORPORATION	100	100.0	Systems design and sales
NTT DATA KANSAI CORPORATION	400	99.7	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 KYUSHU CORPORATION	100	100.0	Systems design and sales
NTT DATA SYSTEMS CORPORATION	800	75.0	Systems sales
NTT DATA SYSTEM TECHNOLOGIES INC.	200	75.0	Systems design
NTT DATA SYSTEM SERVICE CORPORATION	70	65.0	Systems design
NTT DATA TECHNOLOGY CORPORATION	100	100.0	Systems design
NTT DATA CREATION CORPORATION	100	80.0	Systems design
NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, INC.	450	100.0	Consulting
NTT DATA MANAGEMENT SERVICE CORPORATION	100	100.0	General affairs outsourcing services
NTT DATA FINANCIAL CORPORATION	200	74.0	Financial information services
NTT DATA TOKYO SMS CORPORATION	100	100.0	Systems operation
NTT DATA CUSTOMER SERVICE CORPORATION	2,000	100.0	Systems operation and support
NTT DATA SOLUTION CORPORATION	100	100.0	Systems design
NTT DATA Net's CORPORATION	100	100.0	Systems design
NTT DATA INTELLILINK CORPORATION (*1)	100	100.0	Systems design
NTT DATA SCIENCE CORPORATION (*2)	134	68.0	Systems design
NTT DATA SECURITY CORPORATION (*7)	300	100.0	Security services
NTT DATA INTRAMART CORPORATION	120	74.5	Package software sales
NTT DATA INTERNATIONAL L.L.C.	\$35,110 thousands	100.0	Marketing and sales
M.I.S.I Co., Ltd.	\$356 thousands	100.0	Staffing and agency Systems design
		(100.0)	

Name	Issued Share Capital as of March 31, 2006 (millions of yen)	Percentage of Held (%)	Principal Business
The Revere Group, Limited (*7)	\$181 thousands	60.2 (60.2)	Consulting and systems design
NTT DATA FIT CORPORATION	100	100.0	Systems design
NTT DATA FORCE CORPORATION	285	100.0	Systems design
NTT DATA COMMUNITY PRODUCE CORPORATION (*7)	200	95.0	Consulting
NTT DATA UNIVERSITY CORPORATION	100	100.0	Education and training services
NTT DATA 3C CORPORATION	100	70.0 (10.0)	Contact center businesses
NTT DATA WAVE CORPORATION	100	80.1	Systems design
NTT DATA SANYO SYSTEM CORPORATION (*3)	586	50.0	Systems design
Nihon Card Processing Co., Ltd.	2,675	71.5	Various services related to credit card operations
NTT DATA FRONTIER CORPORATION	280	52.5	Systems design
NTT DATA BUSINESS BRAINS CORPORATION	70	70.0	Systems design
NTT DATA ITEC CORPORATION	90	60.0	Software development and maintenance
NTT DATA SOFIA CORPORATION	80	95.0	Systems design
NTT DATA SEKISUI SYSTEMS CORPORATION (*4)	100	60.0	Systems design
NTT DATA BELL SCM SOLUTIONS CORPORATION (*7)	100	51.0	Systems design
SMIS CO., LTD. (*7)	94	86.4	Systems design
Zacatii Consulting, Inc. (*5) (*7)	94	95.0	Consulting
ISAC, Inc. (*4) (*7)	20	60.0	Systems design
NTT DATA ENGINEERING SYSTEMS CORPORATION (*6) (*7)	1,691	100.0	Systems design and sales
MAINTEC COMPANY LIMITED (*7)	100	100.0 (100.0)	Systems operation and support
COMET INFORMATION Co., Ltd (*7)	50	100.0 (100.0)	Systems design

Other 45 Companies

(EQUITY METHOD AFFILIATES)

One Company

(Notes) (1) There were no special purpose companies.

(2) *1 NTT DATA INTELLILINK CORPORATION absorbed NTT DATA Pocket Corporation, a subsidiary of the Company, on 27th March, 2006.

(3) *2 NTT DATA SCIENCE CORPORATION absorbed KANSAI DATA SCIENCE CORPORATION, a subsidiary of the Company, on 1st April, 2006.

(4) *3 NTT DATA SANYO SYSTEM CORPORATION established NTT DATA AURA CORPORATION on 3rd April, 2006.

(5) *4 NTT DATA SEKISUI SYSTEMS CORPORATION absorbed ISAC, Inc. on 1st April, 2006.

(6) *5 Caggemini Japan K.K. was renamed Zacatii Consulting, Inc. on 1st October, 2005.

(7) *6 HITACHI ZOKEN INFORMATION SYSTEMS COMPANY LIMITED was renamed NTT DATA ENGINEERING SYSTEMS CORPORATION on 28th March, 2006.

(8) *7 These companies became consolidated subsidiaries in the year ended 31st March, 2006.

(9) *8 Figures in parentheses under the percentage of voting shares held represent inclusive percentages of indirectly held shares.

Investor Information

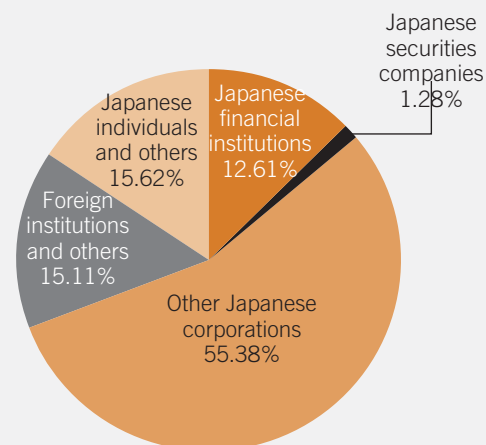
(As of March 31, 2006)

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	103,210	3.68%
Japan Trustee Services Bank, Ltd., Trust Account	87,069	3.10%
Mitsubishi UFJ Trust and Banking Corporation, Trust Account	23,461	0.84%
BNP PARIBAS Securities (Japan) Limited	22,090	0.79%
The Chase Manhattan Bank GTS Clients Account Escrow	21,502	0.77%
CALYON DMA OTC	20,203	0.72%
State Street Bank and Trust Company	18,018	0.64%
NTT DATA Employee Share-Holding Association	16,339	0.58%
Morgan Whitefriars Equity Derivatives	16,297	0.58%
Total	1,848,199	65.88%

DISTRIBUTION OF OWNERSHIP AMONG SHAREHOLDERS

(On a number of shares basis)



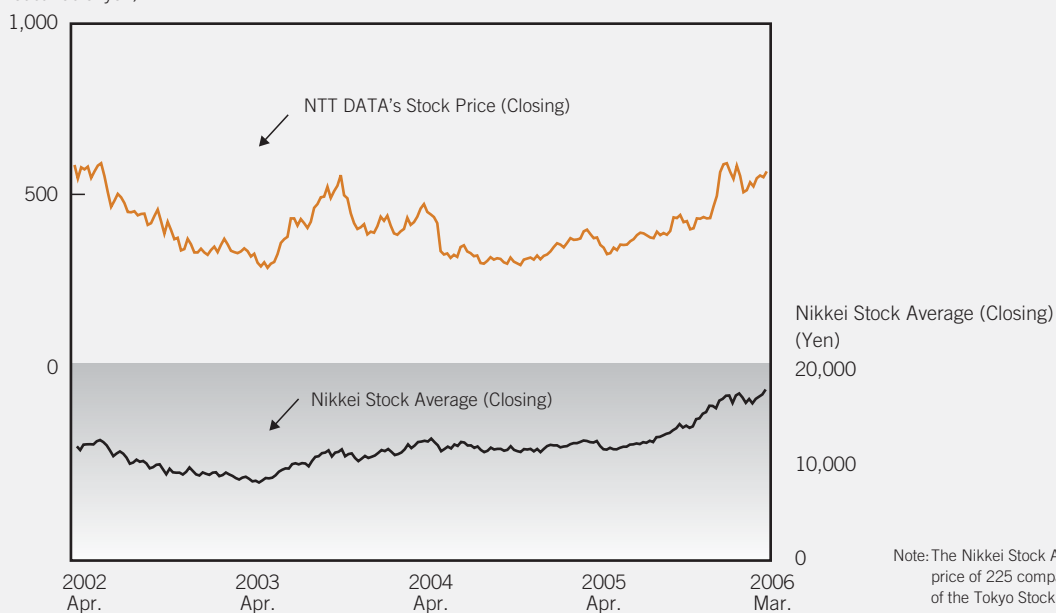
NUMBER OF SHARES ISSUED AND NUMBER OF SHAREHOLDERS

(1) Total Number of Authorized Shares	11,220,000
(2) Number of Shares Issued and Outstanding	2,805,000
(3) Number of Shareholders	162,312

STOCK PRICE CHART

NTT DATA's Stock Price (Closing)

(Thousands of yen)



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DATE OF ESTABLISHMENT:

May 23, 1988

COMMON STOCK:

¥142,520 million

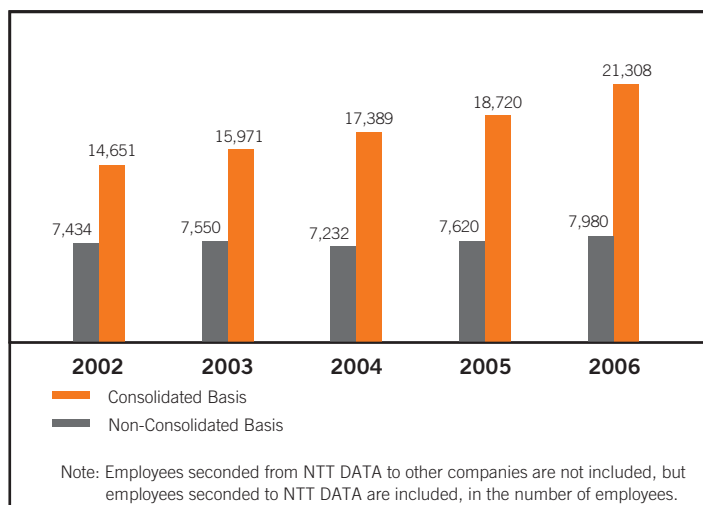
ACCOUNT SETTLEMENT DATE:

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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