

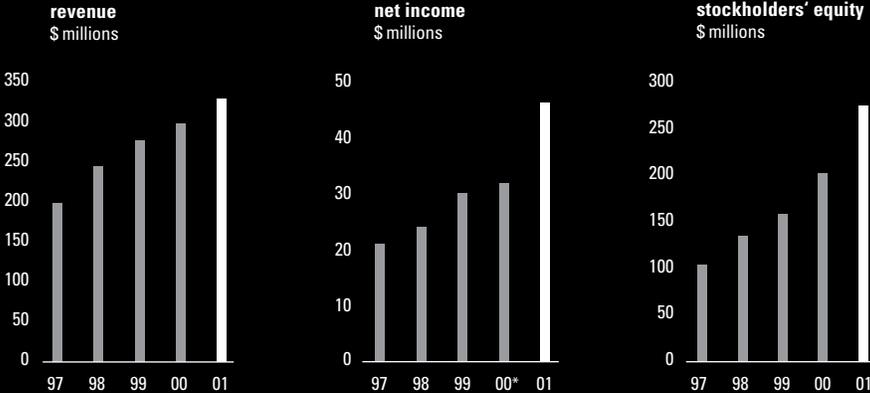
POWERING

443

SMART DECISIONS PER SECOND



**ADVANCING A STRATEGY MEANS MAKING THE RIGHT DECISION
AGAIN AND AGAIN.**



*Excluding restructuring and non-recurring charges.



Fair, Isaac is the preeminent provider of creative analytics that unlock value for people, businesses and industries.

PEOPLE.

We help people get products and services easier and faster, and enable companies to better anticipate their customers' needs. Most recently, we launched an initiative to empower consumers to better manage their credit health.

BUSINESSES.

We help businesses market more efficiently, increase customer value, reduce losses and operating expenses, and enter new markets more profitably. We serve financial services, insurance, retail and telecommunications companies in more than 60 countries.

INDUSTRIES.

We change the way industries operate by creating standards that make markets more efficient. For US financial services, we created a more unified market for consumer debt by making individual risk transparent. This opened enormous new opportunities for banks, such as secondary markets for pooled loans.

to our stockholders, clients and employees

In fiscal 2001 we began to realize the gains from the refocusing work we did in 2000. In a trying economic climate, we achieved impressive growth in our bottom line, stockholders' equity and cash position. We launched new market offerings that both advanced the science of decision technology and brought its power to the consumer market.

Revenues for the fiscal year reached \$329 million, up 10% from the prior year. Net profits reached \$46 million, or \$2.00 per share, up 44% from 2000, excluding restructuring and non-recurring charges. These numbers reflect the resilience of our business model and the faith our clients place in the reliability of our solutions.

We also topped \$1 billion in market capitalization for the first time, and grew stockholders' equity more than 35%, in a period that saw many technology businesses collapse, and the Standard & Poor's 500 drop by more than 25%. We implemented a three-for-two stock split in June, and repurchased stock earlier this year, showing our confidence in Fair, Isaac's prospects. We increased our cash and investments by more than 65% to \$155 million, and our balance sheet remains debt-free.

From a strategic viewpoint, the year was also a standout. We "productized" a major breakthrough in applied analytics, fresh from our R&D labs. Our Strategy Science technology brings Fair, Isaac's powerful analytics, which have made us the leaders in behavior prediction, to the design of business strategies.

We see Strategy Science as the third decision revolution Fair, Isaac has pioneered in financial services. The strong market response bears this out. In April we launched the first application based on Strategy Science, Credit Line Strategy Optimization™ (CLSO). As of November 1, five leading bankcard issuers had signed up to use CLSO, including three of the ten leading US bankcard issuers.

This year also saw us entering an entirely new market—the consumer market—by leveraging our most popular business-to-business product, the FICO® credit bureau risk score. We took our first steps last year, when we publicized the factors that go into a FICO score. In 2001, working with Equifax, we began selling consumers their FICO scores directly, via our myFICOSM Web site at www.myfico.com. Now the same scores lenders use as a ubiquitous, affordable measure of credit risk provide credit empowerment to individuals.

With the myFICO service, we have turned score disclosure into a revenue source, extremely positive public response and an expansion of the Fair, Isaac brand. And we've already given close to 1 million people the understanding they need to improve their credit options.

PARTIAL CLIENT LIST

FINANCIAL SERVICES

BBVA

SCH

BANK OF AMERICA

BARCLAYS BANK

CHASE MANHATTAN

DEUTSCHE BANK

FLEET

HOUSEHOLD INTERNATIONAL

HSBC

KEY BANK

PEOPLES BANK

ROYAL BANK OF CANADA

SUMITOMO

INSURANCE

AMERICAN FAMILY

KEMPER INSURANCE

LIBERTY LIFE

PROGRESSIVE

STATE FARM INSURANCE

Other accomplishments in fiscal 2001 crossed many aspects of our business:

- Our transaction-based scoring business grew by more than 11%, driven by an increase in marketing by credit card issuers, a strong market for mortgage refinancings and the myFICO service. Our FICO scores and our credit account management systems powered more than 14 billion decisions in fiscal 2001.
- Our netsourced offerings continued to grow and gain market acceptance. Fair, Isaac MarketSmart Decision System® and LiquidCredit® not only acquired new clients, they also led to new partnerships with companies such as Siebel, Xchange and Baker Hill. These partnerships expand both the capabilities and sales reach of our credit and marketing solutions.
- We redoubled our own marketing efforts, sparked in part by the US public's growing awareness of both FICO scores and Fair, Isaac. Our new Web site (www.fairisaac.com) showcases our more dynamic approach to building the Fair, Isaac brand among all audiences: businesses, consumers, employment candidates and investors.
- We greatly increased productivity and profitability, growing revenues by 10% while holding operating costs and expenses to just over 1% growth. We completely replaced our "back-end" financial systems, giving management much greater visibility and control over our billing, expenses, resources, procurement and sales processes. In another infrastructure improvement, we outsourced our mainframe computer maintenance to IBM, converting a fixed cost into a variable cost while adding flexibility and performance.
- Finally, *Forbes* named Fair, Isaac one of the top 200 small businesses in America—a public recognition we have enjoyed nine times in the past ten years.

In celebrating our success, we must acknowledge the tragic events that darkened the last month of our fiscal year. Our hearts are with our investors, clients and friends who suffered grievous losses. And our spirit reflects that of our nation: strong, hopeful and proud.

The question going forward for every American business is: How will the current world events and domestic economic conditions affect us? We remain cautiously optimistic. Although we anticipate slower activity in some sectors, we foresee continued and even increased demand for our solutions that help businesses manage risk and improve profitability.

Going into this year, we are focusing on three key areas where we have proven leadership and differentiation in the marketplace:

- **Strategy Science:** We will continue to sign CLSO users in 2002. In addition, we expect to introduce new offerings for other applications and markets, starting with credit customer acquisition. The good news is that our biggest Strategy Science prospects already use our account management systems, which can implement Strategy Science's optimized strategies.
- **Strategy Machines™:** These are the software platforms that operationalize our analytics to automate and improve a business's strategies—think of them as the razors for our analytic blades. This year we'll launch new versions of our TRIAD™ adaptive control system, the world's leading account management system, used to manage about 65% of the world's credit cards. We'll also upgrade and enhance our other industry-focused Strategy Machines, such as LiquidCredit and MarketSmart, while selling new enterprise tools that businesses can use to build their own Strategy Machines.
- **myFICO Service:** We intend to parlay the world's leading credit bureau scores into the leading tools for consumer credit empowerment. As the exclusive provider of consumer scores on Quicken and other Web sites, we will make FICO scores a staple for people seeking new credit and better terms, and a rich cross-selling opportunity for lenders.

The new products we introduced in 2001 will become the backbone for continued growth beyond 2002. Our new business systems and processes will ensure that we prudently invest our expense dollars in order to grow earnings at a faster rate than revenue growth.

I'm very proud of the Fair, Isaac team and what we accomplished this year. We've had great financial results, a striking increase in market valuation and an impressive response to new market offerings. We've got the people, the products, the reputation and the enthusiasm we need to prosper in the challenging times ahead. On behalf of all of us, thank you for your continuing support.



Thomas G. Grudnowski
President and Chief Executive Officer

PARTIAL CLIENT LIST

RETAIL

CARSDIRECT.COM

DILLARD

DSW SHOE WAREHOUSE

JOCKEY INTERNATIONAL

MARKS & SPENCER

NECKERMANN AG

SEARS

TRUWORTH GROUP

TELECOMMUNICATIONS

BELL CANADA

MCI / WORLDWIDE

TELEFONICA DEL PERU

TELUS COMMUNICATIONS

VERIZON (BELL ATLANTIC)



Tom Grudnowski

breaking new ground in creative analytics



Fair, Isaac has long defined the field of analytics—from our pioneering work in credit scoring to today's breakthroughs in strategy optimization. Why do clients trust us to forge this path?

NO ONE ELSE HAS BOTH THE LONGEVITY AND BREADTH OF EXPERIENCE THAT WE DO

After 45 years in analytics, Fair, Isaac has become *the* place for top analytic talent. We employ hundreds of professionals with technical and business know-how across many industries. Our staff consists of seasoned veterans along with recruits from the best schools.

OUR TOOLS AND METHODOLOGIES ARE THE BEST IN THE BUSINESS

Our analysts leverage their expertise into crafting the best techniques and tools that allow us to build more powerful solutions for clients—year after year. In 2001, we enhanced core tools like *INFORMPLUS™*, Fair, Isaac's proprietary platform for building predictive models, which we've continually redeveloped since the 1960s. We also created a new generation of data exploration tools to mine transaction data and improve marketing segmentation.

WE MAKE THEORIES PRACTICAL—AND PROFITABLE

In 1956, Bill Fair and Earl Isaac founded a company with the novel idea of applying analytics to tackle business problems. This culture of innovation carries on today. Our passion is making sophisticated analytics operational so they provide real business value. This year, we did it faster than ever before—as illustrated by the quick development and successful launches of the myFICOSM service and the first application of Strategy Science.

Creative analytics drive our business successes and remain at the core of everything we do. We concentrate not only on advancing analytics but also leveraging these efforts into meaningful decision making for clients. Over the last five decades, we've done this using the talent, tools and expertise that no rival can equal. Maintaining this leadership will remain our focus in the decades to come.

$$E[P|S] = gP(G|S) - 2P(B|S)$$

We don't just talk about helping companies optimize profit and market share. We do the math—literally.

$$= gP(G|S) - 2P(B|S)$$
$$= gP(B|S) \left[\omega(S) - \frac{2}{g} \right]$$

FAIR, ISAAC OFFICES

UNITED STATES

- SAN RAFAEL, CA
- ATLANTA, GA
- BALTIMORE, MD
- BROOKINGS, SD
- EMERYVILLE, CA
- NEW YORK, NY
- ST. PAUL, MN
- WILMINGTON, DE

14 billion

**FAIR, ISAAC ANALYTICS POWERED MORE THAN
14 BILLION DECISIONS IN 2001**

“Fair, Isaac, having virtually invented the statistical scoring of credit as a technique for lenders, has stepped up to the plate to empower consumers. With myFICO, consumers can access their own scores, and in a best-case scenario, improve that score based on changes in behavior and borrowing.”

—Theodore Iacobuzio
Senior Analyst of Consumer Credit, TowerGroup

**THIS YEAR OUR myFICOSM SERVICE HELPED NEARLY
1,000,000 PEOPLE IMPROVE THEIR CREDIT HEALTH**

1,000,000



becoming the consumer brand for credit empowerment

This year's launch of Fair, Isaac's myFICO service at www.myfico.com made credit history. For the first time, consumers could purchase their FICO® scores, the score used by most of the top US banks for loan decisions. In the first six months of the myFICO credit education site, close to 1 million consumers received their scores—and volumes continue to grow.

The first of our consumer offerings, our myFICO service, has unveiled a tremendous new market opportunity for Fair, Isaac. Since 190 million US consumers have credit records, even modest penetration with low-cost services could yield significant results.

Consumers that are able to maintain higher FICO scores through effective credit management can save hundreds of thousands of dollars in interest expenses during their lifetime.* Thus, myFICO solutions are designed to empower consumers to manage their credit, while building long-term relationships with their financial institutions. Score Power™ service provides a FICO score, an Equifax credit report and analysis information to help consumers improve their scores. A quarterly subscription of Score Power allows consumers to monitor their FICO scores throughout the year.

Fair, Isaac's long-term strategy for growth of the myFICO service is to create value-add partnerships with lenders and other organizations involved in the credit industry. We recently signed deals with Intuit and Citibank to be the consumer score available through their Web sites (and Quicken software). This will expose millions of individuals to the myFICO service. By making it easier for customers to get scores and credit education, partners can add value to their sites—yet another way Fair, Isaac is helping businesses attract, grow and retain relationships with customers.

**Based on average estimated interest expenses incurred by an average home-owning family over a 30-year credit lifetime, using an interest rate spread of 3.75%.*

AN ONLINE SURVEY OF SCORE POWER PURCHASERS SHOWED THAT THE myFICO SERVICE HELPS CONSUMERS FEEL EMPOWERED TO MANAGE THEIR CREDIT HEALTH, AND THAT MANY WOULD USE THE SERVICE REGULARLY.

- 80% had taken actions to improve their FICO score based on the information they received.
- 60% used the service because they were planning a major purchase (home, refinance, car).
- 60% said the information made them feel in more control of their finances.

replacing the guesswork in strategies with science

In 2001, Fair, Isaac introduced the first flavor of Strategy Science, a revolutionary approach to strategy development for customer marketing and management. The first application, targeting credit line increases, has shown up to 35% profit increases over traditionally developed strategies. Such dramatic results could pump billions of dollars in additional profits per year in the credit card industry.

Strategy Science marks the third “decision revolution” in Fair, Isaac’s history—that is, the third major analytic advancement changing the way industries do business. Both previous revolutions—credit scoring and adaptive control—fueled profit gains for financial services on the order of 20%–30%.

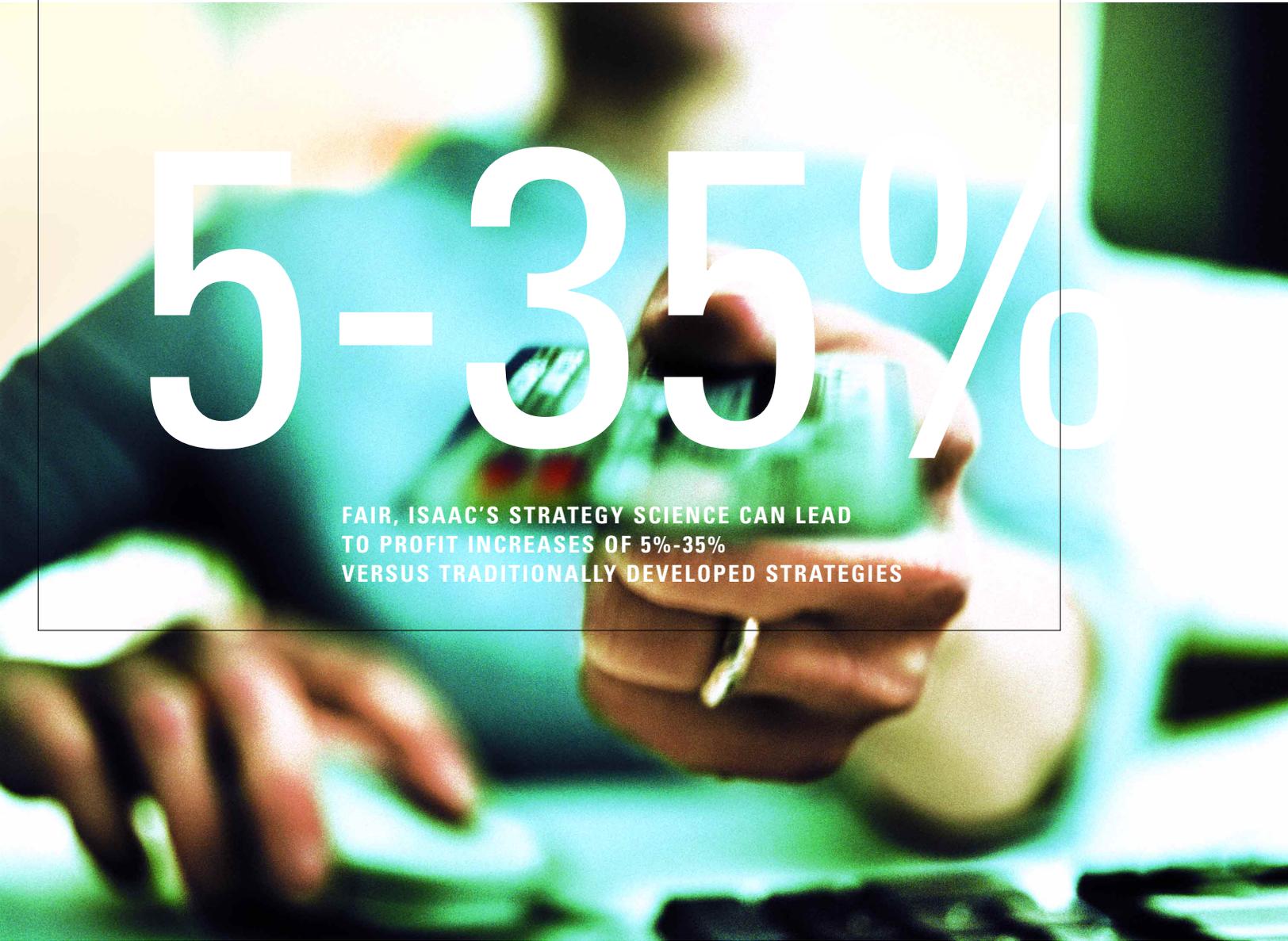
Strategy Science adds an empirical approach to strategy development. Traditionally, clients would build strategies based on ad-hoc data analysis and best-guess efforts, try them out on the fly, and see which worked best. With Strategy Science, decision models and optimization technology map the mathematical relationships between hundreds of variables affecting a key business objective, such as increased profitability. This empirical approach greatly accelerates the learning process so companies can more quickly discover the most rewarding strategies.

Only months after it was introduced, the first application of Strategy Science has been adopted by four top US card issuers: Fleet, First USA, Chase Manhattan and People’s Bank. Fair, Isaac has also signed an extensive global agreement with HSBC, one of the largest financial services organizations in the world. Looking ahead, this application has tremendous potential worldwide for companies using decisioning platforms such as Fair, Isaac’s TRIAD™ adaptive control, used to manage 65% of the world’s credit cards.

The second application of Strategy Science tackles customer acquisition for card issuers, with similar 5%–35% profit improvements expected. As with the credit line application, we’re targeting our core client base with innovations in analytics that they know only Fair, Isaac can provide—a proven formula for success.

"We decided to work with Fair, Isaac because of its long-standing reputation for providing world-class decision technology in financial services, and its ability to understand the unique challenges we face. We believe this is what will make Strategy Science so successful."

—Mark Vitelli
Executive Vice President, People's Bank Credit Card Services



5-35%

**FAIR, ISAAC'S STRATEGY SCIENCE CAN LEAD
TO PROFIT INCREASES OF 5%-35%
VERSUS TRADITIONALLY DEVELOPED STRATEGIES**

"I think when you are talking about decisions in South America or Asia, it does help to have Fair, Isaac people on the ground, who know the market and can help us get to the optimum solution that we want. I do not think anyone else offers that."

—George Lennox
Manager of Group Credit, HSBC Holdings plc



44%

**FAIR, ISAAC PRODUCTS HAVE GLOBAL APPEAL:
44% GROWTH IN INTERNATIONAL SALES IN THE
LAST TWO YEARS**

setting the decision standard across the globe

In the last two years, international sales have grown 44%, constituting a solid part of Fair, Isaac's revenue. Our solutions have global appeal because they address the full range of client needs—from basic scoring for markets new to automation, to complex tools for those seeking customer-level decisions and optimized strategies. As the need for this technology matures worldwide, our solutions can grow to meet these demands.

This year's successes include:

JAPAN'S FIRST WEB-BASED CREDIT DECISIONS WITH FUJITSU FIP

This solution incorporates Fair, Isaac's LiquidCredit® decisioning service. Japan is one of the world's most active consumer credit markets, second only to the US in total cards issued.

OPTIMIZED CREDIT LINE MANAGEMENT FOR HSBC WORLDWIDE

After adopting our TRIAD™ system as its global customer management platform, HSBC signed for our first Strategy Science offering, optimized credit card line strategies. HSBC's network includes offices across Europe, Asia-Pacific, the Americas and the Middle East.

DECISIONING PARTNERSHIP WITH EQUIFAX IN BRAZIL

This agreement will provide Brazilian businesses with a range of netsourced credit-granting solutions. The first service, which will be live in early 2002, includes LiquidCredit and analytics, allowing lenders in Latin America's fastest-growing economy to build long-term customer relationships.

IMPROVED STRATEGY DESIGN FOR BARCLAYCARD

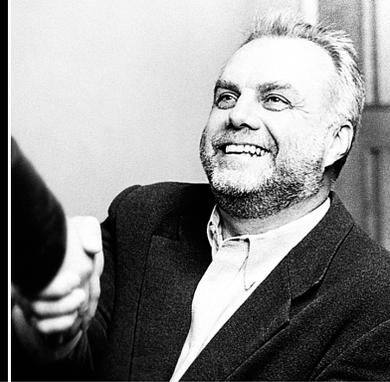
A long-time user of TRIAD, Barclaycard deployed Fair, Isaac Strategy Designer™ to create new credit strategies, prompting a 48% lift in income over its traditional approach. As a result, the bank expects to see an ROI of 40:1 within a year.

ENTERPRISE-WIDE DECISIONING FOR SCH IN LATIN AMERICA AND EUROPE

Santander Central Hispano has chosen Fair, Isaac risk management solutions as the standard platform across its multi-country lending network. SCH is one of the top global banking groups, concentrated in Latin America and Europe.

With global wins such as these, our brand translates throughout the world as the gold standard in analytics and decision technology.

bringing creative analytics to multiple industries



The Fair, Isaac brand is well-known and trusted throughout the financial services industry. We count among our clientele most of the world's leading banks and card issuers. But our kind of creative analytics goes far beyond financial services. We offer unique value to virtually any company with customers and information about them. That's why we're working with some of the most forward-thinking retailers, telecommunications providers and other companies.

How prevalent is Fair, Isaac technology? It's vital to decisions in:

CREDIT CARDS: More than 65% of the world's credit cards are managed using Fair, Isaac adaptive control systems. Our analytics are also used to make better marketing decisions on new card solicitations.

MORTGAGE: Our scoring is used in three out of every four mortgage originations in the US.

INSURANCE: More than 300 insurers in the US, Canada, Europe and Latin America use our tools to book applicants, renew policies and market to new prospects.

RETAIL: We serve 22 of the top 25 retail card issuers worldwide, and we help catalogers, manufacturers and merchandisers make millions of better marketing decisions each year.

TELECOMMUNICATIONS: Telecom firms use our technology to assess applicant risk, identify high risk among new customers and manage their portfolios of accounts.

To help clients in these industries with their customer strategies, we combine three key disciplines: data management, analytics and enabling software. Over the decades, we've learned what many companies are just beginning to see—that having expertise in just one of these areas is not enough. Although any one component can add to a business's success, the real victories result when all three are tightly integrated. Fair, Isaac is the answer for companies that want to advance beyond simple data collection and process automation, and really start to make their strategies more successful—every day, with every decision.

Companies work with Fair, Isaac because they want to do business with a trusted leader.

FAIR, ISAAC OFFICES

INTERNATIONAL

- BIRMINGHAM, UK
- JOHANNESBURG, SOUTH AFRICA
- MADRID, SPAIN
- PARIS, FRANCE
- SÃO PAULO, BRAZIL
- TOKYO, JAPAN
- TORONTO, CANADA

45 years

SINCE 1956, WE'VE BUILT OUR REPUTATION ON INNOVATION, TECHNICAL LEADERSHIP AND OUTSTANDING CLIENT CARE

"Citibank chose Fair, Isaac because we place a premium on experience."

—Kate Flanagan, Vice President, Citibank

selected financial data

(in thousands, except per share data)

Fiscal years ended September 30,	2001	2000	1999	1998	1997
Revenues	\$329,148	\$298,630	\$277,041	\$245,545	\$199,009
Income from operations	72,107	44,614	46,375	40,432	37,756
Income before income taxes	76,853	47,070	50,600	42,105	35,546
Net income	46,112	31,922*	29,980	24,327	20,686
Earnings per share:					
Diluted	\$ 2.00	\$ 1.45*	\$ 1.39	\$ 1.12	\$ 0.97
Basic	\$ 2.10	\$ 1.49*	\$ 1.42	\$ 1.18	\$ 1.03
Dividends per share:	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08
At September 30,	2001	2000	1999	1998	1997
Working capital	\$ 94,624	\$ 100,694	\$ 55,885	\$ 54,852	\$ 47,727
Total assets	317,013	241,288	210,353	189,614	145,228
Long-term capital lease obligations	—	—	364	789	1,183
Stockholders' equity	271,772	199,001	156,499	133,451	103,189

Due to certain reclassifications in fiscal 2001, revenues of prior years are restated to conform to 2001 classification.

In May 2001, the Company's Board of Directors authorized a three-for-two stock split effected in the form of a 50% stock dividend with cash payment in lieu of fractional shares, payable on June 4, 2001 to holders of common stock of the Company on record at the close of business on May 14, 2001. All share and earnings per share amounts are restated.

*Excluding restructuring and non-recurring charges.

Forward-Looking Statements

Some of the information contained in this Annual Report, including statements made concerning our new products and the anticipated customer acceptance of those products, the anticipated benefits of our products and services to our clients and the anticipated effects on our future financial results, are forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. The risks and uncertainties include the Company's ability to recruit and maintain key technical and managerial personnel, the maintenance of its existing relationships with key alliance partners, its ability to continue to develop new and enhanced products and services, competition, regulation changes applicable to the use of consumer credit and other data and other risks and uncertainties described from time to time in Fair, Isaac's SEC reports, including its Annual Report on Form 10-K for the year ended September 30, 2001. These forward-looking statements speak only as of the date hereof. Fair, Isaac disclaims any intent or obligation to update these forward-looking statements.

Board of Directors

Robert M. Oliver
Chairman of the Board
Fair, Isaac and Company, Incorporated

A. George Battle^{1, 2}
Chief Executive Officer
Ask Jeeves, Incorporated

Tony L. Christianson
Managing Partner
Cherry Tree Investments, Inc.

Thomas G. Grudnowski
President and Chief Executive Officer
Fair, Isaac and Company, Incorporated

Philip G. Heasley²
Chairman and Chief Executive Officer
First USA, a unit of Bank One

Guy Henshaw¹
Partner
Henshaw & Vierra, LLC

David S. P. Hopkins¹
Director of Health Information
Improvement
Pacific Business Group on Health

Margaret L. Taylor²
Chief Executive Officer
Venture Builders, LLC

¹Audit Committee

²Compensation Committee

Corporate Officers

Thomas G. Grudnowski
President and Chief Executive Officer

Eric Educate
Vice President
Worldwide Sales

Henk J. Evenhuis
Vice President, Chief Financial Officer
and Secretary

Mark Pautsch
Vice President
Software Development and
Chief Information Officer

Larry Rosenberger
Vice President
Research and Development/Analytics

Chad Becker
Vice President
Global Financial Services

Doug Clare
Vice President
Global Retail

Michael Gandolfo
Vice President
Global Telecom

Raffi M. Kassarian
Vice President
Global LiquidCredit

Steve Sjoblad
Vice President
Corporate Development and myFICO

W. Thomas McEnergy
Vice President
Strategic Marketing

Andrea Fike
Vice President and General Counsel

Richard Deal
Vice President
Human Resources

Daniel Mulvaney
Vice President
Business Unit Operations

Stockholders' Information

Common Stock

NYSE:FIC

At December 10, 2001, Fair, Isaac
had 361 holders of record of its
common stock.

Dividends

In fiscal 2001, Fair, Isaac paid a quarterly
dividend of 2¢ per share.

Transfer Agent and Registrar

Mellon Investor Services
235 Montgomery Street, 23rd Floor
San Francisco, CA 94104
800.356.2017
webmaster@chasmellon.com

Independent Accountants

KPMG LLP

Investor Information and Form 10-K

Additional information about Fair, Isaac
and Company, Incorporated, including
a copy of the Company's report on
Form 10-K filed with The Securities and
Exchange Commission, can be obtained
by contacting:

Fair, Isaac and Company, Incorporated
Investor Relations Department
200 Smith Ranch Road
San Rafael, CA 94903-5551
415.491.7122
investorrelations@fairisaac.com
www.fairisaac.com

Annual Meeting of Stockholders

February 5, 2002

Embassy Suites Hotel
101 McInnis Parkway
San Rafael, CA 94903
415.499.9222

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