Matsushita Electric Works Information Systems Co., Ltd.

Annual Report 2004

For the creation of new IT values with enhanced usability.

We strive towards the creation of new values by pursuing user-friendliness and reinforcing a high-tech mindset with a challenging spirit and agility.

Contents

Three-Year Summary

For the Years Ended November 30

	Millions of Yen			Thousands of U.S. Dollar
	2004	2003	2002	**2004**
RESULTS OF OPERATIONS:				
Net sales	**¥ 42,109**	¥ 36,361	¥ 31,641	**$ 408,825**
Cost of sales	**36,230**	31,641	27,559	**351,747**
Selling, general and administrative expenses	**2,161**	1,967	1,600	**20,981**
Operating income	**3,718**	2,753	2,482	**36,097**
Income before income taxes and minority interests	**3,683**	2,951	2,468	**35,757**
Net income	**2,107**	1,673	1,410	**20,456**
FINANCIAL POSITION:				
Current assets	**11,589**	11,092	8,424	**112,515**
Net property and equipment	**386**	386	177	**3,748**
Total assets	**14,017**	14,116	12,554	**136,087**
Current liabilities	**5,214**	6,736	6,097	**50,621**
Long-term liabilities	**696**	988	1,360	**6,757**
Shareholders' equity	**8,105**	6,391	5,082	**78,689**
OTHER STATISTICS:				
R&D costs	**49**	32	58	**476**
Depreciation and amortization	**1,056**	1,159	894	**10,252**

	Yen			U.S. Dollars
	2004	2003	2002	**2004**
PER SHARE OF COMMON STOCK:				
Net income	**¥ 195.68**	¥ 155.14	¥ 130.63	**$ 1.90**
Cash dividends	**45.00**	35.00	25.00	**0.44**

Note: 1. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been translated at the rate of ¥103 to $1, the approximate rate of exchange at November 30, 2004.
2. Net income per share of common stock and cash dividends per share of common stock are retroactively recalculated reflecting stock splits of 1 additional share for each outstanding share and 199 additional shares for each outstanding share, effective on January 20, 2003 and April 1, 2004, respectively.

The Performance, Know-How, and Technical Capabilities That Have Been Sustaining Matsushita Electric Works for 40 Years

Although MEW-IS itself is a young company established in 1999, we have over 40 years of experience in the development of information systems since the time of the Information System Department of Matsushita Electric Works, Ltd., its predecessor.

In spite of its short history as an independent company, MEW-IS boasts an extensive experience and a long history in IT technologies. Because Matsushita Electric Works is engaged in the manufacture and sale of a wide range of products, this background has nurtured our capabilities in presenting optimal proposals for the business processes of our customers.

Target Markets

We are targeting small- to medium-sized companies as our core market in the proposing of solutions. We have been focusing on this particular market because we have become aware that, in spite of the broadening range of IT needs, there are no experts within these companies who are able to realize these needs, and more often than not, these companies do not possess the necessary technologies.

In the past several years small- to medium-sized enterprises have been promoting the implementation of IT, while the IT movement is expanding in local municipalities. In addition, the primary IT issue that faces domestic companies is the question of how to reduce operation and management costs. We see a period of growth is awaiting our target market.

Our High-Value Added Solution Business

The competitive advantages in our solutions have been solidified and differentiated from other solutions in the following aspects:

- **Solution proposals for the business processes used by our customers.**
- **One-stop solutions which cover all business processes (i.e. planning, design, development, and operation management) relating to IT services.**
- **A group of solutions which are based on products and services that we have developed originally.**
- **Possession of a Gigabit network and an IDC infrastructure which forms the backbone of our solutions**

Thin-client solutions give us an edge as a frontrunner, and we already boast a track record with a large number of introductions. Further expansion of demand is anticipated in the future.

Ratio of sales to customers other than Matsushita Electric Works rises to 53.9%. We have gained strength as a top-notch IT firm.

Overview of Business Results

The Japanese economy began to lapse into a state of anxiety since early autumn of 2004 over escalating crude oil prices and the effects of a highly-valued yen. Corporate earnings in the fiscal year ended November 30, 2004, however, improved on the whole and continued to show promise, benefiting from the robust performance in exports and digital consumer electronics.

Throughout the IT industry, within which we operate, changes have been observed in companies' stances on investments in information technology, and a tendency to measure investment effectiveness by its return on investment (ROI) began to spread.

Under these circumstances, we are providing the right products and services while offering appropriate and comprehensive solutions to meet the diverse needs of our customers.

As a result, the sales of the Service Solution Business continued to be strong, thanks to an increase in sales stemming from SCM system architecture and Webhouse system orders received from Matsushita Electric Works, Ltd., growth in the sales of our own sales management package designed for retailers (MetaForce), and the increase in thin-client sales through our marketing alliance with MintWave Co., Ltd. In conjunction with this, the sales for system introduction support and software peripheral-related equipment businesses also continued on a high note.

In the fiscal year ended November 30, 2004, consolidated net sales were up 15.8% from the previous fiscal year to 42,109 million yen. In terms of profitability, group operating income was 3,718 million yen up 35.1% from the previous fiscal year due to growth in sales and the effects of procurement rationalization, while consolidated net income for year rose 25.9% from the previous year to 2,107 million yen, all of which indicate double-digit growth compared to the previous year.

In addition, ratio of the external sales (sales to customers other than Matsushita Electric Works) to our net sales went up 7.6 points to 53.9% from 46.3% in the previous year. We believe this growth in net sales, while improving our external sales ratio, proves our competitiveness within the IT industry.

Overview and Progress of Our Medium-Term Management Plan

We kicked off a medium-term management plan, “NEXT-3”, in November 2003. With “NEXT-3”, we have been developing ambitious operations to become a leading ASP company from an all-round IT company.

In “NEXT-3” we are pursuing improved solution proposals for solutions emphasizing e-Biz (e-business solutions), e-Office (e-office solutions), and e-Infra (e-infra solutions), and we believe outcomes from this approach will result in true partnerships with small- to medium-sized companies who are our major customers.

At the same time, we are also promoting management reform activities, G3 Action Plan. G3 Action Plan is made up of three activities:

1. Internal reform activities focusing on the improvement of customer satisfaction (CS) to enhance the quality of our products and services (pursuit of user-friendliness).
2. Human resources reform activities for securely establishing a management foundation that will ensure survival in our competition with other players in the industry (reinforcement of high-tech mindset).
3. Organizational reform activities that will flexibly respond to rapid changes in the business environment (challenging spirit and speedy action).

While the fiscal year ended November 30, 2004 was the first year of our medium-term plan, we achieved fully adequate results in quantitative terms. In qualitative terms, however, the results have not been visible yet, but we expect the outcome will emerge gradually.

Business Strategies for Next Year and for the Future

Although MEW-IS itself is a young company established in 1999, we have over 40 years of experience in the development of information systems since the time of the Information System Department of Matsushita Electric Works, Ltd., its predecessor. Because Matsushita Electric Works, our parent organization, is engaged in the manufacture and sale of a wide range of products, including housing products, non-housing products, household electric appliances, electronic materials, and control devices, this background has nurtured our capabilities in presenting optimal proposals for the business processes of our customers.

The core target of our solutions is small- to medium-sized companies. The IT needs of small- to medium-sized companies are high, and it may be said that the market is huge because of the large number of companies involved. The needs in this market, however, cover a lot of ground, and it would be next to impossible for a single company to provide coverage for every one of them. Although we may not believe that we can cover every one of the companies, we have no doubts that we will take on a fairly large market.

In the past several years small- to medium-sized enterprises have been promoting the implementation of IT, while the IT movement is expanding in local municipalities. In addition, the primary IT issue that faces domestic companies is the question of how to reduce operation and management costs. We see a period of growth lies ahead in our target market, and in these circumstances, we are planning to develop our product line-up, promote business alliances, and place primary focus on the ASP business as our core business, to horizontally develop successful cases in the solution business by aiming at small- to medium-sized companies as our targets.

Specifically, we are first striving to win new customers using the high-value added solution business that constitutes our advantage as a trigger. While conducting appropriate consulting with these new customers and taking on outsourcing for systems operation for them, we are proactively engaging in making these new customers into our regular customers.

As for entry into new markets, we are gearing our business activities extensively toward educational institutions, companies, and local governments with our thin-client products as a strategic commodity. We believe a thin-client system, with its superiority in terms of cost and security is believed to be a post-PC system for which demand will continue to expand in the future, and we boast a top-notch sales performance of the thin-client products in the domestic market.

Among the domestic systems integration firms, we are also positioned as a high manpower company, at fourth in sales volume ranking per employee and third in operating income ranking *(Monthly Computopia, September 2004: Computer Age Co., Ltd.)*. In the industry where solution business consulting capabilities are competitive, we have a policy of constantly emphasizing human resources and developing an individual's potential. Since 2003 we have tripled the amount of time spent on new recruit training, and have carried out exhaustive IT training ranging from basic techniques to new technology and field training in which senior employees go along to visit customers as on-the-job training. Recognizing that nurturing human resources is a driving force behind the growth of the company, we are securing superior human resources and providing high quality education.

To Our Shareholders

Following the listings on the JASDAQ Securities Exchange in July 2001 and on the Second Section of the Tokyo Stock Exchange (TSE) in December 2003, we listed our shares on the First Section of the TSE in November 2004. We are deeply appreciative of the results of the support of our shareholders for having achieved the First Section in the short span of five years and eight months since our establishment.

Along with improving the transparency of our management, we will increase our corporate value by demonstrating our unique advantages in the growing IT-related markets, and will strive for improvements in shareholder value.

Since our parent company, Matsushita Electric Works, Ltd., became a consolidated subsidiary of Matsushita Electric Industrial Co., Ltd. as of April 1, 2004, we have changed our fiscal year to start from April 1, which is the same as other Matsushita Group companies'. The changeover begins with the 2005 fiscal year, with an aim to enhance management efficiency and to accommodate the group's consolidated financial statements.

We hope that our shareholders will continue to extend their unswerving support for our company in the future.

April 2005

Masahiro Hamada
President

Corporate Governance

We are positioning corporate governance as one of management's top priorities and would like to pursue transparency, fairness, and speed in management, based on the policy of improvements in management efficiency and emphasis on the shareholders. Every officer and employee is addressing corporate compliance on the basis of corporate ethics and law-abiding spirit.

Our corporate governance employs an auditing system. Three auditors, including two outside auditors, hold monthly auditor's meetings and attend board meetings to monitor and supervise the execution of directors' duties.

The board of directors meeting, which consists of nine directors including two outside directors, is held regularly every month. At the meeting, directors report on significant operating policies, decisions on substantive matters, and the status of the business and operations of the company, as well as statutory matters.

In addition, we have distributed to all our staff members a brochure entitled *Our Code of Ethical Conduct*, which describes the code of conduct, and also drawn up a Compliance Program to work on employee education for statutory compliance, including an e-learning program.

MEW-IS places information management as the crux of management. In this respect, we have set up an Information Security Management Committee, which is under the direct control of the President, to play a central role in promoting and maintaining thorough internal information management within the MEW-IS Group. The committee also promotes enlightenment, education, and awareness raising for employees concerning information management.

Corporate Social Responsibility

Environmentally-conscious management is tied to the competitiveness of a company and ultimately to the transparency of management and the clarification of responsibility. Transparency of management and the clarification of responsibility are tied to the credibility of the company in society, which in turn enhances its corporate value. Based on this idea, we have set out to achieve two objectives on the theme of becoming a company with social significance. The first objective relates to undertaking environmental, social, and economic initiatives within the company with the aim of becoming a sustainable company that can help realize a sustainable society through a well-balanced business management. The second objective is contribution to the society. We will contribute by proposing resource- and energy-conserving plans and system designs, and by offering environmentally-friendly product services that can significantly assist customers' response to corporate social responsibility (CSR) as an IT company.

In concrete terms, we are offering sales of used PC application software, industrial waste management ASP services, sales of thin-client terminals, and vehicle traffic control services as social action programs in product services, while working internally on promoting recycling and resource- and energy-conservation.

We are providing disaster recovery solutions, remote supervision services, position information ASP services and the like, as social contribution program in product services, while working in-house on the enhancement of a disaster recovery system and the promotion of cultural activities.

Corporate Social Responsibility (CSR)

Environmentally-friendly

Recycling of personal computers
- DeskWave for PC

Industrial waste management
- Industrial waste management system (electronic manifestation)

Promotion of energy conservation

Thin client
- DeskWave

Vehicle operation management service
- Cruise NAVI

Security measures

Network security
- IC card solution
- ONMITSU
- Managed fire wall
- Security diagnosis

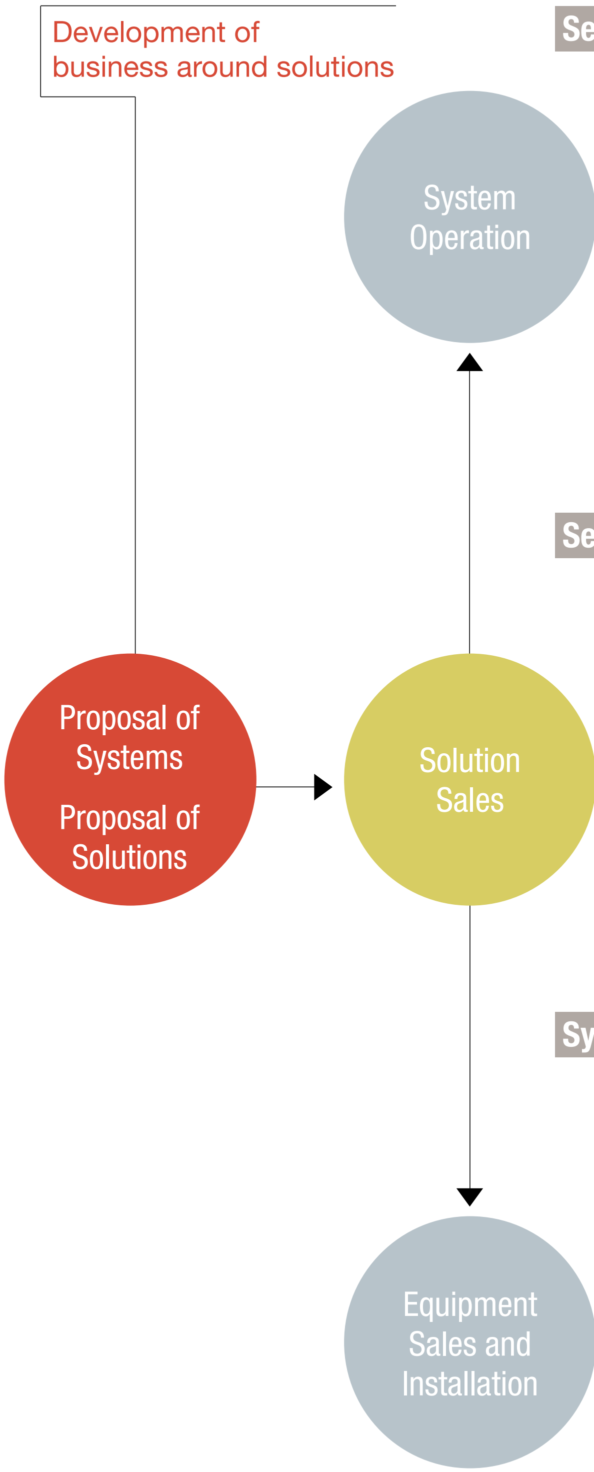
Location
- Loketan

Remote facility surveillance service
- Push e-mail

Disaster prevention measures

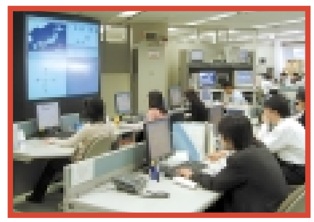
Disaster recovery
- IDC service
- METRONET
- Backup center

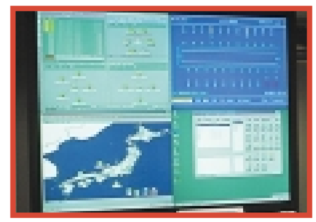
MEW-IS At a Glance



Service solution business — System services

1. ASP service
2. Network service
3. Outsourcing service



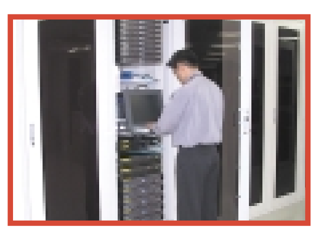


Service solution business — System solutions

1. Solution proposal
2. Consulting
3. Package software development and sales

System and communications equipment business

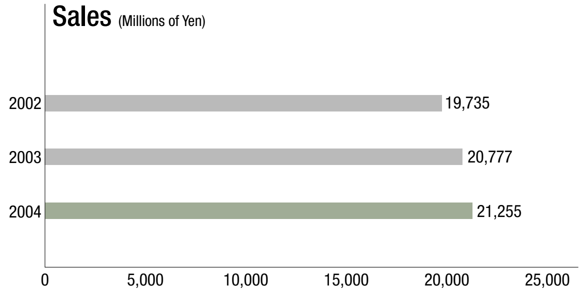
1. Sales of computers, servers, and communications equipment
2. Network and facility construction



System services division

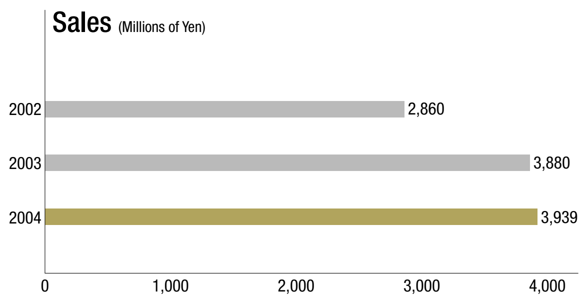
The division is engaged primarily in the business of providing a wide array of information systems, which make full use of our technological capabilities and business solution skills we have nurtured through a variety of system developments over the years, including consigned system operation.

In specific terms, the core business of the System Services Division is provision of services such as manufacturing, sales, inventory control systems, human resources and accounting systems, and technical information systems. In addition to these enterprise information systems, it also provides EC/EDI services, network services, outsourcing services, and ASP services.



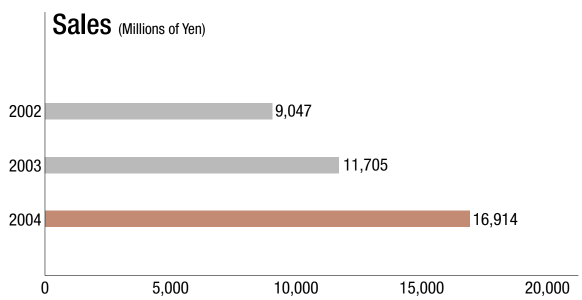
System solutions division

The division's main businesses include the proposals of new information system solutions, consigned system developments, and the provision of originally developed software packages. It utilizes its own experience in information system services to propose solutions that are best suited to customer specifications. Specifically, it offers thin-client systems, originally developed software packages, system introduction consulting, and made-to-order system development.



System and communications equipment business

The division is primarily engaged in the business of selecting and providing items that are best suited to customer specifications from among a wide variety of hardware and third-party software. It also undertakes construction works in which those systems are utilized. Specifically, the focus of its business is on the sales of systems equipment in personal computers and network-related communications equipment, provision of ancillary services, and telephone/LAN network construction. It is also engaged in the sales of personal computers, servers, printers, communications equipment, and purchased software as well as telephone discount services.



Review of Operations

We are engaged in the information services business, which includes the provision of system operation and communications services, system development, and the sales of system equipment. Because we are a single business entity, we do not disclose segment information by business category, but we categorize our services into two sectors: the Service Solutions Business and the System and Communications Equipment Business. The Service Solutions Business consists of the System Services Division and the System Solutions Division.

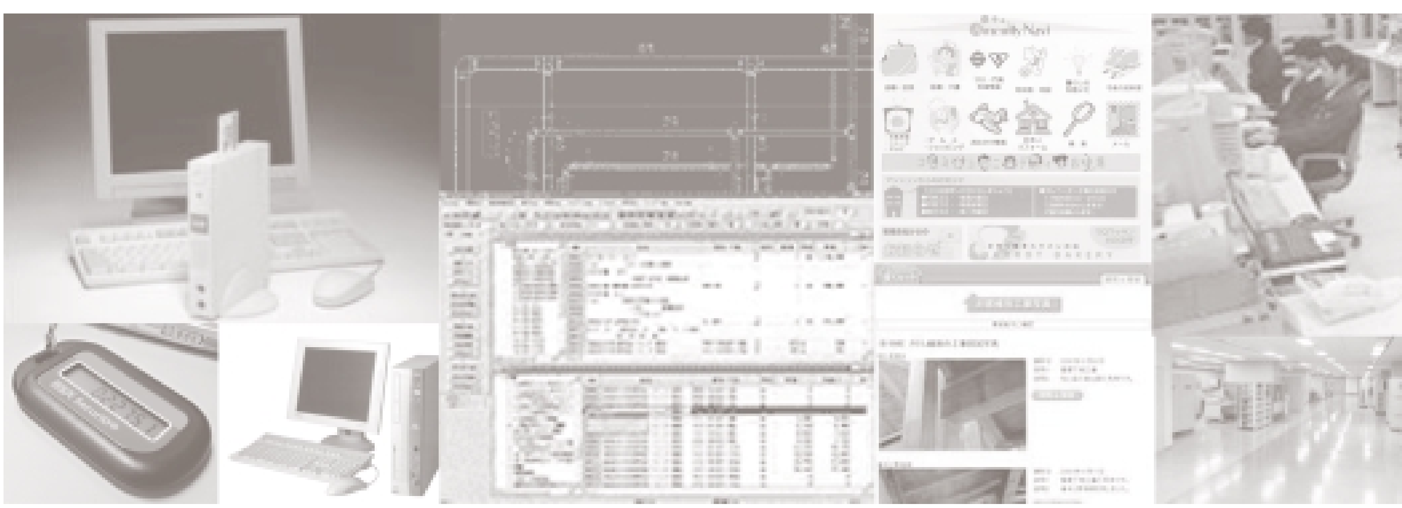
Service Solutions Business

System Services Division

Consolidated sales for the System Services Division in the current fiscal year increased by 2.3% from the previous fiscal year to 21,255 million yen. Although sales revenues from outsourcing orders from our existing customers were below those of the previous fiscal year, this result reflects robust sales for new outsourcing orders for system operations and maintenances as well as increased number of ASP customers.

The division is engaged primarily in the business of providing a wide array of information systems, which make full use of our technological capabilities and business solution skills we have nurtured through a variety of system developments over the years, including consigned system operation.

In specific terms, the core business of the System Services Division is the development of business application systems, such as manufacturing, sales,



inventory control systems, human resources and accounting systems, and technical information systems. In addition to these enterprise information systems, it also provides EC/EDI services, network services, outsourcing services, and ASP services.

System Solutions Division

Consolidated sales for the System Solutions Division in the current fiscal year increased by 1.5% from the previous fiscal year to 3,939 million yen. It reflects the sales of our own software packages including MetaForce and Harvest, orders related to e-procurement systems, orders for new systems for Kubota Matsushitadenko Exterior Works, Ltd., orders from Matsushita Electric Works for developing an SCM system, and the consigned development of the Webhouse estimate system.

The division's main businesses include the proposals of new information system solutions, consigned system developments, and the provision of originally developed software packages. It utilizes its own experience in information system services to propose solutions that are best suited to customer specifications. Specifically, it offers thin-client systems, originally developed software packages, system introduction consulting, and made-to-order system development.

System and Communications Equipment Business

Consolidated sales for the system and communications device-related business for the current fiscal year was 16,914 million yen, which showed a substantial increase of 44.5% over the previous fiscal year. This reflects a synergy effect from the robust sales of the System Solutions Division, sales for software peripheral–related equipment for companies other than Matsushita Electric Works, and sales related to system installation support.

The division is primarily engaged in the business of selecting and providing items that are best suited to customer specifications from among a wide variety of hardware and third-party software. It also undertakes construction works in which those systems are utilized. Specifically, the focus of its business is on the sales of systems equipment in personal computers and network-related communications equipment, provision of ancillary services, and telephone/LAN network construction. It is also engaged in the sales of personal computers, servers, printers, communications equipment, and purchased software as well as telephone discount services.

Management Discussion and Analysis of Operations

Operations

In the current fiscal year, net sales increased by 15.8% over the previous fiscal year to 42,109 million yen. This increase was due to the growth in all divisions, especially the System and Communications Equipment Business, as a result of capitalizing on our collective strengths in the IT business to aggressively propose solutions.

Service solutions revenues showed steady performance because of an increase in orders from Matsushita Electric Works for developing an SCM system and the consigned development of the Webhouse estimate system, the MetaForce management packages designed for retailers, and thin-client systems, which we offered through a sales alliance with MintWave Co., Ltd. In the system and communications device-related business, sales for software peripheral–related equipment increased substantially with the growth in IT investments, and system installation support sales also were on the upswing.

Cost of sales increased by 14.5% from the previous fiscal year to 36,230 million yen, which accounted for 86.0% of net sales, which is a 1.0 point decline from the previous fiscal year. Selling, general and administrative expenses increased by 9.9% from the previous fiscal year to 2,161 million yen, which accounted for 5.1% of net sales, which is a 0.3 point decline from the previous fiscal year. Operating income grew by 35.1% from the previous fiscal year to 3,718 million yen as a result of sales growth in line with the above business model, a profit contribution from high profit margin orders, and cost reductions in communications expenses. The ratio of operating income to net sales increased by 1.2 points to 8.8%.

Net other expenses was 35 million yen, which is a decline from the net other income of 198 million yen recorded on the previous fiscal year.The principal reasons for this decrease were the reduction in interest income accompanying the abolishment of the employee housing loan program, the posting of a 14 million yen loss from the write-down of investment securities, and the fact that we reported a 218 million yen gain on transfer to the government of the substitutional portion of employees’ pension fund plan in the previous fiscal year.

As a result, net income for the current fiscal year grew to 2,107 million yen which is 25.9% increase over previous year. The ratio of net income to net sales grew by 0.4 point to 5.0%.

Net income per share for the current fiscal year increased to 195.68 yen from 155.14 yen in the previous fiscal year, as calculated based on the assumption that a 200 for 1 stock split, which took place on April 1, 2004, was made at the beginning of the fiscal year. Return on equity decreased by 0.1 point from the previous year to 29.1%.

Business review

Service Solutions Business

In the current fiscal year the service solutions business reported consolidated sales of 25,194 million yen, which is an increase of 2.2% from the previous fiscal year.

(a) System Services Division

Even though the number of orders received from our existing customers, who are outsourcing providers, dipped below the level recorded in the previous fiscal year, sales increased steadily for system operations and maintenance as a result of a new outsourcing order, and an increase in the number of our ASP customers. As a consequence, consolidated sales increased by 2.3% from the previous fiscal year to 21,255 million yen. The ratio of the sales from system services to net sales declined by 6.6 points from the previous fiscal year to 50.5%.

(b) System Solutions Division

Consolidated sales increased by 1.5% from the previous fiscal year to 3,939 million yen, reflecting the sales of our own sales management package MetaForce and Harvest, orders related to e-procurement systems, orders for new systems to Kubota Matsushitadenko Exterior Works, Ltd., orders from Matsushita Electric Works for developing an SCM system and the consigned development of the Webhouse estimate system. The ratio of the sales from system solutions to net sales declined by 1.3 points from the previous fiscal year to 9.4%.

System and Communications Equipment Business

Consolidated sales increased by 44.5% from the previous fiscal year to 16,914 million yen, thanks to steady sales for software peripheral–related equipment for companies other than Matsushita Electric Works and sales of system installation support. This reflects a synergy effect from the robust sales of system solutions. The ratio of the sales from system solutions to net sales increased by 8.0 points from the previous fiscal year to 40.2%.

Financial position

Total assets at the end of the current fiscal year stood at 14,017 million yen, which represents a decrease of 99 million yen from the end of the previous fiscal year.
Current assets increased by 497 million yen from the end of the previous fiscal year to 11,589 million yen, while fixed assets decreased by 596 million yen to 2,428 million yen.

The increase in assets was primarily a result of increase in current assets of cash and cash equivalent, and funds held in custody by Matsushita Electric Works Finance, Ltd., accompanying a decline in accounts receivable and inventories, while fixed assets declined due to the decline in software and deferred tax assets.

Total liabilities at the end of the current fiscal year stood at 5,910 million yen, which represents a decrease of 1,814 million yen from the end of the previous fiscal year, mainly as a result of a decrease in accounts payable, deposits received and liabilities for retirement benefits.

Current liabilities at the end of the current fiscal year declined by 1,522 million yen from the end of the previous fiscal year to 5,214 million yen. In addition, long-term liabilities at the end of the current fiscal year declined by 292 million yen to 696 million yen.

As for the reduction in liabilities, current liabilities are primarily accounted for by decreases in accounts payable and deposits received (employees' savings and the savings for house), and long-term liabilities decreased mainly for the decrease in liabilities for retirement benefits.

Shareholders' equity at the end of the current fiscal year increased by 1,714 million yen from the end of the previous year to 8,105 million yen as a result of a 1,714 million yen increase in retained earnings to 6,194 million yen reflecting the substantial increase in net income that occurred for the current fiscal year.

Liquidity and capital resources

At the end of current fiscal year cash and cash equivalents (hereinafter referred to as "funds") stood at 4,480 million yen, which represents an increase of 1,321 million yen from the beginning of the current fiscal year, as a result of an increase in free cash flows, which was the result of the increase in net income for the current year. It is our intent to use these funds to improve our facilities in order to facilitate further growth in the future.

Cash flows from operating activities

Funds generated from operating activities during the current fiscal year amounted to 2,272 million yen (an increase of 111 million yen from the previous fiscal year).

Although we had expenses of 1,517 million yen for income tax payments and 803 million yen decrease in accounts payable, this result reflects an increase in funds due to the allocation of 1,056 million yen for depreciation expenses, in addition to having recorded an income before income taxes and minority interests of 3,683 million yen.

Cash flows from investing activities

Funds used in investing activities during the current fiscal year amounted to 580 million yen (a decrease of 254 million yen from the previous fiscal year). This figure is mainly the result of 488 million yen used for the purchases of software.

Cash flows from financing activities

Funds used in financing activities during the current fiscal year amounted to 371 million yen (an increase of 25 million yen from the previous fiscal year). This figure is comprised of the payment of dividends of 371 million yen.

Risk Management

(1) Information Security

If information systems should break down or leaks of a customer's or an individual's information should occur during the course of our group's involvement in providing system services, any claims for damages from customers or collapses of credit resulting from this could have an adverse impact on our business results. For this reason, our group regards information control as a matter of utmost importance to management. In this respect, we have set up an Information Security Management Committee, which is under the direct control of the President, to play a central role in promoting and maintaining thorough internal information management within the MEW-IS Group. The committee also promotes enlightenment, education, and awareness raising for employees concerning information management.

(2) Transactions with the Parent Company

MEW-IS is a consolidated subsidiary of Matsushita Electric Works, Ltd. (MEW), which owns 63.86% of the voting rights, including indirect ownership, and is fully contracted for information system operations for the parent company. The ratio of the sales to MEW in the current fiscal year is 46.1%. While we are expanding sales outside the MEW Group, any significant changes in business strategy in our business relationship with MEW could exert an impact upon our business performance.

In addition, as of April 1, 2004, Matsushita Electric Industrial Co., Ltd. became our parent company when MEW was restructured as an affiliate of that company.

(3) System for Software Development

MEW-IS is engaged in the development of software in collaboration with domestic partner companies. If any problems in business performance or deterioration of financial confidence should occur for any of the partner companies that has large-scale transactions with us, it could affect our business results.

With the goal of providing state-of-the-art systems to our customers, we are constantly keeping an eye on trends in the evolution and standardization of information technology. It is, however, impossible to keep pace with all of these rapid and diversely varied technological movements, and any delay in responding to a potential advanced technology could have an effect on business performance. At MEW-IS, we are leveraging partnerships with outside developers, with a focus on the Technology Headquarters Development Center, to ensure our response to a broad range of technology trends.

Matsushita Electric Works Information Systems Co., Ltd. and Subsidiary

Consolidated Balance Sheets

November 30, 2004 and 2003

ASSETS	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
CURRENT ASSETS:			
Cash and deposits (Note 3)	**¥ 3,263**	¥ 2,796	**$ 31,680**
Accounts receivable - Trade (Note 11)	**5,047**	5,639	**49,000**
Inventories (Note 4)	**470**	784	**4,563**
Deposits paid (Note 11)	**2,423**	1,563	**23,524**
Deferred tax assets (Note 8)	**135**	129	**1,311**
Other current assets	**251**	181	**2,437**
Total current assets	**11,589**	11,092	**112,515**
PROPERTY AND EQUIPMENT:			
Buildings	**166**	126	**1,612**
Tools, furniture and fixtures	**560**	556	**5,437**
Construction in progress	**1**	—	**10**
Total	**727**	682	**7,059**
Accumulated depreciation	**(341)**	(296)	**(3,311)**
Net property and equipment	**386**	386	**3,748**
INVESTMENTS AND OTHER ASSETS:			
Investment in associated company	**57**	82	**553**
Long-term loans	**1**	—	**10**
Software	**1,107**	1,673	**10,748**
Deferred tax assets (Note 8)	**676**	784	**6,563**
Other assets	**212**	99	**2,057**
Allowance for doubtful receivables	**(11)**	—	**(107)**
Total investments and other assets	**2,042**	2,638	**19,824**
TOTAL	**¥ 14,017**	¥ 14,116	**$ 136,087**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
CURRENT LIABILITIES:			
Accounts payable - Trade (Note 11)	**¥ 2,598**	¥ 3,401	**$ 25,223**
Accounts payable - Other (Note 11)	**964**	917	**9,359**
Income taxes payable	**780**	823	**7,573**
Consumption taxes payable	**187**	121	**1,815**
Deposits received (Note 5)	**69**	882	**670**
Other current liabilities	**616**	592	**5,981**
Total current liabilities	**5,214**	6,736	**50,621**
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 6)	**632**	883	**6,136**
Deposits received (Note 5)	**64**	105	**621**
Total long-term liabilities	**696**	988	**6,757**
MINORITY INTERESTS	**2**	1	**20**
COMMITMENTS (Note 10)			
SHAREHOLDERS' EQUITY (Notes 7 and 12):			
Common stock			
authorized - 40,000,000 shares;			
issued 10,656,000 shares in 2004 and 53,280 shares in 2003	**1,040**	1,040	**10,097**
Capital surplus	**871**	871	**8,456**
Retained earnings	**6,194**	4,480	**60,136**
Total shareholders' equity	**8,105**	6,391	**78,689**
TOTAL	**¥ 14,017**	¥ 14,116	**$ 136,087**

Consolidated Statements of Income

Years Ended November 30, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
NET SALES (Note 11)	**¥ 42,109**	¥ 36,361	**$ 408,825**
COST OF SALES (Notes 9 and 11)	**36,230**	31,641	**351,747**
Gross profit	**5,879**	4,720	**57,078**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9 and 11)	**2,161**	1,967	**20,981**
Operating income	**3,718**	2,753	**36,097**
OTHER INCOME (EXPENSES):			
Interest income	**3**	29	**29**
Interest expense	**(19)**	(34)	**(184)**
Gain on sales of software	**19**	—	**184**
Equity in losses of associated company	**(26)**	(27)	**(252)**
Write-down of investment securities	**(14)**	—	**(136)**
Gain on transfer to the government of the substitutional portion of employees' pension fund plan (Notes 2.g and 6)	—	218	—
Gain on change of interest in a subsidiary	—	9	—
Other - net	**2**	3	**19**
Other income (expenses) - net	**(35)**	198	**(340)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**3,683**	2,951	**35,757**
INCOME TAXES (Note 8):			
Current	**1,474**	1,427	**14,311**
Deferred	**102**	(136)	**990**
Total income taxes	**1,576**	1,291	**15,301**
MINORITY INTERESTS IN NET LOSS	—	13	—
NET INCOME	**¥ 2,107**	¥ 1,673	**$ 20,456**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.k and 12):			
Net income	**¥ 195.68**	¥ 155.14	**$ 1.90**
Cash dividends	**45.00**	35.00	**0.44**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years Ended November 30, 2004 and 2003

		Millions of Yen		
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings
BALANCE, DECEMBER 1, 2002	**26,640**	**¥ 1,040**	**¥ 871**	**¥ 3,171**
Net income				1,673
Cash dividends, ¥32.5 per share				(346)
Bonuses to directors				(18)
Shares issued upon stock split (Note 7)	26,640			
BALANCE, NOVEMBER 30, 2003	**53,280**	**1,040**	**871**	**4,480**
Net income				2,107
Cash dividends, ¥35 per share				(373)
Bonuses to directors				(20)
Shares issued upon stock split (Note 7)	10,602,720			
BALANCE, NOVEMBER 30, 2004	**10,656,000**	**¥ 1,040**	**¥ 871**	**¥ 6,194**

	Thousands of U.S. Dollars (Note 1)		
	Common Stock	Capital Surplus	Retained Earnings
BALANCE, NOVEMBER 30, 2003	**$ 10,097**	**$ 8,456**	**$ 43,495**
Net income			20,456
Cash dividends, $0.34 per share			(3,621)
Bonuses to directors			(194)
BALANCE, NOVEMBER 30, 2004	**$ 10,097**	**$ 8,456**	**$ 60,136**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended November 30, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 3,683**	¥ 2,951	**$ 35,757**
Adjustments for:			
Depreciation and amortization	**1,056**	1,159	**10,252**
Increase in allowance for doubtful receivables	**11**	—	**107**
Increase in liability for retirement benefits	**(251)**	20	**(2,437)**
Gain on sales of software	**(19)**	—	**(184)**
Gain on transfer to the government of the substitutional portion of employees' pension fund plan	**—**	(218)	**—**
Interest income	**(3)**	(29)	**(29)**
Interest expense	**19**	34	**184**
Write-down of investment securities	**14**	—	**136**
Equity in losses of associated company	**26**	27	**252**
Gain on change of interests in a subsidiary	**—**	(9)	**—**
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	**570**	(523)	**5,534**
Decrease (increase) in inventories	**314**	(266)	**3,049**
Increase in other current assets	**(74)**	(39)	**(718)**
Increase (decrease) in accounts payable	**(803)**	187	**(7,796)**
Increase (decrease) in other current liabilities	**(653)**	367	**(6,340)**
Decrease in other long-term liabilities	**(41)**	(174)	**(398)**
Other - net	**(44)**	(25)	**(428)**
Total adjustments	**122**	511	**1,184**
Interest received	**3**	29	**29**
Interest paid	**(19)**	(34)	**(184)**
Income taxes paid	**(1,517)**	(1,296)	**(14,728)**
Net cash provided by operating activities	**2,272**	2,161	**22,058**
INVESTING ACTIVITIES:			
Increase in deposits paid	**(1,200)**	(1,200)	**(11,650)**
Decrease in deposits paid	**1,200**	400	**11,650**
Purchases of property and equipment	**(95)**	(318)	**(922)**
Purchases of software	**(488)**	(805)	**(4,738)**
Proceeds from sales of software	**19**	—	**185**
Purchases of investment securities	**(14)**	—	**(136)**
Increase in long-term loans receivable	**—**	(76)	**—**
Decrease in long-term loans receivable	**—**	30	**—**
Proceeds from assignment of long-term loans due from employees to a bank	**—**	1,136	**—**
Other - net	**(2)**	(1)	**(20)**
Net cash used in investing activities	**(580)**	(834)	**(5,631)**
FINANCING ACTIVITIES - Dividends paid	**(371)**	(346)	**(3,602)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,321**	981	**12,825**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**3,159**	2,178	**30,670**
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	**¥ 4,480**	¥ 3,159	**$ 43,495**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended November 30, 2004 and 2003

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Matsushita Electric Works Information Systems Co., Ltd. (the "Company") was incorporated on February 22, 1999 as a subsidiary of Matsushita Electric Works, Ltd. (the "Parent"). The Company is 64% owned by the Parent at November 30, 2004 and 2003, respectively. The principle business of the Company is to provide integration service for information systems; maintenance of computer systems; design, development, sales, lease, rental of computer software; information network service and sales of related machines.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥103 to $1, the approximate rate of exchange at November 30, 2004. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Consolidation* - The consolidated financial statements as of November 30, 2004 and 2003 include the accounts of the Company and its subsidiary (together, the "Group").

Under the control or influence concept, the Company consolidates entities that it, directly or indirectly, is able to exercise control over operations. If the Group has the ability to exercise significant influence over an investee, the investment is accounted for using the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. *Cash Equivalents* - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include deposits paid, all of which mature or become due within three months of the date of acquisition.

c. *Inventories* - Merchandise and supplies are stated at the lower of cost, determined by the moving-average method, or market. Work in process inventories are stated at cost determined by the specific identification method.

d. *Investment Securities* - Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. *Property and Equipment* - Property and equipment are stated at cost. Depreciation of property and equipment of the Company is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings. The range of useful lives is from 8 to 18 years for buildings and from 2 to 20 years for tools, furniture and fixtures.

f. *Software* - Software to be sold is amortized in proportion of the actual sales volume of the software during the current year to the estimated total sales volume over the estimated salable years of the software, 3 years. Software for internal use is amortized by the straight-line method over its useful life, 5 years.

g. *Retirement Benefits* - The Group has a contributory funded pension plan together with the Parent and certain domestic consolidated subsidiaries of the Parent and unfunded retirement benefit plans covering substantially all of their employees. The liability for retirement benefits is accounted for based on projected benefit obligations and plan assets at the balance sheet date.

h. *Leases* - All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

i. Income Taxes - Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

j. Appropriations of Retained Earnings - Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon stockholders' approval.

k. Per Share Information - Net income per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the year.

Diluted net income is not presented as no securities with a dilutive effect have been issued.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

Net income per share and cash dividends per share were retroactively recalculated as if the stock splits (see Note 7) occurred on December 1, 2002. The weighted-average number of common shares used in the computation was 10,656,000 shares for 2004 and 2003.

l. New Accounting Pronouncements - In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No. 6 "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Company is currently in the process of assessing the effect of adoption of these pronouncements.

3. RECONCILIATION TO CASH AND CASH EQUIVALENTS

The reconciliation of cash and deposits in the consolidated balance sheets to cash and cash equivalents in the consolidated statements of cash flows at November 30, 2004 and 2003, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Cash and deposits	**¥ 3,263**	¥ 2,796	**$ 31,680**
Deposits paid with original maturities of within 3 months	**1,217**	363	**11,815**
Cash and cash equivalents	**¥ 4,480**	¥ 3,159	**$ 43,495**

4. INVENTORIES

Inventories at November 30, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Merchandise	**¥ 264**	¥ 247	**$ 2,563**
Work in process	**203**	529	**1,971**
Supplies	**3**	8	**29**
Total	**¥ 470**	¥ 784	**$ 4,563**

5. DEPOSITS RECEIVED

Deposits received at November 30, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Employees' savings	**¥ —**	¥ 560	**$ —**
Savings for house	**109**	400	**1,058**
Other	**24**	27	**233**
Total	**133**	987	**1,291**
Less current portion	**(69)**	(882)	**(670)**
Long-term debt, less current portion	**¥ 64**	¥ 105	**$ 621**

The weighted average interest rate applicable to the employees' savings was 1.5% at November 30, 2003.

Interest rates applicable to the savings for house ranged 6.0% and from 5.2% to 6.0% at November 30, 2004 and 2003, respectively.

Annual maturities of deposits received at November 30, 2004, were as follows:

Year Ending November 30	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 69	$ 670
2006	41	398
2007	1	10
2008	1	10
2009	1	10
2010 and thereafter	20	193
Total	¥ 133	$ 1,291

6. RETIREMENT BENEFITS

The Group has severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from the subsidiary and annuity payments from the contributory funded defined benefit pension plan. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

Effective June 16, 2004, the Group amended its severance payment plans by introducing a "point-based" system, under which severance benefits are calculated based on accumulated points allocated to employees each year according to their age and job evaluation and interest points over the accumulated points.

The liability for employees' retirement benefits at November 30, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Projected benefit obligation	**¥ 2,612**	¥ 3,114	**$ 25,359**
Fair value of plan assets	**(1,507)**	(1,594)	**(14,631)**
Unfunded benefit obligations	**1,105**	1,520	**10,728**
Unrecognized actuarial loss	**(716)**	(307)	**(6,951)**
Unrecognized prior service cost	**243**	(330)	**2,359**
Net liability	**¥ 632**	¥ 883	**$ 6,136**

The components of net periodic benefit costs for the years ended November 30, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Service cost	**¥ 182**	¥ 192	**$ 1,767**
Interest cost	**70**	86	**680**
Expected return on plan assets	**(48)**	(45)	**(466)**
Amortization of prior service cost	**22**	61	**213**
Recognized actuarial loss	**7**	35	**68**
Net periodic benefit costs	**¥ 233**	¥ 329	**$ 2,262**

Assumptions used for the years ended November 30, 2004 and 2003 are set forth as follows:

	2004	2003
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**3.0%**	4.0%
Amortization period of prior service cost	**7 years**	7 years
Amortization period of actuarial gain/loss	**15 years**	15 years

According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Group applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Group obtained an approval of exemption from future obligation by the Ministry of Health, Labour and Welfare on December 16, 2002.

As a result of this exemption, the Group recognized a gain on exemption from pension obligation of the governmental program in the amount of ¥218 million in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended November 30, 2003.

7. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amounts of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥6,194 million ($60,136 thousand) as of November 30, 2004, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Effective January 20, 2003, the Company declared a stock split issuing 1 share for each outstanding share resulting in 26,640 shares issued to shareholders of record on January 20, 2003.

Effective April 1, 2004, the Company declared a stock split issuing 199 additional shares for each outstanding share resulting in 10,602,720 shares issued to shareholders of record on April 1, 2004.

8. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41.9% for the years ended November 30, 2004 and 2003.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at November 30, 2004 and 2003, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Deferred tax assets:			
Accrued enterprise taxes	**¥ 67**	¥ 74	**$ 650**
Depreciation	**447**	490	**4,340**
Retirement benefits	**183**	253	**1,777**
Accrued expenses	**22**	21	**214**
Others	**96**	78	**932**
Total	**¥ 815**	¥ 916	**$ 7,913**
Deferred tax liabilities:			
Accrued labor insurance	**¥ 4**	¥ 3	**$ 39**
Net deferred tax assets	**¥ 811**	¥ 913	**$ 7,874**

For the years ended November 30, 2004 and 2003, because the differences between the normal effective statutory tax rates and the actual effective tax rates are not material, the tax reconciliations are not disclosed.

On March 31, 2003, Cabinet Order No. 9 entitled "Reform of a Portion of Local Tax Law" was issued and this reform will apply to fiscal years beginning after April 1, 2004. As a result of this reform, the statutory income tax rate to be used for the calculation of deferred income taxes concerning temporary differences, which are expected to be realized or settled after April 1, 2004, will be changed from approximately 41.9% to 40.4%. The effect of this change was to decrease net deferred tax assets and increase income taxes by ¥28 million for the year ended November 30, 2003.

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in cost of sales and selling, general and administrative expenses were ¥49 million ($476 thousand) and ¥32 million for the years ended November 30, 2004 and 2003, respectively.

10. LEASES

The Group leases certain computer equipment and other assets.

Total lease payments under finance leases for the years ended November 30, 2004 and 2003 were ¥2,741 million ($26,612 thousand) and ¥2,599 million, respectively.

Pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended November 30, 2004 and 2003 was as follows:

	Millions of Yen					
	2004			2003		
	Tools, Furniture and Fixtures	**Software**	**Total**	Tools, Furniture and Fixtures	Software	Total
Acquisition cost	**¥ 10,013**	**¥ 883**	**¥ 10,896**	¥ 9,180	¥ 784	¥ 9,964
Accumulated depreciation	**5,739**	**450**	**6,189**	5,496	282	5,778
Net leased property	**¥ 4,274**	**¥ 433**	**¥ 4,707**	¥ 3,684	¥ 502	¥ 4,186

	Thousands of U.S. Dollars		
	2004		
	Tools, Furniture and Fixtures	**Software**	**Total**
Acquisition cost	**$ 97,213**	**$ 8,573**	**$ 105,786**
Accumulated depreciation	**55,718**	**4,369**	**60,087**
Net leased property	**$ 41,495**	**$ 4,204**	**$ 45,699**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥ 2,270**	¥ 2,021	**$ 22,039**
Due after one year	**2,664**	2,429	**25,864**
Total	**¥ 4,934**	¥ 4,450	**$ 47,903**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Depreciation expense	**¥ 2,646**	¥ 2,507	**$ 25,689**
Interest expense	**111**	126	**1,078**
Total	**¥ 2,757**	¥ 2,633	**$ 26,767**

Depreciation expense and interest expense, which are not reflected in the accompanying statements of income, are computed by the straight-line method and the interest method, respectively.

11. RELATED PARTY TRANSACTIONS

Balances at November 30, 2004 and 2003 and transactions for the years ended November 30, 2004 and 2003 with the Parent, its consolidated subsidiaries and its associated company were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Sales	**¥ 22,242**	¥ 18,878	**$ 215,942**
Purchases	**248**	415	**2,408**
Rental expense	**855**	753	**8,301**

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Accounts receivable	**¥ 3,135**	¥ 2,189	**$ 30,437**
Accounts payable	**142**	192	**1,379**
Deposit paid	**2,416**	1,562	**23,456**

12. SUBSEQUENT EVENT

Appropriation

The following appropriations of retained earnings at November 30, 2004 were approved at the Company's shareholders meeting held on February 16, 2005:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 ($0.29) per share	¥ 320	$ 3,107
Bonuses to directors	22	214

Deloitte.

Deloitte Touche Tohmatsu
Osaka Kokusai Building
2-3-13,Azuchi-machi
Chuo-ku,Osaka 541-0052
Japan

Tel:+81 6 6261 1381
Fax:+81 6 6261 1238
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Matsushita Electric Works Information Systems Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Matsushita Electric Works Information Systems Co., Ltd. and subsidiary as of November 30, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Matsushita Electric Works Information Systems Co., Ltd. and subsidiary as of November 30, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

February 16, 2005

Member of
Deloitte Touche Tohmatsu

Corporate Data

Matsushita Electric Works Information Systems
and Consolidated Subsidiaries
As of November 30, 2004

Matsushita Electric Works Information Systems Co., Ltd.

Head office: 16th Fl., Applause Tower
19-19, Chayamachi, Kita-ku,
Osaka 530-0013, JAPAN

Telephone: +81-6-6906-2801

Facsimile: +81-6-6377-0833

URL: http://www.naisis.co.jp/english/

Establishment: February 22, 1999

Paid-in capital: 1,040 million yen

Number of employees: 424

Stock listing: Tokyo Stock Exchange, First Section

Shares of common stock issued and outstanding: 10,656,000 shares*

*Effective April 1, 2004, a 200-for-one share split was implemented.

Number of shareholders: 6,850

Board of Directors

President:
Masahiro Hamada

Managing Directors / Members of the Board:
Yasuhiko Nose
Mitsuo Mizuno
Suehiro Kanaya

Directors / Members of the Board:
Kazuo Kodama
Takashi Yamamura
Tsutomu Toda
Kunihiko Ishikawa
Makoto Ishii

Statutory Auditors:
Yoichiro Otake
Kuniaki Watanabe
Masayoshi Hikoso

Major Shareholders

Shareholder	Number of shares	Percentage of voting rights (%)
Matsushita Electric Works, Ltd.	6,787,200	63.70
MEW-IS Employee Stock Ownership Association	289,200	2.71
Japan Securities Finance Co., Ltd.	147,900	1.38
The Master Trust Bank of Japan, Ltd. (Trust Account)	122,600	1.15
Japan Trustee Services Bank, Ltd. (Trust Account)	56,200	0.52
Nomura Securities Co., Ltd.	48,600	0.45
Trust & Custody Services Bank, Ltd. (Trust Account B)	41,200	0.38
Mizuho Trust & Banking Co., Ltd. (Trust Account Z)	40,900	0.38
FUJITSU LIMITED	36,000	0.33
IBM Japan, Ltd.	36,000	0.33
Oki Electric Industry Co., Ltd.	36,000	0.33

Disclaimer

Matsushita Electric Works Information Systems Co., Ltd.
16th Fl., Applause Tower 19-19, Chayamachi, Kita-ku, Osaka 530-0013, JAPAN
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