



Japan Information Processing Service Co., Ltd.

FY 3/2006 interim term supplementary explanatory materials

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Notes:

Insofar as the entries in this document regarding the present plans, outlook, strategies convictions and other matters of Japan Information Processing Service (JIP) are not historical facts, they are related to the outlook for the company's operating results.

Such matters are based on the judgment of JIP management derived from presently available information. In consequence, the forecasts alone should not be relied upon in their entirety.

Actual operating results are subject to various important elements, and may differ substantially from forecasts.

The important elements affecting actual results include (1) the economic situation in JIP's business domains, and (2) JIP's ability continuously to provide products and services acceptable to customers in an information technology (IT) subject to rapid technical innovation. But these are not the only factors affecting operating results.

1. Interim term consolidated profit and loss statement comparisons

[Unit: ¥ million]

Interim term period	04/09		05/09			Causes of increase and decrease	(06/03)
	Amount	% of sales	Amount	% of sales	YoY change		Target
Sales	17,900	100.0%	17,297	100.0%	-3.4%		41,000
Sales cost price	16,736	93.5%	14,376	83.1%	-14.1%	The September 2004 interim term saw a deterioration in the income/expenditure balance due to an increase in some large commissioned software development jobs and associated expense increases, as well as deferment of postings to sales. Adverse factors were converged in the previous term.	34,350
Gross profit	1,163	6.5%	2,920	16.9%	151.1%		6,650
SG&A expenses	2,654	16.7%	2,697	15.6%	1.6%		5,700
Conveyance costs	72	0.4%	70	0.4%	-2.8%		-
Advertising and publicity expenses	34	0.2%	33	0.2%	-2.9%		-
Labor costs	1,801	10.1%	1,884	10.9%	4.6%		-
Travel, transportation and communication expenses	126	0.7%	123	0.7%	-2.4%		-
Lending fees	175	1.0%	179	1.0%	2.3%		-
Depreciation	28	0.2%	24	0.1%	-14.3%		-
Computer administrative expenses	82	0.5%	78	0.5%	-4.9%		-
Operating profit	-1,491	-8.3%	223	1.3%	-115.0%		950
Non-operating profit	83	0.5%	99	0.6%	19.3%		-
Interest and dividends received	35	0.2%	66	0.4%	88.6%		-
Non-operating expenses	82	0.5%	73	0.4%	-11.0%		-
Interest and discounts paid	72	0.4%	72	0.4%	0.0%		-
Recurring profit	-1,489	-8.3%	250	1.4%	-116.8%		900
Extraordinary profit	24	0.1%	4	0.0%	-83.3%		-
Extraordinary loss	455	2.5%	4	0.0%	-99.1%	In the September 2004 interim term, the increase in number of jobs in some large commissioned software development operations resulted in completion delays that gave rise to late penalties.	-
Interim net profit before tax and other adjustments	-1,921	-10.7%	249	1.4%	-113.0%		-
Corporate, residence and business taxes	41	0.2%	71	0.4%	73.2%		-
Corporate tax and other adjustments	-987	-5.5%	97	0.6%	-109.8%		-
Minority stockholder loss (addition)	3	0.0%	1	0.0%	-66.7%		-
Minority stockholder profit (excluded)	-	-	-	-	-		-
Interim term net profit	-979	-5.5%	78	0.4%	-108.0%		450
Interim net profit per share	-49.1		3.9				-
Dividend per share	7.0		7.0				-

2.Consolidated profit and loss statement outlook

[Unit: ¥ million]

Accounting period (fiscal year)	05/03		(06/03)			Causes of increase and decrease
	Amount	% of sales	Amount	% of sales	YoY change	
Sales	39,842	100.0%	41,000	100.0%	2.9%	Orders received from new SIGMA21 customers, for JIP-RB, NewLife III and others
Sales cost price	35,650	89.5%	34,350	83.8%	-3.6%	
Gross profit	4,191	10.5%	6,650	16.2%	58.7%	
SG&A expenses	5,275	13.2%	5,700	13.9%	8.1%	
Operating profit	-1,083	-2.7%	950	2.3%	187.7%	
Recurring profit	-1,146	-2.9%	900	2.2%	178.5%	
Net profit	-1,171	-2.9%	450	1.1%	138.4%	
Net profit per share	-59.5		22.6			
Dividend per share	14.0		14.0			

3. Interim term consolidated balance sheet comparisons

[Unit: ¥ million]

Interim term period	04/09		05/09		前期比		Causes of increase and decrease
	Amount	% of total	Amount	% of total	Increase/decrease amount	Increase/decrease %	
Total assets	36,414	100.0%	30,925	100.0%	-5,489	-15.1%	
Current assets	16,160	44.4%	11,663	37.7%	-4,497	-27.8%	
Cash and deposits	3,720	10.2%	1,851	6.0%	-1,869	-50.2%	
Notes and accounts receivable	5,425	14.9%	5,398	17.5%	-27	-0.5%	
Inventory assets	4,502	12.4%	2,292	7.4%	-2,210	-49.1%	Decline in semi-finished products due to order falloff
Prepaid expenses	798	2.2%	791	2.6%	-7	-0.9%	
Tax carryforward assets	1,343	3.7%	998	3.2%	-345	-25.7%	
Short-term loans		0.0%		0.0%			
Fixed assets	20,254	55.6%	19,262	62.3%	-992	-4.9%	
Tangible fixed assets	4,725	13.0%	4,656	15.1%	-69	-1.5%	
Intangible fixed assets	9,065	24.9%	8,420	27.2%	-645	-7.1%	
Software	7,398	20.3%	7,479	24.2%	81	1.1%	eSIGMA21, NewLife III completions, others
Software provisional account	1,568	4.3%	845	2.7%	-723	-46.1%	Decline due to transfer to investment reduction software
Investments, others	6,462	17.7%	6,184	20.0%	-278	-4.3%	
Investment securities	2,863	7.9%	2,483	8.0%	-380	-13.3%	
Total liabilities	23,344	64.1%	18,108	58.6%	-5,236	-22.4%	
Current liabilities	11,502	31.6%	8,856	28.6%	-2,646	-23.0%	
Notes and accounts payable	3,593	9.9%	2,537	8.2%	-1,056	-29.4%	
Short-term borrowings	5,404	14.8%	3,585	11.6%	-1,819	-33.7%	
Fixed liabilities	11,842	32.5%	9,252	29.9%	-2,590	-21.9%	
Long-term borrowings	7,634	21.0%	5,351	17.3%	-2,283	-29.9%	
Retirement benefit allowances	3,712	10.2%	3,622	11.7%	-90	-2.4%	
Minority interest	210	0.6%	355	1.1%	145	69.0%	
Total capital	12,859	35.3%	12,461	40.3%	-398	-3.1%	
Capital	2,460	6.8%	2,460	8.0%	0	0.0%	
Capital surplus	2,997	8.2%	2,997	9.7%	0	0.0%	
Profit surplus	7,312	20.1%	6,907	22.3%	-405	-5.5%	
Other marketable security valuation differentials	183	0.5%	192	0.6%	9	4.9%	
Treasury stock	-95	-0.3%	-95	-0.3%	0	0.0%	
Interest-bearing liabilities	13,038	35.8%	8,937	28.9%	-4,101	-31.5%	

4.Consolidated cash flow statement comparisons

[Unit: ¥ million]

Interim term period	04/09	05/09	YoY comparison		Causes of increase and decrease
	Amount	Amount	%decrease amount	Increase/decrease	
Cash flow from operating activities					
1 .Net profit before tax and other adjustments	-1,921	249	2,170	-113.0%	
2.Adjustment of net cash increases due to operating activities					
(1)Depreciation	1,337	1,660	323	24.2%	Increase in depreciation on general-purpose software
(2)Equity method investment loss	-5	-	5	100.0%	
(3)Increase/decrease in retirement benefit allowances	-64	-109	-45	70.3%	
(4)Increase/decrease in officers' retirement bonus allowances	-67	-289	-222	331.3%	
(5)Increase/decrease in sales loans	1,719	3,438	1,719	100.0%	Increase due to promotion of accounts receivable collection
(6)Increase/decrease in inventory assets	-477	-369	108	-22.6%	
(7)Increase/decrease in stocking-in debt	-915	-1,515	-600	65.6%	
(8)Amount of increase in sales software (including provisional account)	-141	-426	-285	202.1%	
(9)Others	-455	-113	342	-75.2%	
Subtotal	-992	2,524	3,516	-354.4%	
3.Interest and dividends received	36	66	30	83.3%	
4.Interest paid	-77	-71	6	-7.8%	
5.Corporate tax and other payments	-413	-51	362	-87.7%	
Cash flow from operating activities	-1,445	2,467	3,912	-270.7%	
Cash flow from investing activities					
1.Purchase of tangible fixed assets	-23	-58	-35	152.2%	
2.Acquisition and sale of securities	-	-	-	-	
3.Acquisition and sale of investment securities	-51	15	66	-129.4%	
4.Expenditures for acquisition of software (including provisional account)	-502	-811	-309	61.6%	
5.Expenditures for loans and income from collection	3	6	3	100.0%	
6.Others	57	154	97	170.2%	
Cash flow from investing activities	-516	-693	-177	34.3%	
Cash flow from financial activities					
1.Income from short-term borrowings	3,120	600	-2,520	-80.8%	
2.Expenditures for repayment of short-term borrowings	-1,070	-2,170	-1,100	102.8%	
3.Dividend payments by parent company	-140	-138	2	-1.4%	
4.Dividend payments to minority stockholders	-5	-4	1	-20.0%	
5.Income from long-term borrowings	500	-	-500	-100.0%	
6.Expenditures for repayment of long-term borrowings	-751	-1,141	-390	51.9%	Repayment of software development cash borrowings on an increase in operating cash flow
7.Expenditures for stock buybacks	-93	-	93	100.0%	
Cash flow from financial activities	1,559	-2,854	-4,413	-283.1%	
Conversion differentials on cash and equivalents					
Net reductions in cash and equivalents (decrease indicated by -)	-403	-1,081	-678	168.2%	
Balance of cash and equivalents at beginning of term	4,113	2,922	-1,191	-29.0%	
Increase in cash and equivalents due to companies added to consolidation	-	-	-	-	
Balance of cash and equivalents at end of term	3,710	1,841	-1,869	-50.4%	