



Japan Information Processing Service Co., Ltd.

**Business Results and Supplementary Information for
the Year Ended March 31, 1998**

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1. Comparative Statements of Earnings

(¥ Million)

	97/03		98/03			Reason for Change	(97/03)
	Amount	% of Sales	Amount	% of Sales	Change		Target
Net sales	40,369	100.0%	40,653	100.0%	0.7%		42,500
Information services	23,402	58.0%	24,758	60.9%	5.8%		
Product sales	16,967	42.0%	15,894	39.1%	-6.3%		
Cost of sales	30,642	75.9%	31,002	76.3%	1.2%		
Information services *2	16,494	70.5%	17,850	72.1%	8.2%		
Materials	704	3.5%	653	2.9%	-7.2%		
Labor	5,735	28.2%	6,001	26.9%	4.6%		
Outsourcing	7,308	35.9%	8,808	39.6%	20.5%	• Data input operations' outsourcing decreased ¥127 million. Software and administrative outsourcing increased by ¥1,171 million and ¥456 million, respectively.	
Equipment administration	3,186	15.6%	3,024	13.6%	-5.1%	• Equipment administration expenditure decreased due to consolidation of the host machine.	
Administration costs	3,430	16.8%	3,780	17.0%	10.2%	• General-purpose software depreciation increased ¥228 million from a year earlier.	
Total manufacturing costs	20,365	100.0%	22,268	100.0%	9.3%		
Work in process at beginning of period	898	4.4%	1,526	6.9%	69.9%		
Work in process at end of period	1,526	7.5%	1,814	8.1%	18.9%		
Transfers to other accounts	3,242	15.9%	4,130	18.5%	27.4%	• Transfers to general-purpose software, including software for comprehensive online securities systems, increased ¥541 million.	
Product sales *1	14,148	83.4%	13,152	82.7%	-7.0%		
Gross profit	9,726	24.1%	9,650	23.7%	-0.8%		10,250
SGA expenses	8,285	20.5%	8,396	20.7%	1.3%		
Shipping	308	0.8%	287	0.7%	-6.8%		
Advertising	141	0.3%	147	0.4%	4.3%		
Personnel	5,278	13.1%	5,369	13.2%	1.7%		
Travel, transportation and communications	334	0.8%	342	0.8%	2.4%		
Rental	685	1.7%	674	1.7%	-1.6%		
Depreciation	71	0.2%	52	0.1%	-26.8%		
Office computer expenses	441	1.1%	398	1.0%	-9.8%		
Operating income	1,440	3.6%	1,254	3.1%	-12.9%		1,750
Non-operating income	134	0.3%	152	0.4%	13.4%		
Interest and dividends	65	0.2%	75	0.2%	15.4%		
Non-operating expenses	50	0.1%	58	0.1%	16.0%		
Interest and discounts	43	0.1%	37	0.1%	-14.0%	• Decreased due to reduced borrowings and lower borrowing rates.	
Current income	1,524	3.8%	1,347	3.3%	-11.6%		1,800
Extraordinary income	18	0.0%	0	0.0%	-100.0%		
Extraordinary loss	619	1.5%	274	0.7%	-55.7%	• Fiscal 1997 Osaka and Nagoya office relocations cost ¥287 million for cancelling leases. A loss on disposal of fixed assets of ¥151 million was incurred.	
Income before taxes	923	2.3%	1,073	2.6%	16.3%		1,600
Income taxes	327	0.8%	473	1.2%	44.6%		
Interim net income per share	596	1.5%	600	1.5%	-		850
Interim dividends per share	37.30		30.00				
Dividends per share	8.5		10.0				

Notes: *1. The ratio of cost of sales to net sales for both information services and product sales is determined against the net sales of the respective divisions.

*2. For the "Cost of sales: information services" items, the ratios in the percentage of net sales column represent percentages of manufacturing costs.

2 . Net Sales by Division

(¥ Million)

	97/03		98/03			(98/03)		
	Amount	% of Sales	Amount	% of Sales	Change	Amount	% of Sales	% of Target
Total net sales	40,369	100.0%	40,653	100.0%	0.7%	42,500	100.0%	95.7%
Information services	23,402	58.0%	24,758	60.9%	5.8%	25,500	60.0%	97.1%
Data-processing services	17,152	42.5%	16,540	40.7%	-3.6%	17,200	40.5%	96.2%
Software development	6,228	15.4%	8,205	20.2%	31.7%	8,300	19.5%	98.9%
Other information services	20	0.0%	12	0.0%	-40.0%	0	0.0%	-
Product sales	16,967	42.0%	15,894	39.1%	-6.3%	17,000	40.0%	93.5%

Comments

Analysis of Changes in Sales

(1) Versus Previous Fiscal Year

o Data-processing services

- Sales declined by ¥612 million mainly for two reasons: transfer to affiliated companies of the computer input/output business targeted at the manufacturing industry; and a shift to packaged software for educational institutions.

o Software development

- Software development on consignment recorded a substantial increase of ¥1,547 million due to the development of large-scale software for the manufacturing industry, educational institutions and financial services companies.
- Packaged software sales rose by ¥485 million, the result of solid sales to educational institutions and self-governing local bodies.

o Product sales

- Sales of hardware and other equipment decreased by ¥1,243 million as the company accepted fewer orders because of intensifying price competition and concerns about deteriorating profitability.
- Hardware maintenance services results were solid, fueled by maintenance services for clients in the fields of civil engineering and education. As a result, the area garnered ¥338 million more than last year.

(2) Versus Sales Projections

o Data-processing services

- Sales were held to 96.2% of the initial plan for the year as new projects took more time than expected and the economy remained sluggish.

o Software development

- Software development on consignment generated results largely as projected. However, depressed sales of packaged software for residential housing CAD restricted overall sales to 98.9% of the division's target.

o Product sales

- Sales were limited to 93.5% of the year's target for the same reasons as in the prior fiscal year and the fact that competition intensifi

3 . Sales and Earnings Projections

(¥ Million)

	98/03			(99/03)			Reason for Change
	Interim	Amount	% of Sales	Interim	Amount	% of Sales	
Net sales	16,241	40,653	100.0%	16,800	43,500	100.0%	7.0%
Information services	10,307	24,758	60.9%	10,900	27,500	63.2%	11.1%
Product sales	5,934	15,894	39.1%	5,900	16,000	36.8%	0.7%
Cost of sales	12,301	31,002	76.3%	12,760	33,050	76.0%	6.6%
Information services	7,554	17,850	72.1%	7,940	19,850	72.2%	11.2%
Materials	343	653	2.9%	350	650	2.9%	-0.5%
Labor	3,005	6,001	26.9%	3,200	6,450	28.9%	7.5%
Outsourcing	3,893	8,808	39.6%	3,500	7,800	35.0%	-11.4%
Equipment administration	1,540	3,024	13.6%	1,540	3,300	14.8%	9.1%
Administration costs	1,823	3,780	17.0%	1,900	4,100	18.4%	8.5%
Total manufacturing costs	10,607	22,268	100.0%	10,490	22,300	100.0%	0.1%
Work in process at beginning of period	1,526	1,526	6.9%	1,800	1,800	8.1%	18.0%
Work in process at end of period	2,766	1,814	8.1%	3,250	2,100	9.4%	15.8%
Transfers to other accounts	1,813	4,130	18.5%	1,100	2,150	9.6%	-47.9%
Product sales	4,747	13,152	82.7%	4,820	13,200	82.5%	0.4%
Gross profit	3,940	9,650	23.7%	4,040	10,450	24.0%	8.3%
SGA expenses	3,559	8,396	20.7%	3,680	8,700	20.0%	3.6%
Shipping	144	287	0.7%	140	280	0.6%	-2.4%
Advertising	72	147	0.4%	80	160	0.4%	8.8%
Personnel	2,102	5,369	13.2%	2,170	5,450	12.5%	1.5%
Travel, transportation and communications	170	342	0.8%	180	370	0.9%	8.2%
Rental	335	674	1.7%	370	750	1.7%	11.3%
Depreciation	24	52	0.1%	25	50	0.1%	-3.8%
Office computer expenses	204	398	1.0%	200	400	0.9%	0.5%
Operating income	380	1,254	3.1%	360	1,750	4.0%	39.6%
Non-operating income	75	152	0.4%	80	100	0.2%	-34.2%
Interest and dividends	40	75	0.2%	40	70	0.2%	-6.7%
Non-operating expenses	27	58	0.1%	20	50	0.1%	-13.8%
Interest and discounts	16	37	0.1%	15	40	0.1%	8.1%
Current income	428	1,347	3.3%	420	1,800	4.1%	33.6%
Extraordinary income	36	0	0.0%	40	0	0.0%	0.0%
Extraordinary loss	149	274	0.7%	120	250	0.6%	-8.8%
Income before taxes	316	1,073	2.6%	340	1,550	3.6%	44.5%
Income taxes	150	473	1.2%	230	800	1.8%	69.1%
Net income	165	600	1.5%	110	750	1.7%	25.0%
Net income per share	8.28	30.00		5.50	37.50		
Dividends per share	5.00	10.0		6.00	12.00		

Notes: Net income per share for fiscal 1998 is calculated using the figure of 20,000,000 share

The ratio of cost of sales to net sales for both information services and product sales is determined against the net sales of the respective division

For the "Cost of sales: information services" items, the ratios in the percentage of net sales column represent percentages of manufacturing costs

4 . Division Sales Projections (¥ Million)

	98/03		(99/03)		
	Amount	% of Sales	Amount	% of Sales	Change
Total net sales	40,653	100.0%	43,500	100.0%	7.0%
Information services	24,758	60.9%	27,500	63.2%	11.1%
Data-processing services	16,540	40.7%	18,000	41.4%	8.8%
Software development	8,205	20.2%	9,500	21.8%	15.8%
Other information services	12	0.0%	0	0.0%	-100.0%
Systems sales	15,894	39.1%	16,000	36.8%	0.7%

Comments

Analysis of Changes in Division Sales

(1) Versus Previous Fiscal Year

o Data-processing services

The outsourcing business is expected to garner an additional ¥1,460 million due to increased sales of comprehensive online securities systems.

o Software development

Software development on consignment is projected to increase ¥772 million mainly due to growth in sales towards the manufacturing industry and the financial services sector.

In packaged software, sales of software to educational institutions and self-governing local bodies, new products in the JSP series for the civil engineering industry, Nurse Net for the medical industry, and CAD for construction applications are expected to lead to an increase of ¥566 million.

o Systems sales

In hardware and other equipment sales, the company expects price competition to intensify. As a result, the company plans to place greater emphasis on profitability when selecting orders. Sales are expected to be down ¥136 million.

Sales of purchased software are expected to increase by ¥47 million as the product line-up is reinforced with new titles.

Hardware maintenance services are expected to increase by ¥195 million, primarily because of growth in work for private-sector clients and educational institutions.

5 . Comparative Balance Sheets

(¥ Million)

	97/03		98/03		Change		Reason for Change
	Amount	Percentage	Amount	Percentage	Amount	Percentage	
Total assets	26,462	100.0%	25,577	100.0%	-885	-3.3%	
Current assets	19,678	74.4%	18,414	72.0%	-1,264	-6.4%	
Cash and deposits	2,084	7.9%	533	2.1%	-1,551	-74.4%	• Use of surplus funds to repay loans caused cash and deposits to decrease.
Trade notes and accounts receivable	13,007	49.2%	12,288	48.0%	-719	-5.5%	
Marketable securities	1,343	5.1%	1,371	5.4%	28	2.1%	
Inventories	2,235	8.4%	2,549	10.0%	314	14.0%	• Work in progress accounted for ¥1,788 million, up ¥301 million. Software development increased.
Prepaid expenses	358	1.4%	419	1.6%	61	17.0%	
Short-term loans	261	1.0%	280	1.1%	19	7.3%	
Long-term assets	6,783	25.6%	7,162	28.0%	379	5.6%	
Property, plant and equipment	1,790	6.8%	1,550	6.1%	-240	-13.4%	
Intangible assets	104	0.4%	100	0.4%	-4	-3.8%	
Investments and others	4,888	18.5%	5,511	21.5%	623	12.7%	
Investment securities	1,084	4.1%	1,051	4.1%	-33	-3.0%	
Software	1,193	4.5%	1,645	6.4%	452	37.9%	• Packaged software development increased ¥1,198 million and ¥746 million was amortized.
Deposits	1,684	6.4%	1,711	6.7%	27	1.6%	
Total liabilities	14,407	54.4%	13,131	51.3%	-1,276	-8.9%	
Current liabilities	12,780	48.3%	11,467	44.8%	-1,313	-10.3%	
Trade notes and accounts payable	8,461	32.0%	6,943	27.1%	-1,518	-17.9%	• Trade notes and accounts payable for purchased products decreased.
Short-term loans	1,953	7.4%	1,431	5.6%	-522	-26.7%	• Borrowing was reduced as the company took actions to strengthen its financial position.
Long-term liabilities	1,626	6.1%	1,663	6.5%	37	2.3%	
Bonuses for employees' retirement	1,564	5.9%	1,604	6.3%	40	2.6%	
Shareholders' equity	12,054	45.6%	12,446	48.7%	392	3.3%	
Capital	2,460	9.3%	2,460	9.6%	0	0.0%	
Capital reserve	3,108	11.7%	3,128	12.2%	20	0.6%	
Retained earnings	6,486	24.5%	6,858	26.8%	372	5.7%	
Interest-bearing liabilities	1,957	7.4%	1,431	5.6%	-526	-26.9%	