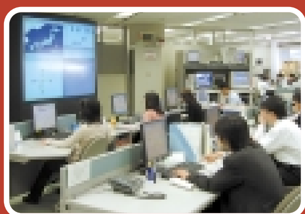
Matsushita Electric Works Information Systems Co., Ltd.

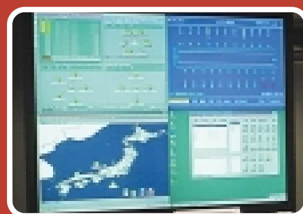
Annual Report 2005

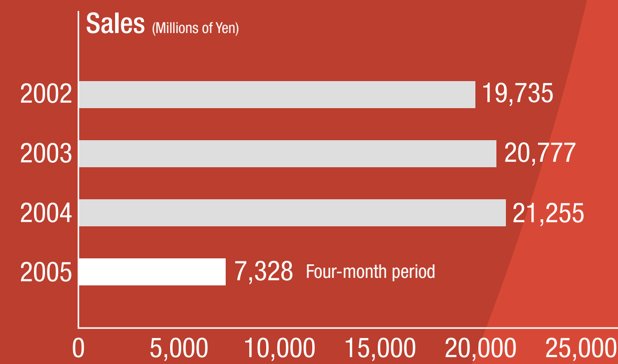
MEW-IS At a Glance

Service solution business — System services

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

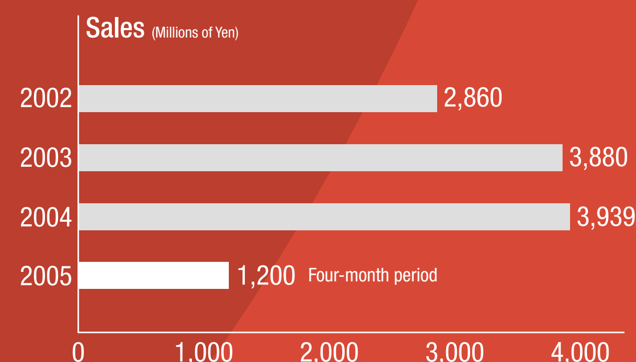






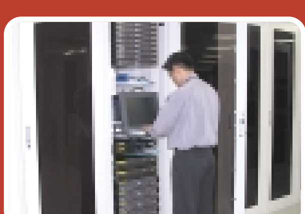
Service solution business — System solutions

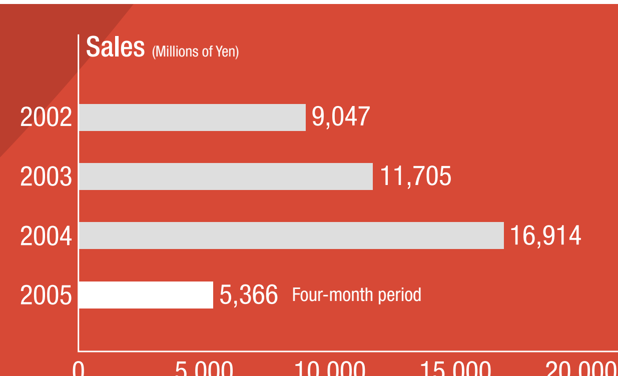
1. Solution proposal
2. Consulting
3. Package software development and sales



System and communications equipment business

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





Contents

Four-Year Summary

For the Four Month Period Ended March 31, 2005 and the Years Ended November 30, 2004, 2003 and 2002

	Millions of Yen				Thousands of U.S. Dollars
	March 31, 2005	November 30, 2004	November 30, 2003	November 30, 2002	**March 31, 2005**
RESULTS OF OPERATIONS:					
Net sales	**¥ 13,895**	¥ 42,109	¥ 36,361	¥ 31,641	**$ 129,860**
Cost of sales	**11,826**	36,230	31,641	27,559	**110,523**
Selling, general and administrative expenses	**740**	2,161	1,967	1,600	**6,916**
Operating income	**1,329**	3,718	2,753	2,482	**12,421**
Income before income taxes and minority interests	**1,309**	3,683	2,951	2,468	**12,234**
Net income	**776**	2,107	1,673	1,410	**7,252**
FINANCIAL POSITION:					
Current assets	**13,506**	11,589	11,092	8,424	**126,224**
Net property and equipment	**401**	386	386	177	**3,748**
Total assets	**16,119**	14,017	14,116	12,554	**150,645**
Current liabilities	**6,939**	5,214	6,736	6,097	**64,850**
Long-term liabilities	**636**	696	988	1,360	**5,944**
Shareholders' equity	**8,539**	8,105	6,391	5,082	**79,804**
OTHER STATISTICS:					
Research and development costs	**3**	49	32	58	**28**
Depreciation and amortization	**289**	1,056	1,159	894	**2,701**

	Yen				U.S. Dollars
	March 31, 2005	November 30, 2004	November 30, 2003	November 30, 2002	**March 31, 2005**
PER SHARE OF COMMON STOCK:					
Net income	**¥ 72.04**	¥ 195.68	¥ 155.14	¥ 130.63	**$ 0.67**
Cash dividends	**10.00**	45.00	35.00	25.00	**0.09**

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 ¥107 to $1, the approximate rate of exchange at March 31, 2005.
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.

Message from the President

Profile of the new president:
Takeyoshi Kawamura

1948	Born in Osaka
1970	Joined Matsushita Electric Works, Ltd.
1999	Appointed president of Matsushita Electric Software Co., Ltd.
2001	Appointed general manager of the Home Appliances and Electrical Machinery Business Group, Matsushita Electric Works, Ltd.
2002	Matsushita Electric Works Information Devices Division is spun off and Kawamura is appointed executive officer and general manager of the Home Appliance and Fire Prevention Systems Business Group of the new company
2003	Appointed managing executive director and general manager of the Home Appliance and Fire Prevention Systems Business Group
April 1, 2005	Appointed advisor to Matsushita Electric Works Information Systems Co., Ltd.
June 21, 2005	Assumed the presidency of the company

Business Performance during the Transitional Fiscal Period

MEW-IS has changed its accounting period from a fiscal year ending November 30 to one that ends on March 31. This takes place in conjunction with our parent company, Matsushita Electric Works, Ltd. (MEW), becoming a consolidated subsidiary of Matsushita Electric Industrial Co., Ltd. (MEI), and the change in its fiscal year to a period ending March 31, which is the fiscal year of the Matsushita group as a whole. As a result of this change, the current consolidated fiscal year will be the four-month period from December 1, 2004 through March 31, 2005.

The domestic economy has gained modest upward momentum during the current consolidated fiscal year. This is attributed to continued strength in exports and broad-based improvement in corporate earnings—against a backdrop of robust economies in the United States and China—as well as an increase in capital investment and an upturn in consumer spending and employment. However, high prices for oil and raw materials have emerged as causes for concern, and indications have appeared that the business climate has come to a temporary lull from its mild upswing.

In the midst of these developments, the information and communications services industry finds itself in a situation where market environments including systems integration (SI) are improving thanks to a smooth increase in corporate IT investment, on the one hand, while hardware investment remains as deflated as ever.

In this environment, the MEW-IS Group has had strong sales in service solutions business due to growth in sales of system architecture orders sold to MEW through the collaborative support of MEI and sales management packages (MetaForce) for the distribution industry as a result of having promoted solution proposal services that maximize the collective strength of our IT business. Along with growth in IT investments, system and communication equipment business continued brisk sales of thin-client terminals, software peripheral equipment, information-related construction and systems introduction support.

Moreover, in terms of sales component by customer, while the volume of our sales to MEW is holding virtually unchanged, most of the growth in sales, is accounted for by external sales, and the proportion of external sales overall is over 50% as a result. We take pride in this being the proof of the competitiveness our company has acquired.

Consequently, the results for the current consolidated fiscal year are 13,895 million yen in consolidated net sales, 1,329 million yen in consolidated operating income, and 776 million yen in consolidated net income for the current year. In addition, our 9.6% operating income ratio and current-period net income margin of 5.6 % together marked their largest-ever increases.

Segment Performance

The current operating performance for each individual division is as follows.

Although return profits by cost down to existing outsourcing customers had a negative impact, consolidated net sales for the Service Solutions Division of System Services Business were 7,328 million yen, which corresponds to 52.7% of total sales. This is largely due to the growth in sales of system operation business stimulated by outsourcing orders received from new customers and increase in maintenance service sales and the number of ASP customers.

With sales of its MetaForce and Harvest self-developed software packages for the distribution industry holding strong, and thanks to e-procurement system-related orders sold and system architecture orders from MEW sold through the collaborative support of MEI, the System Solutions Division recorded consolidated net sales of 1.2 billion yen. This corresponds to 8.6% of total sales.

Consolidated net sales for the System and Communications Equipment Business were 5,366 million yen, indicating a synergism with System Solutions sales and reflecting robust sales of thin-client terminals to customers other than MEW, software peripheral equipment-related products, information-related construction, and system introduction support. This corresponds to 38.6% of total sales.

Improving Corporate Governance and Compliance

We regard corporate governance as one of the most important issues of management, and are striving for transparency, fairness, and speed in management by providing an in-house organization and an internal control system and risk management system based on a policy of improving the management efficiency and emphasizing the shareholder.

Every executive and employee is addressing thoroughness in compliance based on corporate ethics and the spirit of abiding with the law. To be more precise, we are distributing to all staff members a brochure entitled “Our Code of Ethical Conduct” that describes a code of behavior for the company and its employees. We are also instituting a Compliance Program, establishing a Corporate Ethics Committee, and working on enlightenment of all personnel through e-learning.

Additionally, we received a Privacy Mark Certification that is given to the enterprises that properly handles the protection of personal information, and in March, 2005 we acquired the Information Security Management System (ISMS) Certification given to the enterprises whose organizational ISMS had been properly put into effect.

MEW-IS regards information control to be matter of utmost importance in management, and has set up the Information Security Management Committee, which is under the direct control of the President of the company, to play a central role in promoting and maintaining thorough internal information management within the MEW-IS Group. The committee also promotes activities for in-house enlightenment, training, and awareness-raising with respect to information management.

Business Strategies for Next Year and for the Future

The economic climate that will surround our company during the coming fiscal year is expected to be one that reflects the robust business climate in the United States and China, while the economy will begin to show signs of growing slowly out of the doldrums, and a modest economic recovery will continue in capital investment, consumer spending, and employment conditions. Amid concerns about the effects of high-priced oil and raw materials, however, there will be a lingering sense of uncertainty depend on trends in the global economy.

In the information and communications services industry, while a deflationary situation is expected to continue for hardware-related products, the upswing in corporate earnings will progress and IT investment will continue to rise. We believe that the promotion and practical application of “management reforms and restructuring” in a company will be the mainstream of the IT business in the future, and for that we will need a track record as a systems integrator with the collective strength to offer services ranging from consulting to systems architecture, hardware introduction, and overall operations. The shift toward broadband communications, centering around the Internet, will also accelerate and further progress toward a ubiquitous network society is expected to be made.

In anticipation of these conditions, we are promoting “Stability, Security, Comfort — CS Gets Them” as our management policy for the year 2005. By taking advantage of our prior performance, accumulated know-how, and powerful infrastructure, we will be responding to the IT strategy the customer is truly demanding by proactively providing a total solution or a one-stop solution that is the advantage of an all-around IT company. We will also implement cost reductions by promoting rationalization and thus pursuing sustained growth.

Specifically, while expanding sales of Thin-Client Solutions, which are superior in terms of security, and Distribution Industry Solutions centered around our own software (MetaForce) as well as the EAI*1 System, which organically incorporates information systems inside and outside a company, we will be pursuing a larger market for four solutions that are matched to societal trends. In specific terms, we are committed to providing high value-added services that include: a) CRM*2 Solutions for achieving improvements in customer satisfaction, such as the “Easy Call Center”; b) Housing Solution, aimed at housing firms and builders; c) CSR[*3] Solutions, which are focused on corporate social responsibilities; and d) Mimamori Solutions, which take into consideration the safety and health aspects of children and the elderly. As an innovation, we are also looking at engineering-based solutions that promote improved efficiency in product development and design.

***1 EAI (enterprise application integration):**
Organically incorporating computer systems for multiple services to provide efficient integration of data and processes.

***2 CRM (customer relationship management):**
A business model that provides goods and services suited to each customer's needs by using IT technology to individually analyze a customer's tastes and attributes.

***3 CSR (corporate social responsibility):**
Rewarding the stakeholders that surround the company—including the consumers, customers, and local communities—through various corporate activities.

The outlook for the entire fiscal year from April 1, 2005 until March 31, 2006 is for consolidated net sales of 45,500 million yen, a consolidated operating income of 4,000 million yen, and a consolidated net income of 2,300 million yen.

To Our Shareholders

I assumed the office of President on June 21, 2005. Having inherited the line that former president Masahiro Hamada has laid down, I intend to redouble my efforts for the sake of developing the company.

Our information-oriented society is increasingly evolving into a ubiquitous network society in which anyone can enjoy an advanced computing environment—whenever and wherever they wish. That is a society that precisely fits the ideals of “the creation of new IT values with enhanced usability” and “the pursuit of user-friendliness” that we uphold. Although we are a young company in our formative years, we will be guiding this company toward further breakthroughs while synchronizing the growth of the company with the growth of individual employees. For that reason, enhancing the quality of our human resources will be our top priority. We are building a corporate culture that emphasizes a sense of individual challenge and professionalism and are committed to structural development. We are also promoting the efficient use of management resources from top-to-bottom and the optimization of the entire structure for the sake of solution proposals.

Moreover, in regard to our medium-term management plan ” NEXT-3” we began in 2004, with the shift in accounting period and changes in the business environment, the plan will be undergoing some fine tuning. With an eye to ever more rapid progress, we are now formulating a new five-year management plan which will start in 2006.

I trust that we may receive even greater support and encouragement on the part of all our shareholders and investors.

Takeyoshi Kawamura
President

Consolidated Balance Sheets

March 31, 2005 and November 30, 2004

ASSETS	Millions of Yen March 31, 2005	Millions of Yen November 30, 2004	Thousands of U.S. Dollars (Note 1) March 31, 2005
CURRENT ASSETS:			
Cash and deposits (Note 3)	**¥ 1,958**	¥ 3,263	**$ 18,299**
Accounts receivable - Trade (Note 11)	**7,739**	5,047	**72,327**
Inventories (Note 4)	**1,024**	470	**9,570**
Deposits paid (Note 11)	**2,328**	2,423	**21,757**
Deferred tax assets (Note 8)	**272**	135	**2,542**
Other current assets	**185**	251	**1,729**
Total current assets	**13,506**	11,589	**126,224**
PROPERTY AND EQUIPMENT:			
Buildings	**173**	166	**1,617**
Tools, furniture and fixtures	**593**	560	**5,542**
Construction in progress	**6**	1	**56**
Total	**772**	727	**7,215**
Accumulated depreciation	**(371)**	(341)	**(3,467)**
Net property and equipment	**401**	386	**3,748**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**318**	18	**2,972**
Investment in associated company	**22**	57	**206**
Long-term loans	**1**	1	**9**
Software	**962**	1,107	**8,991**
Deferred tax assets (Note 8)	**683**	676	**6,383**
Other assets	**248**	194	**2,318**
Allowance for doubtful receivables	**(22)**	(11)	**(206)**
Total investments and other assets	**2,212**	2,042	**20,673**
TOTAL	**¥ 16,119**	¥ 14,017	**$ 150,645**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen March 31, 2005	Millions of Yen November 30, 2004	Thousands of U.S. Dollars (Note 1) March 31, 2005
CURRENT LIABILITIES:			
Accounts payable - Trade (Note 11)	**¥ 4,513**	¥ 2,598	**$ 42,178**
Accounts payable - Other (Note 11)	**1,108**	964	**10,355**
Income taxes payable	**688**	780	**6,430**
Consumption taxes payable	**35**	187	**327**
Deposits received (Note 5)	**86**	69	**804**
Other current liabilities	**509**	616	**4,756**
Total current liabilities	**6,939**	5,214	**64,850**
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 6)	**564**	632	**5,271**
Deposits received (Note 5)	**72**	64	**673**
Total long-term liabilities	**636**	696	**5,944**
MINORITY INTERESTS	**5**	2	**47**
COMMITMENTS (Note 10)			
SHAREHOLDERS' EQUITY (Notes 7 and 12):			
Common stock			
authorized - 40,000,000 shares;			
issued 10,656,000 shares	**1,040**	1,040	**9,720**
Capital surplus	**871**	871	**8,140**
Retained earnings	**6,628**	6,194	**61,944**
Total shareholders' equity	**8,539**	8,105	**79,804**
TOTAL	**¥ 16,119**	¥ 14,017	**$ 150,645**

Consolidated Statements of Income

Four Month Period Ended March 31, 2005 and the Year Ended November 30, 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	March 31, 2005	November 30, 2004	**March 31, 2005**
NET SALES (Note 11)	**¥ 13,895**	¥ 42,109	**$ 129,860**
COST OF SALES (Notes 9 and 11)	**11,826**	36,230	**110,523**
Gross profit	**2,069**	5,879	**19,337**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9 and 11)	**740**	2,161	**6,916**
Operating income	**1,329**	3,718	**12,421**
OTHER INCOME (EXPENSES):			
Interest income	**1**	3	**9**
Interest expense	**(3)**	(19)	**(28)**
Gain on sales of software	**—**	19	**—**
Equity in losses of associated company	**(34)**	(26)	**(318)**
Write-down of investment securities	**—**	(14)	**—**
Other - net	**16**	2	**150**
Other expenses - net	**(20)**	(35)	**(187)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**1,309**	3,683	**12,234**
INCOME TAXES (Note 8):			
Current	**674**	1,474	**6,299**
Deferred	**(143)**	102	**(1,336)**
Total income taxes	**531**	1,576	**4,963**
MINORITY INTERESTS	**2**	0	**19**
NET INCOME	**¥ 776**	¥ 2,107	**$ 7,252**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.k and 12):			
Net income	**¥ 72.04**	¥ 195.68	**$ 0.67**
Cash dividends	**10.00**	45.00	**0.09**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Four Month Period Ended March 31, 2005 and the Year Ended November 30, 2004

	Issued Number of Shares of Common Stock	Millions of Yen		
		Common Stock	Capital Surplus	Retained Earnings
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**
Net income				776
Cash dividends, ¥30 per share				(320)
Bonuses to directors				(22)
BALANCE, MARCH 31, 2005	**10,656,000**	**¥ 1,040**	**¥ 871**	**¥ 6,628**

	Thousands of U.S. Dollars (Note 1)		
	Common Stock	Capital Surplus	Retained Earnings
BALANCE, NOVEMBER 30, 2004	**$ 9,720**	**$ 8,140**	**$ 57,888**
Net income			7,252
Cash dividends, $0.28 per share			(2,991)
Bonuses to directors			(205)
BALANCE, MARCH 31, 2005	**$ 9,720**	**$ 8,140**	**$ 61,944**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Four Month Period Ended March 31, 2005 and the Year Ended November 30, 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	March 31, 2005	November 30, 2004	**March 31, 2005**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 1,309**	¥ 3,683	**$ 12,234**
Adjustments for:			
Depreciation and amortization	**289**	1,056	**2,701**
Increase in allowance for doubtful receivables	**11**	11	**103**
Decrease in liability for retirement benefits	**(68)**	(251)	**(636)**
Gain on sales of software	**—**	(19)	**—**
Interest income	**(1)**	(3)	**(9)**
Interest expense	**3**	19	**28**
Write-down of investment securities	**—**	14	**—**
Equity in losses of associated company	**34**	26	**318**
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	**(2,692)**	570	**(25,159)**
Decrease (increase) in inventories	**(554)**	314	**(5,178)**
Decrease (increase) in other current assets	**67**	(74)	**626**
Increase (decrease) in accounts payable	**1,915**	(803)	**17,897**
Decrease in other current liabilities	**(158)**	(653)	**(1,477)**
Increase (decrease) in other long-term liabilities	**8**	(41)	**75**
Other - net	**(22)**	(44)	**(205)**
Total adjustments	**(1,168)**	122	**(10,916)**
Interest received	**1**	3	**9**
Interest paid	**(3)**	(19)	**(28)**
Income taxes paid	**(782)**	(1,517)	**(7,308)**
Net cash provided by (used in) operating activities	**(643)**	2,272	**(6,009)**
INVESTING ACTIVITIES:			
Increase in deposits paid	**—**	(1,200)	**—**
Decrease in deposits paid	**—**	1,200	**—**
Purchases of property and equipment	**(39)**	(95)	**(364)**
Purchases of software	**(101)**	(488)	**(944)**
Proceeds from sales of software	**—**	19	**—**
Purchases of investment securities	**(300)**	(14)	**(2,804)**
Other - net	**0**	(2)	**0**
Net cash used in investing activities	**(440)**	(580)	**(4,112)**
FINANCING ACTIVITIES - Dividends Paid	**(317)**	(371)	**(2,963)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,400)**	1,321	**(13,084)**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**4,480**	3,159	**41,869**
CASH AND CASH EQUIVALENTS, END OF PERIOD (Note 3)	**¥ 3,080**	¥ 4,480	**$ 28,785**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Four Month Period Ended March 31, 2005 and the Year Ended November 30, 2004

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 March 31, 2005 and November 30, 2004, 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.

Certain reclassifications have been made in 2004 financial statements to conform to the classifications used in 2005.

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 ¥107 to $1, the approximate rate of exchange at March 31, 2005. 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.

The Company changed its fiscal year end from November 30 to March 31 in accordance with the resolution at the general shareholders' meeting held on February 16, 2005. The change conforms the Company's fiscal year to the fiscal year end of the Parent and Matsushita Electric Industrial Co., Ltd. (MEI) so that the Company can respond to the Parent's and MEI's consolidation requirements. Accordingly, fiscal 2005 included only four months of operations whereas fiscal 2004 included twelve months.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*** - The consolidated financial statements as of March 31, 2005 and November 30, 2004 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*** - Investment securities are non-marketable available-for-sale securities and 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 by the straight-line method over the estimated economic life 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 non-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 split (see Note 7) occurred on December 1, 2003. The weighted-average number of common shares used in the computation was 10,656,000 shares for 2005 and 2004.

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 March 31, 2005 and November 30, 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	March 31, 2005	November 30, 2004	**March 31, 2005**
Cash and deposits	**¥ 1,958**	¥ 3,263	**$ 18,299**
Deposits paid with original maturities of within 3 months	**1,122**	1,217	**10,486**
Cash and cash equivalents	**¥ 3,080**	¥ 4,480	**$ 28,785**

4. INVENTORIES

Inventories at March 31, 2005 and November 30, 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	March 31, 2005	November 30, 2004	**March 31, 2005**
Merchandise	**¥ 377**	¥ 264	**$ 3,523**
Work in process	**644**	203	**6,019**
Supplies	**3**	3	**28**
Total	**¥ 1,024**	¥ 470	**$ 9,570**

5. DEPOSITS RECEIVED

Deposits received at March 31, 2005 and November 30, 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	March 31, 2005	November 30, 2004	**March 31, 2005**
Savings for house	**¥ 120**	¥ 109	**$ 1,121**
Other	**38**	24	**356**
Total	**158**	133	**1,477**
Less current portion	**(86)**	(69)	**(804)**
Long-term debt, less current portion	**¥ 72**	¥ 64	**$ 673**

Interest rates applicable to the savings for house were 6.0% at March 31, 2005 and November 30, 2004.

Annual maturities of deposits received at March 31, 2005, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year Ending March 31		
2006	¥ 86	$ 804
2007	46	430
2008	1	9
2009	1	9
2010	1	9
2011 and thereafter	23	216
Total	¥ 158	$ 1,477

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 non-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 March 31, 2005 and November 30, 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	March 31, 2005	November 30, 2004	**March 31, 2005**
Projected benefit obligation	**¥ 2,676**	¥ 2,612	**$ 25,009**
Fair value of plan assets	**(1,636)**	(1,507)	**(15,289)**
Unfunded benefit obligations	**1,040**	1,105	**9,720**
Unrecognized actuarial loss	**(713)**	(716)	**(6,664)**
Unrecognized prior service cost	**237**	243	**2,215**
Net liability	**¥ 564**	¥ 632	**$ 5,271**

The components of net periodic benefit costs for the four month period ended March 31, 2005 and the year ended November 30, 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	March 31, 2005	November 30, 2004	**March 31, 2005**
Service cost	**¥ 54**	¥ 182	**$ 505**
Interest cost	**22**	70	**205**
Expected return on plan assets	**(15)**	(48)	**(140)**
Amortization of prior service cost	**(6)**	22	**(56)**
Recognized actuarial loss	**17**	7	**159**
Net periodic benefit costs	**¥ 72**	¥ 233	**$ 673**

Assumptions used for the four month period ended March 31, 2005 and the year ended November 30, 2004 are set forth as follows:

	March 31, 2005	November 30, 2004
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**3.0%**	3.0%
Amortization period of prior service cost	**7years**	7years
Amortization period of actuarial gain/loss	**15years**	15years

7. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code").

The Code requires that all shares of common stock are 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.

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.

The 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 Code allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the shareholders meeting.

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. The amount of retained earnings available for dividends under the Code was ¥6,686 million ($62,486 thousand) as of March 31, 2005, based on the amount recorded in the parent company's general books of account.

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.

8. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.4% and 41.9% for the four month period ended March 31, 2005 and the year ended November 30, 2004, respectively.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2005 and November 30, 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	March 31, 2005	November 30, 2004	**March 31, 2005**
Deferred tax assets:			
Accrued enterprise taxes	**¥ 53**	¥ 67	**$ 495**
Depreciation	**454**	447	**4,243**
Retirement benefits	**178**	183	**1,664**
Accrued bonus to employees	**155**	—	**1,449**
Others	**115**	118	**1,074**
Total	**¥ 955**	¥ 815	**$ 8,925**
Deferred tax liabilities:			
Accrued labor insurance	**¥ —**	¥ 4	**$ —**
Net deferred tax assets	**¥ 955**	¥ 811	**$ 8,925**

For the four month period ended March 31, 2005 and the year ended November 30, 2004, 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.

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in cost of sales and selling, general and administrative expenses were ¥3 million ($28 thousand) and ¥49 million for the four month period ended March 31, 2005 and the year ended November 30, 2004, respectively.

10. LEASES

The Group leases certain computer equipment and other assets.

Total lease payments under finance leases for the four month period ended March 31, 2005 and the year ended November 30, 2004 were ¥1,013 million ($9,467 thousand) and ¥2,741 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 four month period ended March 31, 2005 and the year ended November 30, 2004 was as follows:

	Millions of Yen					
	March 31, 2005			November 30, 2004		
	Tools, Furniture and Fixtures	**Software**	**Total**	Tools, Furniture and Fixtures	Software	Total
Acquisition cost	**¥ 9,106**	**¥ 850**	**¥ 9,956**	¥ 10,013	¥ 883	¥ 10,896
Accumulated depreciation	**(4,467)**	**(435)**	**(4,902)**	(5,739)	(450)	(6,189)
Net leased property	**¥ 4,639**	**¥ 415**	**¥ 5,054**	¥ 4,274	¥ 433	¥ 4,707

	Thousands of U.S. Dollars		
	March 31, 2005		
	Tools, Furniture and Fixtures	**Software**	**Total**
Acquisition cost	**$ 85,103**	**$ 7,944**	**$ 93,047**
Accumulated depreciation	**(41,748)**	**(4,065)**	**(45,813)**
Net leased property	**$ 43,355**	**$ 3,879**	**$ 47,234**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	March 31, 2005	November 30, 2004	**March 31, 2005**
Due within one year	**¥ 2,366**	¥ 2,270	**$ 22,112**
Due after one year	**2,944**	2,664	**27,514**
Total	**¥ 5,310**	¥ 4,934	**$ 49,626**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	March 31, 2005	November 30, 2004	**March 31, 2005**
Depreciation expense	**¥ 1,000**	¥ 2,646	**$ 9,346**
Interest expense	**37**	111	**346**
Total	**¥ 1,037**	¥ 2,757	**$ 9,692**

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 March 31, 2005 and November 30, 2004 and transactions for the four month period ended March 31, 2005 and the year ended November 30, 2004 with the Parent, its consolidated subsidiaries and its associated companies and the entity over which the Company has the ability to exercise significant influence were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	March 31, 2005	November 30, 2004	**March 31, 2005**
Sales	**¥ 7,825**	¥ 22,242	**$ 73,131**
Purchases	**995**	248	**9,299**
Lease and rental expense	**458**	855	**4,280**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	March 31, 2005	November 30, 2004	**March 31, 2005**
Accounts receivable	**¥ 3,451**	**¥ 3,135**	**$ 32,252**
Accounts payable	**907**	**142**	**8,477**
Deposit paid	**2,321**	**2,416**	**21,692**

12. SUBSEQUENT EVENT

Appropriation

The following appropriations of retained earnings at March 31, 2005 were approved at the Company's shareholders meeting held on June 21, 2005:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10 ($0.09) per share	¥ 107	$ 1,000
Bonuses to directors	8	75

Deloitte.

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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 March 31, 2005 and November 30, 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the four month period ended March 31, 2005 and the year ended November 30, 2004, 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 March 31, 2005 and November 30, 2004, and the consolidated results of their operations and their cash flows for the four month period ended March 31, 2005 and the year ended November 30, 2004 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

June 21, 2005

Member of
Deloitte Touche Tohmatsu

Corporate Data

Matsushita Electric Works Information Systems and Consolidated Subsidiaries
As of March 31, 2005

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:	427
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:	6,680

Board of Directors

President:
Takeyoshi Kawamura

Executive Managing Directors / Member of the Board:
Yasuhiko Nose
Mitsuo Mizuno

Managing Director / Member of the Board:
Suehiro Kanaya

Directors / Member of the Board:
Takashi Yamamura
Tsutomu Toda
Kazuhiro Tanetani
Makoto Ishii
Toshihiro Ono

Statutory Auditors:
Tatsuji Shinkai
Kuniaki Watanabe
Masayoshi Hikoso

Major Shareholders

Shareholder	Number of shares	Percentage of voting rights (%)
Matsushita Electric Works, Ltd.	6,787,200	63.69
MEW-IS Employee Stock Ownership Association	283,200	2.65
Japan Securities Finance Co., Ltd.	191,300	1.79
The Master Trust Bank of Japan, Ltd. (Trust Account)	136,900	1.28
Japan Trustee Services Bank, Ltd. (Trust Account)	56,900	0.53
Trust & Custody Services Bank, Ltd. (Trust Account B)	41,200	0.38
Mizuho Trust & Banking Co., Ltd. (Trust Account Z)	40,500	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

Annual Report 2005 is intended to provide information about the business performance and strategy of Matsushita Electric Works Information Systems Co., Ltd. and its affiliate. It is not intended and should not be construed as an inducement to purchase or sell stock in the Company or its affiliate. Statements in this document that are not historical or current facts are forward-looking statements based on current assumptions and beliefs of management. Many factors that the Company is unable to predict with accuracy could cause the Company's actual results, performance, achievements or financial position to be materially different from those expressed or implied by such forward-looking statements. The Company undertakes no obligation to update any forward-looking statements to reflect facts, circumstances or events that have occurred or changed after such statements have been made, and shall in no event be liable for any damages arising out of the use or interpretation of this material.

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