SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1999

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission File Number
0-16439

FAIR, ISAAC AND COMPANY, INCORPORATED
(Exact name of registrant as specified in its charter)

DELAWARE	94-1499887
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

120 North Redwood Drive, San Rafael, California 94903
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (415) 472-2211

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ____.

The number of shares of Common Stock, $0.01 par value per share, outstanding on May 6, 1999, was 14,063,062.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements.

FAIR, ISAAC AND COMPANY, INCORPORATED

CONSOLIDATED BALANCE SHEETS

March 31, 1999 and September 30, 1998

(dollars in thousands)

(Unaudited)

	March 31, 1999	September 30, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,519	$ 14,242
Marketable securities	25,915	18,283
Accounts receivable, net	39,495	39,028
Unbilled work in progress	24,579	22,004
Prepaid expenses and other current assets	6,417	4,040
Deferred income taxes	5,193	5,016
Total current assets	113,118	102,613
Marketable securities	28,113	24,368
Property and equipment, net	36,971	36,893
Intangibles, net	9,615	10,458
Deferred income taxes	6,398	6,398
Other assets	8,866	8,884
	$ 203,081	$ 189,614
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 17,788	$ 17,418
Accrued compensation and employee benefits	19,930	22,065
Billings in excess of earned revenues	7,379	7,862
Capital lease obligations	424	416
Total current liabilities	45,521	47,761
Other liabilities	7,814	7,613
Capital lease obligations	579	789
Total liabilities	53,914	56,163
Stockholders' equity:		
Preferred stock	--	--
Common stock	142	140
Paid in capital in excess of par value	36,981	32,454
Retained earnings	114,624	100,678
Less treasury stock (70,854 shares at cost at 3/31/99; 9,787 at 9/30/98)	(2,624)	(351)
Accumulated other comprehensive income	44	530
Total stockholders' equity	149,167	133,451
	$ 203,081	$ 189,614

See accompanying notes to the consolidated financial statements.

FAIR, ISAAC AND COMPANY, INCORPORATED

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the six month and three month periods ended March 31, 1999 and 1998
(in thousands, except per share data)
(Unaudited)

	Six Months Ended March 31,		Three Months Ended March 31,	
	1999	1998	1999	1998
Revenues	$ 136,851	$ 113,166	$ 68,874	$ 59,655
Costs and expenses:				
Cost of revenues	52,012	41,071	26,941	21,206
Sales and marketing	20,317	17,890	10,038	9,143
Research and development	15,560	13,980	7,816	7,382
General and administrative	25,062	24,115	12,065	12,717
Amortization of intangibles	842	576	421	255
Total costs and expenses	113,793	97,632	57,281	50,703
Income from operations	23,058	15,534	11,593	8,952
Other income, net	1,962	539	1,276	510
Income before income taxes	25,020	16,073	12,869	9,462
Provision for income taxes	10,508	6,618	5,405	3,974
Net income	$ 14,512	$ 9,455	$ 7,464	$ 5,488
Net income	$ 14,512	$ 9,455	$ 7,464	$ 5,488
Other comprehensive income, net of tax:				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during period	15	81	(100)	66
Less: reclassification adjustment	(281)	--	(281)	--
Net unrealized gains (losses)	(266)	81	(381)	66
Foreign currency translation adjustments	(221)	30	(242)	(14)
Other comprehensive income	(487)	111	(623)	52
Comprehensive income	$ 14,025	$ 9,566	$ 6,841	$ 5,540
Earnings per share:				
Diluted	$ 1.00	$ .66	$ .51	$ .38
Basic	$ 1.03	$ .70	$ .53	$ .40
Shares used in computing earnings per share:				
Diluted	14,515,000	14,310,000	14,578,000	14,304,000
Basic	14,109,000	13,596,000	14,177,000	13,707,000

See accompanying notes to the consolidated financial statements.

FAIR, ISAAC AND COMPANY, INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended March 31, 1999 and 1998
(dollars in thousands)
(Unaudited)

	Six Months Ended March 31, 1999	Six Months Ended March 31, 1998
Cash flows from operating activities:		
Net income	$ 14,512	$ 9,455
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	8,385	7,191
Deferred compensation	131	324
Gain on sale of marketable securities	(474)	(165)
Equity gain in investments	(47)	(30)
Deferred income taxes	--	149
Other	86	--
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(612)	781
Increase in unbilled work in progress	(2,576)	(2,966)
Increase in prepaid expenses and other assets	(2,376)	(966)
Decrease in other assets	19	149
Increase in accounts payable and other accrued liabilities	1,450	4,009
Decrease in accrued compensation and employee benefits	(671)	(2,212)
Increase (decrease) in billings in excess of earned revenues	(483)	647
Decrease in other liabilities	(1,440)	(545)
Net cash provided by operating activities	15,904	15,821
Cash flows from investing activities:		
Purchases of property and equipment	(6,083)	(11,205)
Payments for acquisition of subsidiary	--	(3,140)
Purchases of marketable securities	(61,006)	(788)
Proceeds from sale of marketable securities	35,634	--
Proceeds from maturities of marketable securities	14,015	3,010
Net cash used in investing activities	(17,440)	(12,123)
Cash flows from financing activities:		
Principal payments of capital lease obligations	(203)	(190)
Proceeds from the exercise of stock options and issuance of stock	1,900	1,028
Dividends paid	(565)	(545)
Repurchase of company stock	(2,319)	(20)
Net cash provided by (used in) financing activities	(1,187)	273
Increase (decrease) in cash and cash equivalents	(2,723)	3,971
Cash and cash equivalents, beginning of period	14,242	13,209
Cash and cash equivalents, end of period	$ 11,519	$ 17,180

See accompanying notes to the consolidated financial statements.

FAIR, ISAAC AND COMPANY, INCORPORATED
Notes to Consolidated Financial Statements

Note 1 General

In management's opinion, the accompanying unaudited consolidated financial statements for Fair, Isaac & Company, Incorporated (the "Company") for the six and three months ended March 31, 1999 and 1998 have been prepared in accordance with generally accepted accounting principles for interim financial statements and include all adjustments (consisting only of normal recurring accruals) that the Company considers necessary for a fair presentation of its financial position, results of operations, and cash flows for such periods. However, the accompanying financial statements do not contain all of the information and footnotes required by generally accepted accounting principles for complete financial statements. All such financial statements presented herein are unaudited. The September 30, 1998 balance sheet, however, has been derived from audited financial statements. This Report and the accompanying financial statements should be read in connection with the Company's audited financial statements and notes thereto presented in its Annual Report on Form 10-K for the fiscal year ended September 30, 1998. Footnotes that would substantially duplicate the disclosures in the Company's audited financial statements for the fiscal year ended September 30, 1998, contained in the 1998 Form 10-K, have been omitted. The interim financial information contained in this Report is not necessarily indicative of the results to be expected for any other interim period or for the full fiscal year ending September 30, 1999.

Note 2 Earnings Per Share

The following reconciles the numerators and denominators of diluted and basic earnings per share (EPS):

	Six months ended March 31,		Three months ended March 31,	
(dollars in thousands, except per share data)	1999	1998	1999	1998
Numerator - Net income	$ 14,512	$ 9,455	$ 7,464	$ 5,488
Denominator - Shares:				
Diluted weighted-average shares and assumed conversions of stock options	14,515	14,310	14,578	14,304
Effect of dilutive securities - employee stock options	(406)	(714)	(401)	(597)
Basic weighted-average shares	14,109	13,596	14,177	13,707
Earnings per share:				
Diluted	$ 1.00	$ .66	$ .51	$ .38
Basic	$ 1.03	$ .70	$ .53	$ .40

Total options outstanding included 131,000 and 483,000 options to purchase shares of common stock at prices ranging from $41.88 to $49.44 and $38.25 to $45.63 at March 31, 1999 and 1998, respectively. These options were not included in the computation of diluted earnings per share for the six months ended March 31, 1999 and 1998 because the exercise price for such options was greater than the average market price of the common stock for the six months ended March 31, 1999 and 1998.

Total options outstanding included 120,000 and 483,000 options to purchase shares of common stock at prices ranging from $44.69 to $49.44 and $38.25 to $45.63 at March 31, 1999 and 1998, respectively. These options were not included in the computation of diluted earnings per share for the three months ended March 31, 1999 and 1998 because the exercise price for such options was greater than the average market price of the common stock for the three months ended March 31, 1999 and 1998.

Note 3 Cash Flow Statement

Supplemental disclosure of cash flow information:

(dollars in thousands)	Six months ended March 31, 1999	1998
Income tax payments	$14,786	$ 7,282
Interest paid	$ 80	$ 64
Non-cash investing and financing activities:		
Issuance of common stock to ESOP	$ 1,455	$ 1,323
Tax benefit of stock options	$ 1,080	$ 474
Vesting of restricted stock	$ 8	$ 84
Purchase of CRMA with common stock	$ --	$ 111
Capital lease obligations	$ 1,641	$ 40

Note 4 Reclassifications

Certain prior period balances have been reclassified to conform to the current period presentation.

Note 5 Accounting Pronouncements

During the first quarter of fiscal year 1999, the Company adopted Statement of Position No. 97-2 ("SOP 97-2"), "Software Revenue Recognition," as amended by Statement of Position No. 98-4 "Deferral of the Effective Date of a Provision of SOP 97-2, Software Revenue Recognition." SOP 97-2 provides guidance for software revenue recognition. The adoption of SOP 97-2 did not have a significant impact on the Company's financial position or results of operations.

In December 1998, the AICPA issued Statement of Position No. 98-9 ("SOP 98-9"), "Modifications of SOP 97-2, Software Revenue Recognition, with Respect to Certain Transactions." SOP 98-9 requires recognition of revenue using the "residual method" in a multiple-element software arrangement when fair value does not exist for one or more of the delivered elements in the arrangement. Under the "residual method," the total fair value of the undelivered elements is deferred and recognized in accordance with SOP 97-2. SOP 98-9 also extends the deferral of the application of SOP 97-2 to certain other multiple-element software arrangements through the Company's fiscal year ending September 30, 2000. The Company's management is currently evaluating the provisions of SOP 98-9 and has not yet determined what impact, if any, SOP 98-9 will have on the Company's financial position, results of operations or cash flows. Beginning with fiscal year 2000, management intends to conform its consolidated financial statements to this pronouncement.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement establishes standards for publicly held entities to follow in reporting information about operating segments in annual financial statements and requires that those entities report selected information about operating segments in interim financial statements. This statement also establishes standards for related disclosures about products and services, geographic areas and major customers. This statement is effective for annual financial statements issued for fiscal years beginning after December 15, 1997. Beginning with fiscal year 1999, management intends to conform its annual consolidated financial statements to this pronouncement.

In February 1998, the FASB issued SFAS No. 132, "Employers' Disclosure about Pensions and Other Postretirement Benefits." The statement standardizes the disclosure requirements for pension and other postretirement benefits. This statement is effective for financial statements issued for fiscal years beginning after December 15, 1997. The Company is currently evaluating the impact of the disclosure. Beginning with fiscal year 1999, management intends to conform its annual consolidated financial statements to this pronouncement.

In March 1998, the AICPA issued SOP No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The SOP requires that certain costs related to the development or purchase of internal-use software be capitalized and amortized over the estimated useful life of the software. The SOP also requires that costs related to the preliminary project stage and the post-implementation/operations stage of an internal-use computer software development project be expensed as incurred. This statement is effective for financial statements issued for fiscal years beginning after December 15, 1998. The Company's management believes that the adoption of SOP 98-1 will not have a material impact on the Company's results of operations. Beginning with fiscal year 2000, management intends to conform its consolidated financial statements to this pronouncement.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Fair, Isaac and Company, Incorporated provides products and services designed to help a variety of businesses use data to make better decisions on their customers, prospective customers and existing portfolios. The Company's products include statistically derived, rule-based analytical tools, software designed to implement those analytical tools and consulting services to help clients use and track the performance of those tools. The Company also provides a range of credit scoring and credit account management services in conjunction with credit bureaus and credit card processing agencies. Its DynaMark subsidiary provides data processing and database management services to businesses engaged in direct marketing activities, many of which are in the credit and insurance industries.

The Company is organized into business units that correspond to its principal markets: consumer credit, insurance, direct marketing (DynaMark), enterprise-wide financial risk management (RMT) and a new unit, healthcare information. Sales to the consumer credit industry have traditionally accounted for the bulk of the Company's revenues. Products developed specifically for a single user in this market are generally sold on a fixed-price basis. Such products include application and behavior scoring algorithms (also known as "analytic products" or "scorecards"), credit application processing systems (ASAP(TM) and CreditDesk(R)) and custom credit account management systems, including those marketed under the name TRIAD(TM). Software systems usually also have a component of ongoing maintenance revenue, and CreditDesk systems have also been sold under time- or volume-based price arrangements. Credit scoring and credit account management services sold through credit bureaus and third-party credit card processors are generally priced based on usage. Products sold to the insurance industry are generally priced based on the number of policies in force, subject to contract minimums. DynaMark and RMT employ a combination of fixed-fee and usage-based pricing, and the healthcare information unit employs a combination of fixed-fee and usage-based pricing for its products.

This discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and Notes. In addition to historical information, this report includes certain forward-looking statements regarding events and trends that may affect the Company's future results. Such statements are subject to risks and uncertainties that could cause the Company's actual results to differ materially. Such factors include, but are not limited to, those described in this discussion and analysis.

Results of Operations
Revenues

The following table sets forth for the fiscal periods indicated (a) the percentage of revenues represented by fixed-price and usage-priced revenues from the Credit business unit, and the percentage of revenues contributed by the DynaMark, RMT, Insurance and Healthcare Information business units; and (b) the percentage change in revenues within each category from the corresponding period in the prior fiscal year. Credit fixed-price revenues include all revenues from custom scorecard, software and consulting projects. Most credit usage revenues are generated through third-party alliances such as those with credit bureaus and third-party credit card processors. In addition, some credit scorecards and software products are licensed under volume-based fee arrangements and these are included in credit usage-priced revenues.

	Percentage of Revenue Three Months Ended March 31,		Percentage Change	Percentage of Revenue Six Months Ended March 31,		Percentage Change
	1999	1998		1999	1998	
Credit						
Fixed-price	25%	27%	7%	25%	25%	19%
Usage-priced	47%	45%	20%	47%	49%	17%
DynaMark	23%	20%	33%	22%	19%	42%
RMT	1%	4%	(65%)	1%	3%	(47%)
Insurance	3%	3%	6%	4%	4%	9%
Healthcare Information	1%	1%	41%	1%	Less than 1%	NM
Total revenues	100%	100%	15%	100%	100%	21%

NM = Not meaningful

The increase in fixed-price credit revenues in the quarter ended March 31, 1999 was due primarily to increased revenues from CRMA and the Company's end-user credit account management systems ("TRIAD") and behavior scoring projects. The increase in fixed-price credit revenues in the six-months ended March 31, 1999 was due primarily to increased revenues from CRMA; sales of credit application scorecards and credit application processing software and sales of end-user credit account management systems ("TRIAD") and behavior scoring projects. CRMA's revenues were up 34 percent in the quarter and 47 percent in the six months ended March 31, 1999, compared with the same periods of the prior fiscal year. Compared with the same periods of fiscal 1998, revenues from sales of credit application scorecards and credit application processing software increased by 6 percent in the quarter and by 16 percent in the six-months ended March 31,1999. Revenues from end-user credit account management systems ("TRIAD") and behavior scoring projects in the three- and six-month periods ended March 31, 1999, were up 10 percent and 20 percent, respectively, from the same periods of fiscal 1998 due primarily to the release of the current version of TRIAD software.

The increases in usage revenues from the Credit business unit in the quarter and six months ended March 31, 1999, compared with the same periods of the prior year, were due to continuing growth in (a) usage of the Company's scoring services distributed through the three major credit bureaus in the United States and (b) the number of bankcard accounts being managed by the Company's account management services delivered through third-party processors. Revenues for the credit bureau scoring services in the six-months ended March 31, 1999, were approximately 18 percent higher than in the first six months of fiscal 1998. Revenues from credit account management services delivered through third-party processors in the most recent six months were 12 percent higher than in the corresponding period of fiscal 1998.

Revenues from credit bureau-related services increased 22 percent in both fiscal l997 and fiscal 1998 and accounted for approximately 35 percent of revenues in fiscal 1997 and 1998. During the six months ended March 31, 1999, revenues from credit bureau-related services increased 18 percent as compared to the six months ended March 31, 1998. Revenues from services provided through bankcard processors also increased in each of these years, primarily due to increases in the number of accounts at each of the major processors.

Revenues derived from alliances with credit bureaus and credit card processors have accounted for much of the Company's revenue growth in the last three years. While the Company has been very successful in extending or renewing such agreements in the past, and believes it will generally be able to do so in the future, the loss of one or more such alliances or an adverse change in terms could have a significant impact on revenues and operating margin. Revenues generated through the Company's alliances with Equifax, Inc., Experian Information Solutions, Inc. (formerly TRW Information Systems & Services), and Trans Union Corporation each accounted for approximately 7 to 10 percent of the Company's total revenues in fiscal 1998.

On September 30, 1997, amendments to the federal Fair Credit Reporting Act became effective. The Company believes these changes to the federal law regulating credit reporting will be favorable to the Company and its clients. Among other things, the new law expressly permits the use of credit bureau data to prescreen consumers for offers of credit and insurance and allows affiliated companies to share consumer information with each other subject to certain conditions. There is also a seven-year moratorium on new state legislation on certain issues. However, the states remain free to regulate the use of credit bureau data in connection with insurance underwriting. The Company believes enacted or proposed state regulation of the insurance industry has had a negative impact on its efforts to sell insurance risk scores through credit reporting agencies.

Since its acquisition, DynaMark has taken on an increasing share of the mainframe batch processing requirements of the Company's other business units. During fiscal 1998, such intercompany revenue represented more than 8 percent of DynaMark's total revenues. Accordingly, DynaMark's externally reported revenues tend to understate DynaMark's growth and contribution to the Company as a whole. The increase in DynaMark's revenues shown in the foregoing table, which excludes such intercompany revenues, was due primarily to increased revenues from customers in the financial services industry. RMT's revenues decreased in the three- and six month periods ended March 31, l999, principally due to the impact of bank consolidations.

The increases in Insurance revenues for the three-month and six-month periods ended March 31, 1999, compared with the same periods in fiscal 1998, were due primarily to growth in insurance scoring services offered through consumer reporting agencies. In the quarter and six-month period ended March 31, l999, the Company's Healthcare Information business unit derived revenues from providing analytical marketing services to a large pharmaceuticals manufacturer to help improve customer relationships and management of prescription compliance (i.e., patient's fulfillment of prescriptions and taking them to completion). In the quarter ended December 31, 1998, the Company signed its first revenue-generating contract for its receivables management system for hospitals and healthcare providers (introduced in December 1997) and in the quarter and six months ended March 31, 1999, derived revenues from this new product.

Revenues derived from outside of the United States represented approximately 15% of total revenues in both the quarter and six-months ended March 31, 1999, compared with approximately 18% of total revenues in the quarter and six-months ended March 31, 1998.

Revenues from software maintenance and consulting services each accounted for less than 10 percent of revenues in each of the three years in the period ended September 30, 1998, and in the six-months ended March 31, 1999. The Company does not expect revenues from either of these sources to exceed 10 percent of revenues in the foreseeable future.

During the period since 1990, while the rate of account growth in the U.S. bankcard industry has been slowing and many of the Company's largest institutional clients have merged and consolidated, the Company has generated above-average growth in revenues--even after adjusting for the effect of acquisitions--from its bankcard-related scoring and account management business by deepening its penetration of large banks and other credit issuers. The Company believes much of its future growth prospects will rest on its ability to: (a) develop new, high-value products, (b) increase its penetration of established or emerging credit markets outside the U.S. and Canada and (c) expand--either directly or through further acquisitions--into relatively undeveloped or underdeveloped markets for its products and services, such as direct marketing, insurance, small business lending and healthcare information management. During fiscal 1998, the Company's backlog of orders for fixed-priced products declined slightly, and during the six months ended March 31, 1999, this backlog declined an additional $7.7 million. This indicates that revenue growth in the remainder of fiscal 1999 and later years may depend to a large extent on sales of newly developed products, and that revenue growth during the remainder of fiscal 1999 may be slower than during the six months ended March 31, 1999.

On March 8, 1999, the Company announced a new strategic focus and several growth initiatives. The Company plans to continue to focus on its traditional core business, financial services, and to pursue additional opportunities in the healthcare market. In addition, the Company will form two new business units to pursue opportunities in the telecommunications and e-business industries and realign existing business and service units to support these new initiatives.

Over the long term, in addition to the factors discussed above, the Company's rate of revenue growth--excluding growth due to acquisitions--is limited by the rate at which it can recruit and absorb additional professional staff. Management believes this constraint will continue to exist indefinitely. On the other hand, despite the high penetration the Company has already achieved in certain markets, the opportunities for application of its core competencies are much greater than it can pursue. Thus, the Company believes it can continue to grow revenues, within the personnel constraint, for the foreseeable future. At times management may forego short-term revenue growth in order to devote limited resources to opportunities that it believes have exceptional long-term potential, as is the case currently with the inclusion in its new strategic focus of opportunities in the telecommunications and electronic commerce markets. This also occurred in the period from 1988 through 1990, when the Company devoted significant resources to developing the usage-priced services distributed through credit bureaus and third-party processors.

Expenses

The following table sets forth for the periods indicated (a) the percentage of revenues represented by certain line items in the Company's consolidated statements of income and (b) the percentage change in such items from the same periods in the prior fiscal year.

	Six Months Ended March 31, 1999	Six Months Ended March 31, 1998	Percentage Change	Three Months Ended March 31, 1999	Three Months Ended March 31, 1998	Percentage Change
Revenues	100%	100%	21%	100%	100%	15%
Costs and expenses:						
Cost of revenues	38	36	27%	39	36	27%
Sales and marketing	15	16	14%	15	15	10%
Research and development	11	12	11%	11	12	6%
General and administrative	18	21	4%	17	21	(5%)
Amortization of intangibles	1	1	46%	1	1	65%
Total costs and expenses	83	86	17%	83	85	13%
Income from operations	17	14	48%	17	15	30%
Other income and expense	1	Less than 1	NM	2	1	NM
Income before income taxes	18	14	56%	19	16	36%
Provision for income taxes	7	6	59%	8	7	36%
Net income	11%	8%	53%	11%	9%	36%

NM = Not meaningful

Cost of revenues

Cost of revenues consists primarily of personnel, travel, and related overhead costs; costs of computer service bureaus; and the amounts paid by the Company to credit bureaus for scores and related information in connection with the ScoreNet(R) service. The cost of revenues, as a percentage of revenues, increased in the three- and six-months ended March 31, 1999, as compared with the same periods a year earlier, due to changes in sales of the Company's product mix.

Sales and marketing

Sales and marketing expenses consist principally of personnel, travel, overhead, advertising and other promotional expenses. As a percentage of revenues, these expenses decreased slightly in the six-month period ended March 31, 1999, compared with the same period in fiscal 1998, due to a decrease in expenses for media advertising to increase brand visibility and researching market opportunities outside the United States. These expenses, as a percentage of revenues, were essentially unchanged, for the quarter ended March 31, 1999, as compared with the same period a year earlier.

Research and development

Research and development expenses include the personnel and related overhead costs incurred in developing products, researching mathematical and statistical algorithms, and developing software tools that are aimed at improving productivity and management control. After several years of concentrating on developing new markets--either geographical or by industry--for its existing technologies, the Company has increased emphasis on developing new technologies, especially in the area of software development. Research and development expenditures in the six-month period ending March 31, l999 were primarily related to new fraud-detection software products, healthcare receivables management and Year 2000 compliance work. Research and development expenditures in the quarter ended March 31, 1999 were primarily related to fraud-detection software products, healthcare receivables management and a new release of TRIAD software. Research and development expenses, as a percentage of revenues, declined slightly over the corresponding periods of fiscal 1998. The Company expects that research and development expenses will increase in future periods for development of new products targeted for the telecommunications and e-commerce markets.

General and administrative

General and administrative expenses consist mainly of compensation expenses for certain senior management, corporate facilities expenses, the costs of administering certain benefit plans, legal expenses, expenses associated with the exploration of new business opportunities and the costs of operating administrative functions such as finance and computer information systems. As a percentage of revenues, these expenses for the six-month and three-month periods ended March 31, 1999, were lower than in the corresponding periods of fiscal 1998, due primarily to reassignment of personnel and related costs. The Company expects increased facilities costs in the fourth quarter of fiscal 1999 due to planned office expansions.

Amortization of intangibles

The Company is amortizing the intangible assets arising from various acquisitions over periods ranging from two to fifteen years. The Company expects to make the final additional payment (earnout) to the former shareholders of Credit & Risk Management Associates, Inc., a privately held company acquired in 1996, in the approximate amount of $2.1 million in the third quarter of this fiscal year, which payment is anticipated to increase the level of amortization expense.

Other income and expense

Interest income, derived from the investment of funds surplus to the Company's immediate operating requirements, increased in the six- and three-months ended March 31, 1999, compared with the corresponding periods a year earlier due to higher balances invested in interest bearing instruments. In the corresponding periods in the prior fiscal year, the Company recorded interest expense resulting from a federal tax audit. In the quarter ended March 31, 1999, the Company recorded a one-time gain of approximately $484,000 on the sale of investment securities.

Provision for income taxes

The Company's effective tax rate increased to 42% in the six-month period ended March 31, 1999 from 41% in the corresponding period of fiscal 1998, due primarily to the nondeductible nature of goodwill, deferred compensation and an increase in the effective state tax rate. In both three-month periods ended March 31, 1999 and 1998, the Company's effective tax rate was 42%.

Financial Condition

Working capital increased from $54,852,000 at September 30, 1998 to $67,597,000 at March 31, 1999. Cash and marketable investments increased from $53,487,000 at September 30, 1998, to $60,560,000 at March 31, 1999. The Company's long-term obligations are mainly due to lease and employee incentive and benefit obligations.

On December 1, 1997, the Company purchased undeveloped land in San Rafael, California, with the intention of constructing an office complex to accommodate future growth. Development has commenced, and on May 15, 1998, the Company entered into a synthetic lease arrangement, which will materially increase the Company's future operating lease expenses. Rental payments will commence upon completion of construction, which is expected to occur in the second quarter of fiscal 2001. With this external financing, the Company believes that the cash and marketable securities on hand, along with cash expected to be generated by operations, will be adequate to meet its capital and liquidity needs for both the current year and the foreseeable future.

On March 25, 1999, the Company announced approval of a stock repurchase program under which it would begin purchasing up to one million shares of its common stock, to be funded by cash on hand. As of May 12, 1999, the Company had repurchased 204,078 shares at a cost of approximately $7.2 million.

Interim Periods

Quarterly results may be affected by fluctuations in revenues associated with credit card solicitations, by the timing of orders for and deliveries of certain ASAP and TRIAD systems, and by the seasonality of ScoreNet purchases. With the exception of the cost of ScoreNet data purchased by the Company, most of its operating expenses are not affected by short-term fluctuations in revenues; thus short-term fluctuations in revenues may have a significant impact on operating results. However, in recent years, these fluctuations were generally offset by the strong growth in revenues from services delivered through credit bureaus and third-party bankcard processors. Management believes that neither the quarterly variation in revenues and net income, nor the results of operations for any particular quarter, are necessarily indicative of results of operations for full fiscal years. Accordingly, management believes that the Company's results should be evaluated on an annual basis.

Year 2000

The Company is performing Year 2000 remediation work and compliance testing on its software products marketed to customers. The updated versions of its software products currently being shipped to customers are Year 2000 compliant. Year 2000 remediation work, including compliance testing, for most earlier versions of the Company's software installed at customer sites is being performed as part of the Company's normal upgrade and maintenance process. Prior to the end of calendar 1999, the Company will discontinue support for some software products that have been replaced by other products, and Year 2000 upgrades for these products will not be available. Revenues from such products are not significant. There are no assurances that the Company's current products do not contain undetected errors or defects associated with Year 2000 date functions that may result in material costs to the Company.

In addition Year 2000 issues may cause customers to slow down computer software purchases as they devote more time to preparing and testing their systems for Year 2000 readiness, or to accelerate such purchases to allow sufficient time to evaluate, implement and test new systems prior to the advent of the Year 2000. The Company is also aware of a growing number of lawsuits against other software vendors arising out of Year 2000 compliance issues. Because of the unprecedented nature of such litigation, it is uncertain to what extent the Company may be affected by it.

However, the Company currently does not expect significant disruption of its revenues or operations from the Year 2000 issues associated with its products. The Company has not made an assessment of the potential impact of failing to complete its own Year 2000 remediation work and is developing contingency plans for such an event.

Additionally, the Company has substantially completed its Year 2000 inventory, assessment and remediation of internal information technology (IT) and non-IT systems and applications as of April 30, 1999. The Company has determined that all of its business-critical systems have been thoroughly tested and are Year 2000 compliant. For all IT applications supplied to the Company by third parties, appropriate available "patches" have been applied to bring them into compliance. Extensive compliance testing has commenced and will continue through June 1999, with priority given to business-critical IT and non-IT systems and applications. The most reasonably likely worst-case scenarios would include: (a) corruption of data contained in the Company's internal information systems, and (b) hardware/operating system failure. The Company is in the process of completing its contingency plans for business-critical IT and non-IT internal systems as an extension of its existing disaster recovery plan and expects to complete such planning by June 30, 1999.

As of March 31, 1999 costs expended for Year 2000 remediation (including compliance testing) of products and internal systems are approximately $4.6 million, and the Company currently does not expect such costs to exceed $5 million. The Company anticipates that additional expenses incurred for Year 2000 work will relate primarily to contingency planning. These costs principally consist of both internal staff costs and expenses for external consultants, software and hardware, which have been or will be expensed by the Company during the period they are incurred. Expected costs for the Year 2000 remediation work (including compliance testing) and projected completion dates are based on the Company's management's estimates and assumptions and actual results may vary materially from those anticipated.

The Company has also initiated communications with third parties on which it is dependent for essential services and for the distribution of its significant services to determine how they are addressing Year 2000 issues and to evaluate any impact on the Company's operations. The Company is working with these third parties to resolve Year 2000 issues, including in some cases, jointly developing contingency plans. Information received to date indicates that these parties are in the process of implementing and/or testing remediation strategies to ensure Year 2000 compliance of systems, services and/or products. However, the lack of resolution of Year 2000 issues by these parties--especially the credit bureaus and credit card processors through which the Company distributes credit scoring and account management services--could have a material adverse impact on the Company's future business operations, financial condition and results of operations.

The Company anticipates that the most reasonably likely worst-case scenarios involving third-party Year 2000 issues would include: (a) failure of infrastructure services provided by government agencies and third parties (e.g., transportation, electricity, telephone, Internet services, etc.) and (b) failure of one or more of the credit bureaus or credit card processors through which the Company distributes its credit scoring and account management services to achieve timely and successful Year 2000 compliance. Contingency plans to address these most reasonably likely worst-case scenarios are under development and are expected to be completed by June 30, 1999. At this time the Company cannot quantify the potential impact of third-party Year 2000 issues.

The foregoing information and statements regarding the Company's Year 2000 capabilities and readiness are "Year 2000 Information and Readiness Disclosures" in conformance with the Year 2000 Information and Readiness Disclosure Act of 1998 enacted on October 19, 1998.

European Economic and Monetary Union (EMU)

Under the European Union's plan for Economic and Monetary Union (EMU), the euro becomes the sole accounting currency of EMU countries on January 1, 2002. Its initial phase became effective on January 1, 1999 in 11 participating countries: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. In this initial phase EMU mandates that key financial systems be able to triangulate conversion rates so that any amount booked will be logged and processed simultaneously in both the local currency and euros. The Company believes that its computer systems and programs are euro-compliant. Costs associated with compliance were not material and were expensed by the Company as they were incurred.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Disclosures. The following discussion about the Company's market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. The Company is exposed to market risk related to changes in interest rates, foreign currency exchange rates and equity security price risk. The Company does not use derivative financial instruments for speculative or trading purposes.

Interest Rate Sensitivity. The Company maintains an investment portfolio consisting mainly of income securities with an average maturity of less than five years. These available-for-sale securities are subject to interest rate risk and will fall in value if market interest rates increase. If market interest rates were to increase immediately and uniformly by 10 percent from levels at March 31, 1999, the fair value of the portfolio would decline by an immaterial amount. The Company has the ability to hold its fixed income investments until maturity, and therefore the Company would not expect its operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates on its securities portfolio. The Company believes foreign currency and equity risk is not material.

PART II - OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

24.1	Power of Attorney (see page 18 of this Form 10-Q).
27.1	Financial Data Schedule
27.2	Revised Financial Data Schedule

(b) Reports on Form 8-K:

One report on Form 8-K was filed during the quarter ended March 31, 1999. A report on Form 8-K was filed March 9, 1999 reporting planned changes in the organizational structure of the Company. These changes will include formation of two new business units in electronic commerce and telecommunications and realignment of existing business and service units of the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FAIR, ISAAC AND COMPANY, INCORPORATED

DATE: May 14, 1999

By PETER L. MCCORKELL

Peter L. McCorkell
Senior Vice President and Secretary

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints PETER L. McCORKELL his attorney-in-fact, with full power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-Q and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following person on behalf of the registrant and in the capacities and on the date indicated.

DATE: May 14, 1999

By LENNOX L. VERNON

Lennox L. Vernon
Vice President, Acting Chief
Financial Officer and Treasurer

EXHIBIT INDEX

TO FAIR, ISAAC AND COMPANY, INCORPORATED
REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 1999

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND INCOME STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

6-MOS
SEP-30-1999
OCT-01-1998
MAR-31-1999
11,519
25,915
40,699
1,204
0
113,118
82,747
45,776
203,081
45,521
579
0
0
142
149,025
203,081
0
136,851
0
52,012
20,317
148
80
25,020
10,508
14,512
0
0
0
14,512
1.03
1.00

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND INCOME STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000

6-MOS
SEP-30-1998
OCT-01-1997
MAR-31-1998
17,180
4,607
36,285
889
0
87,413
75,488
35,125
158,689
35,324
999
0
0
139
115,395
158,689
0
113,166
0
41,071
17,890
220
364
16,073
6,618
9,455
0
0
0
9,455
.70
.66

The Financial data has been restated to reflect reclassifications to conform to the fiscal year 1999 presentation.