



Japan Information Processing Service Co., Ltd.

**Business Results and Supplementary Information
for the First Half of the Fiscal Year**

Ending March 31, 1999

1. Comparative Statements of Earnings	... 1
2. Net Sales by Division	... 2
3. Sales and Earnings Projections	... 3
4. Division Sales Projections	... 4
5. Comparative Balance Sheets	... 5

1. Comparative Statements of Earnings

(¥ Million)

	97/09		98/09		Change	Reason for Change	(98/09)
	Amount	% of Sales	Amount	% of Sales			Target
Net sales	16,241	100.0%	17,767	100.0%	9.4%		16,800
Information services	10,307	63.5%	11,383	64.1%	10.4%	• Information processing services accounted for ¥8,247 million (up ¥661 million) and software development for ¥3,135 million (up ¥421 million).	10,900
Product sales	5,934	36.5%	6,384	35.9%	7.6%	• Sales of hardware and other equipment increased ¥434 million, sales of purchased software and related technical support declined ¥48 million, and the provision of hardware maintenance services increased ¥48 million.	5,900
Cost of sales	12,301	75.7%	13,770	77.5%	11.9%		12,760
Information services ¹	7,554	73.3%	8,550	75.1%	13.2%		7,940
Materials	343	3.2%	407	3.7%	18.7%		350
Labor	3,005	28.3%	3,243	29.3%	7.9%		3,200
Outsourcing	3,893	36.7%	3,939	35.6%	1.2%	• The cost of outsourcing software increased by ¥530 million. Starting in fiscal 1999, the year ending March 31, 1999, the company changed to a method whereby hardware maintenance and administration outsourcing expenses are included in the cost of sales. This change resulted in a decrease of ¥656 million.	3,500
Equipment administration	1,540	14.5%	1,507	13.6%	-2.1%		1,540
Administration costs	1,823	17.2%	1,953	17.7%	7.1%		1,900
Total manufacturing costs	10,607	100.0%	11,051	100.0%	4.2%		10,490
Work in process at beginning of period	1,526	14.4%	1,814	16.4%	18.9%		1,800
Work in process at end of period	2,766	26.1%	3,579	32.4%	29.4%		3,250
Transfers to other accounts	1,813	17.1%	736	6.7%	-59.4%	• Transfers to cost of sales of ¥175 million (down ¥874 million)	1,100
Product sales ¹	4,747	80.0%	5,220	81.8%	10.0%		4,820
Gross profit	3,940	24.3%	3,996	22.5%	1.4%		4,040
SGA expenses	3,559	21.9%	3,693	20.8%	3.8%		3,680
Shipping	144	0.9%	142	0.8%	-1.4%		140
Advertising	72	0.4%	74	0.4%	2.8%		80
Personnel	2,102	12.9%	2,224	12.5%	5.8%		2,170
Travel, transportation and communications	170	1.0%	189	1.1%	11.2%		180
Rental	335	2.1%	344	1.9%	2.7%		370
Depreciation	24	0.1%	19	0.1%	-20.8%		25
Office computer expenses	204	1.3%	211	1.2%	3.4%		200
Operating income	380	2.3%	303	1.7%	-20.3%		360
Non-operating income	75	0.5%	66	0.4%	-12.0%		80
Interest and dividends	40	0.2%	36	0.2%	-10.0%		40
Non-operating expenses	27	0.2%	23	0.1%	-14.8%		20
Interest and discounts	16	0.1%	16	0.1%	0.0%		15
Current income	428	2.6%	346	1.9%	-19.2%		420
Extraordinary income	36	0.2%	33	0.2%	-8.3%		40
Extraordinary loss	149	0.9%	247	1.4%	65.8%	• Revaluation losses on investment securities of ¥164 million.	120
Income before income taxes	316	1.9%	132	0.7%	-58.2%		340
Income taxes	150	0.9%	174	1.0%	16.0%		230
Interim net income per share	165	1.0%	-41	-0.2%	-		110
Interim dividends per share	8.28		-2.09				
Dividends per share	5.00		6.00				

Notes: ¹1. 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.

²2. 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)

	97/09		98/09			(98/09)		
	Amount	% of Sales	Amount	% of Sales	Change	Amount	% of Sales	% of Target
Total net sales	16,241	100.0%	17,767	100.0%	9.4%	16,800	100.0%	105.8%
Information services	10,307	63.5%	11,383	64.1%	10.4%	10,900	64.9%	104.4%
Data-processing services	7,586	46.7%	8,247	46.4%	8.7%	7,800	46.4%	105.7%
Software development	2,714	16.7%	3,135	17.6%	15.5%	3,100	18.5%	101.1%
Other information service	6	0.0%						
Systems sales	5,934	36.5%	6,384	35.9%	7.6%	5,900	35.1%	108.2%

Comments

Analysis of Changes in Sales

(1) Versus Previous Fiscal Year

o Data-processing services

- Sales of comprehensive online securities systems remained strong, fueling an 8.7% increase.

o Software development

- Software development on consignment recorded a 13% increase due to higher sales of software developed for the securities and finance and manufacturing industries.
- Packaged software sales surged 20.8% due to strong demand for the JSP series from the civil engineering and construction fields and for "New Life" and other products from self-governing local authorities.

o Systems sales

- Sales of hardware and other equipment to the manufacturing industry and self-governing bodies remained strong, resulting in a 7.6% increase in sales.

(2) Versus Sales Targets

o Data-processing services

- Sales exceeded budget by 5.7% owing to growth in sales to the securities and finance and manufacturing industries.

o Software development

- Sales were largely as projected. Growth in the development of software for the securities and finance industries was negated by sluggish sales of packaged software for residential CAD.

o Systems sales

- Sales exceeded budget by 8.2% due to growth in sales of equipment to educational institutions, the securities and finance industries, and to self-governing authorities.

3 . Sales and Earnings Projections

(¥ Million)

	98/03		99/03		Change	Reason for Change
	Amount	% of Sales	Amount	% of Sales		
Net sales	40,653	100.0%	43,500	100.0%	7.0%	
Information services	24,758	60.9%	27,500	63.2%	11.1%	• Information processing services is expected to generate revenues of ¥18,000 million (up ¥1,460 million) and the software development business is projected to achieve revenues of ¥9,500 million (up ¥1,295 million)
Product sales	15,894	39.1%	16,000	36.8%	0.7%	
Cost of sales	31,002	76.3%	33,050	76.0%	6.6%	
Information services	17,850	72.1%	19,850	72.2%	11.2%	
Materials	653	2.9%	650	2.9%	-0.5%	
Labor	6,001	26.9%	6,450	28.9%	7.5%	• Labor costs are expected to increase due to base pay increases and the hiring of additional technical staff.
Outsourcing	8,808	39.6%	7,800	35.0%	-11.4%	• From fiscal 1999, hardware maintenance and administration outsourcing expenses are being included in the cost of sales. A decrease of ¥1,300 million is thus expected.
Equipment administration	3,024	13.6%	3,300	14.8%	9.1%	• Installation of lines and machines for development are expected to raise costs.
Administration costs	3,780	17.0%	4,100	18.4%	8.5%	• Depreciation expenses for general-purpose software are expected to increase by ¥170 million.
Total manufacturing costs	22,268	100.0%	22,300	100.0%	0.1%	
Work in process at beginning of period	1,526	6.9%	1,800	8.1%	18.0%	
Work in process at end of period	1,814	8.1%	2,100	9.4%	15.8%	
Transfers to other accounts	4,130	18.5%	2,150	9.6%	-47.9%	• Starting in fiscal 1999, the year ending March 31, 1999, the company changed to a method whereby hardware maintenance and administration outsourcing expenses are included in the cost of sales. This change is expected to result in a decrease of ¥1,300 million.
Product sales	13,152	82.7%	13,200	82.5%	0.4%	
Gross profit	9,650	23.7%	10,450	24.0%	8.3%	
SGA expenses	8,396	20.7%	8,700	20.0%	3.6%	
Shipping	287	0.7%	280	0.6%	-2.4%	
Advertising	147	0.4%	160	0.4%	8.8%	• Advertising expenses are projected to increase due to the production of pamphlets for packaged software and advertisements for products and services.
Personnel	5,369	13.2%	5,450	12.5%	1.5%	
Travel, transportation and communications	342	0.8%	370	0.9%	8.2%	
Rental	674	1.7%	750	1.7%	11.3%	
Depreciation	52	0.1%	50	0.1%	-3.8%	
Office computer expenses	398	1.0%	400	0.9%	0.5%	
Operating income	1,254	3.1%	1,750	4.0%	39.6%	
Non-operating income	152	0.4%	100	0.2%	-34.2%	
Interest and dividends	75	0.2%	70	0.2%	-6.7%	
Non-operating expenses	58	0.1%	50	0.1%	-13.8%	
Interest and discounts	37	0.1%	40	0.1%	8.1%	
Current income	1,347	3.3%	1,800	4.1%	33.6%	
Extraordinary income	0	0.0%	0	0.0%	-	
Extraordinary loss	274	0.7%	250	0.6%	-8.8%	
Income Before Income Taxes	1,073	2.6%	1,550	3.6%	44.5%	
Income taxes	473	1.2%	800	1.8%	69.1%	• Income taxes are expected to increase in line with higher taxable income resulting from amendments to the Corporate Tax Code.
Net income	600	1.5%	750	1.7%	25.0%	
Net income per share	30.00		37.50			
Dividends per share	10.0		12.0			

Notes: Net income per share is calculated using 20,000,000 shares.
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.
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)		Change
	Amount	% of Sales	Amount	% of Sales	
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 from 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 securities and financial services sector, and the manufacturing industry.
- In packaged software, sales of new products to educational institutions and self-governing authorities, new products in the JSP series to the civil engineering and construction industries along with growth in CAD for construction applications and Nurse-Net for the medical industry 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 by ¥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 educational institutions and others.

5 . Comparative Balance Sheets

	97/09		98/03		98/09		Year-on-Year-change		Change From Beginning of P		Reason for Change From Beginning of Period
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Change(¥)	Change(%)	Change(¥)	Change(%)	
Total assets	22,205	100.0%	25,577	100.0%	23,145	100.0%	940	4.2%	-2,432	-9.5%	
Current assets	15,463	69.6%	18,414	72.0%	16,474	71.2%	1,011	6.5%	-1,940	-10.5%	
Cash and deposits	1,103	5.0%	533	2.1%	677	2.9%	-426	-38.6%	144	27.0%	Use of surplus funds for working capital requirements caused cash and deposits to decrease.
Trade notes and accounts receivable	6,446	29.0%	12,288	48.0%	7,875	34.0%	1,429	22.2%	-4,413	-35.9%	As a large share of JIPS' sales are normally booked in March of each year, receivables are lower in September.
Marketable securities	2,161	9.7%	1,371	5.4%	1,716	7.4%	-445	-20.6%	345	25.2%	Surplus funds invested on a short-term basis in stocks and bonds.
Inventories	3,580	16.1%	2,549	10.0%	4,398	19.0%	818	22.8%	1,849	72.5%	Work in progress accounted for ¥3,404 million, up ¥1,615 million.
Prepaid expenses	422	1.9%	419	1.6%	482	2.1%	60	14.2%	63	15.0%	
Short-term loans	140	0.6%	280	1.1%	70	0.3%	-70	-50.0%	-210	-75.0%	
Long-term assets	6,741	30.4%	7,162	28.0%	6,670	28.8%	-71	-1.1%	-492	-6.9%	
Property, plant and equipment	1,657	7.5%	1,550	6.1%	1,477	6.4%	-180	-10.9%	-73	-4.7%	
Intangible assets	102	0.5%	100	0.4%	99	0.4%	-3	-2.9%	-1	-1.0%	
Investments and others	4,981	22.4%	5,511	21.5%	5,093	22.0%	112	2.2%	-418	-7.6%	
Investment securities	1,623	7.3%	1,612	6.3%	1,474	6.4%	-149	-9.2%	-138	-8.6%	Stocks were down ¥137 million from the start of the period due to devaluation, while bonds fell by ¥30 million. (Investment securities include stock in subsidiaries.)
Software	1,204	5.4%	1,645	6.4%	1,368	5.9%	164	13.6%	-277	-16.8%	Packaged software development such as CAD for imported homes increased ¥159 million and ¥436 million was amortized.
Deposits	1,683	7.6%	1,711	6.7%	1,723	7.4%	40	2.4%	12	0.7%	
Total liabilities	10,093	45.5%	13,131	51.3%	10,876	47.0%	783	7.8%	-2,255	-17.2%	
Current liabilities	8,449	38.0%	11,467	44.8%	9,213	39.8%	764	9.0%	-2,254	-19.7%	
Trade notes and accounts payable	4,044	18.2%	6,943	27.1%	4,477	19.3%	433	10.7%	-2,466	-35.5%	As expenses related to sales normally peak in March, payables are lower in September.
Short-term loans	1,807	8.1%	1,431	5.6%	2,159	9.3%	352	19.5%	728	50.9%	
Long-term liabilities	1,644	7.4%	1,663	6.5%	1,663	7.2%	19	1.2%	0	0.0%	
Bonuses for employees' retirement	1,585	7.1%	1,604	6.3%	1,603	6.9%	18	1.1%	-1	-0.1%	
Shareholders' equity	12,112	54.5%	12,446	48.7%	12,268	53.0%	156	1.3%	-178	-1.4%	
Capital	2,460	11.1%	2,460	9.6%	2,460	10.6%	0	0.0%	0	0.0%	
Capital reserve	3,118	14.0%	3,128	12.2%	3,142	13.6%	24	0.8%	14	0.4%	
Retained earnings	6,533	29.4%	6,858	26.8%	6,666	28.8%	133	2.0%	-192	-2.8%	
Interest-bearing liabilities	1,807	8.1%	1,431	5.6%	2,159	9.3%	352	19.5%	728	50.9%	

Notes: *1 Percentage of Total Assets