Matsushita Electric Works Information Systems Co., Ltd.

Annual Report 2007

For the Year Ended March 31

Panasonic
ideas for life

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

Financial Highlights

Four-Year Summary

For the Year Ended March 31, 2007 and 2006, the Four Month Period Ended March 31, 2005, and the Year Ended November 30, 2004

	Millions of Yen				Thousands of U.S. Dollars
	March 31, 2007	March 31, 2006	March 31, 2005	November 30, 2004	**March 31, 2007**
RESULTS OF OPERATIONS:					
Net sales	**¥ 40,226**	¥ 41,385	¥ 13,895	¥ 42,109	**$ 340,898**
Cost of sales	**32,666**	34,316	11,826	36,230	**276,830**
Selling, general and administrative expenses	**2,546**	2,459	740	2,161	**21,576**
Operating income	**5,014**	4,610	1,329	3,718	**42,492**
Income before income taxes and minority interests	**5,070**	4,682	1,309	3,683	**42,966**
Net income	**3,001**	2,800	776	2,107	**25,432**
FINANCIAL POSITION:					
Current assets	**19,339**	16,303	13,506	11,589	**163,890**
Net property and equipment	**547**	538	401	386	**4,636**
Total assets	**21,307**	18,610	16,119	14,017	**180,568**
Current liabilities	**7,754**	7,246	6,939	5,214	**65,712**
Long-term liabilities	**207**	366	636	696	**1,754**
Equity	**13,346**	10,985	8,539	8,105	**113,102**
OTHER STATISTICS:					
Research and development costs	**75**	13	3	49	**636**
Depreciation and amortization	**615**	755	289	1,056	**5,212**

	Yen				U.S. Dollars
	March 31, 2007	March 31, 2006	March 31, 2005	November 30, 2004	**March 31, 2007**
PER SHARE OF COMMON STOCK:					
Basic net income	**¥ 281.65**	¥ 260.42	¥ 72.04	¥ 195.68	**$ 2.39**
Cash dividends	**55.00**	55.00	10.00	45.00	**0.47**

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 made at the rate of ¥118 to $1, the approximate rate of exchange at March 31, 2007.

2. Basic net income per share and cash dividends per share are retroactively recalculated as if the stock splits occurred on December 1, 2002. Effective January 20, 2003, the Company declared a stock split issuing 1 additional share for each outstanding share resulting in 26,640 shares issued to shareholders of record on January 20, 2003. And 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 recorded on April 1, 2004.

Our Feature

The Performance, Know-How, and Technical Capabilities That Have Been Sustaining Matsushita Electric Works for nearly 50 years

Although MEW-IS itself is a young company established in 1999, we have nearly 50 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 companies have been promoting the implementation of IT, while the IT movement is expanding in local municipalities. In addition, the priority IT issues that face domestic companies are the questions of how to reduce operation and management costs and how to respond to technological innovations and changes. It can be said, therefore that our target markets really are entering a period of growth.

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.

We achieved record highs in operating income and operating margin by aggressively implementing strategies that emphasize profits.

Overview

During the fiscal year ended March 31, 2007, the Japanese economy experienced a continuation of strong corporate performance and improved income, and both capital investment and employment strengthened, resulting in a general recovery despite some weakness in personal consumption.

Amidst this business environment, the MEW-IS Group used its total solution strengths in IT (Information Technology) business fields to conduct market proposals to customers, resulting in an expansion of the outsourcing business. The business integration of Matsushita Electric Industrial Co., Ltd. (MEI) and Matsushita Electric Works, Ltd. (MEW) contributed to an increase in users, and system services sales expanded.

In addition, the installation of supply chain management (SCM) systems, construction of proposal systems using Web technologies, and construction and installation of system integration solutions and call center systems in response to the growing need to comply with the Japanese version of the Sarbanes-Oxley Act and of thin-

Message from the President

client systems for educational institutions resulted in substantially higher system solution sales. Management resources have been focused on the System Services and System Solutions Divisions, which have high profit rates, but a decline in sales of software peripheral-related equipment had an impact on overall results, and consolidated net sales for the fiscal year ended March 31, 2007 was 40,226 million yen, down 2.8% from the previous year.

With respect to profits, the System Services and System Solutions Divisions, which have high profit rates, both performed well, and as a result of streamlining of system operations and gathering and cross-training of outsourcing personnel, consolidated operating income was up 8.8% from the previous year to 5,014 million yen and consolidated net income was up 7.2% from the previous year to 3,001 million yen. Both operating income and operating margin (12.5%) reached new record highs.

Management Strategies for the Fiscal Year Ending March 31, 2008 and Later

The economic outlook is for a moderate but continuing expansion with a favorable balance between exports, capital investment, and personal consumption over the short term. The U.S. economy, however, is showing signs of slowing, and there are concerns about future corporate performance. In addition, shortages of highly skilled workers such as system engineers in IT fields are becoming more prominent, and there are concerns that this may act as a brake on business growth. In the information and communications service industries, demands are increasing for lower total cost of ownership (TCO) and higher return on investment (ROI) with respect to IT investment, and additional decreases in prices for individual hardware and software products are expected in the future. At the same time, IT is more essential than ever for corporate business reforms and innovations, as the role of IT increases, demand for security and stable operation will also grow. We also believe that reconstruction of systems in preparation for the coming change of generation of IT engineers as well as measures to develop internal control environments in conjunction with changes in legal systems will accelerate in the future.

Under these circumstances, in the fiscal year ending March 31, 2008, we will actively make proposals using the MEW Group channel, increase added value through collaboration among related products, propose solutions in response to the Japanese version of the Sarbanes-Oxley Act, and propose optimal total solutions that address customer issues.

We will also implement fundamental structural reforms. Until now, the system development divisions and sales divisions dealt with customers independently, but currently, both divisions function as one unit organized along customer lines. This has made possible to propose solutions tailored for specific customers, bolstered business profitability management, and increased the pace of management.

In addition, we are working to strengthen marketing and planning functions within the integrated system development divisions and sales divisions. By introducing and employing SFA*, we are constructing systems for both “pull” sales strategies such as marketing by customer and competitor analysis by product, and “push” selling strategies through strong marketing and proposing the optimal solutions that customers want.

* Sales Force Automation. The use of IT to increase the efficiency of corporate marketing divisions and information systems for achieving this.

Progress of the 2010 Plan Medium-Term Strategy

MEW-IS is formulating the 2010 Plan Medium-Term Strategy as a business strategy for the medium-term future. Under this plan, we hope to achieve consolidated sales of 70 billion yen, an external sales rate of 65%, operating income of 7.5 billion yen, and operating margin of 10.7% by the fiscal year ending March 2011.

To achieve these quantitative goals, we have been promoting two strategies since the fiscal year ended March 2007: the New Business Creation strategy and the Human Resource Recruiting and Development strategy.

Under the New Business Creation strategy, a New Business Planning Office was created to create the structures that will generate business as new sources of income. This office performs inter-departmental functions, linking the new business and new product creation functions of each division.

The Human Resource Recruiting and Development strategy defines human resources as human assets, and in order to solidify core businesses and expand business planning capabilities, periodic and interim hiring is being increased and investment in human assets including training and education programs is being boosted to previously unseen levels. MEW-IS is implementing comprehensive training programs to raise all skills from technical and planning to communication skills and is conducting training with a focus on younger employees to foster the "Matsushita Spirit," which serves as a norm when acting in society and as a person. Through these measures, we are solidifying our business foundations and reinforcing business planning.

Our vision for achieving the goals of the 2010 plan is "Value Designer." Based on the concept of "working with customers to envision their future and create value together," we are creating a unified mindset throughout the entire workforce. I believe that our social mission is to utilize to the greatest extent possible the IT results and expertise that the MEW Group has accumulated to help our customers that seek optimal use of IT within a ubiquitous computing society.

To Our Shareholders

One of our core management policies is the stable and continuous return of profits to shareholders, keeping in mind the importance of building up internal reserves, which will serve as the source of funds for solidifying our management foundations and expanding business in the future. Based on this policy, in the fiscal year ended March 2007, we paid a dividend of 55 yen per share, the same as the previous year.

In the future, we will implement a more aggressive dividends policy that takes into consideration consolidated business performance from the perspective of placing even greater emphasis on shareholders. Specifically, in addition to continuation of a stable 55 yen per share dividend, as long as business conditions do not change substantially, in the fiscal year ending March 2008, we plan to increase the dividend by 10 yen per share for a total annual dividend of 65 yen.

I look forward to the continued support and cooperation of our shareholders.

Takeyoshi Kawamura

Takeyoshi Kawamura
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. In addition, all the officers and employees of our company at the same time are tackling the thorough implementation of 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 seven 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. Three auditors, of whom two are outside auditors, also attend.

MEW-IS has one outside director and one auditor appointed by its parent company, but the Board of Directors is able to make management decisions independent from the parent company. To enhance objectivity in management decision making, the company has one outside director and one outside auditor independent of the parent company.

With respect to compliance, we have distributed to all staff members a brochure entitled Our Code of Ethical Conduct which describes the code of conduct, drawn up a Compliance Program, established a Corporate Ethics Committee, and are providing enlightenment education for all employees through an e-learning program and so on.

Furthermore, we have acquired the Privacy Mark, which is given to companies that properly undertake the protection of personal information, and in March 2005 we acquired Information Security Management System (ISMS) certification, which is granted to companies where an organized information security management system is properly implemented.

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 a thorough internal information management setup within the MEW-IS Group. The committee also promotes enlightenment, education, and awareness raising for employees concerning information management.

Compensation paid to MEW-IS directors (six directors excluding those directors who resigned during the 8th Regular Meeting of Shareholders on June 14, 2006) was 87.85 million yen (including 8.40 million yen paid to the two outside directors). Of this total amount, 67.85 million yen was for base pay (including 8.40 million yen paid to the two outside directors) and 20.00 million yen was for bonuses (no bonuses were paid to the two outside directors).

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. Among them, since the company places special focus on compliance, we are implementing training for every employee using e-learning and promoting the raising of consciousness toward compliance in a grass-roots manner.

The second objective is contribution to the society. We will contribute by proposing resource-and energy-conserving plans and system designs, and by offering product services that can significantly assist customers' response to corporate social responsibility (CSR) as an IT company.

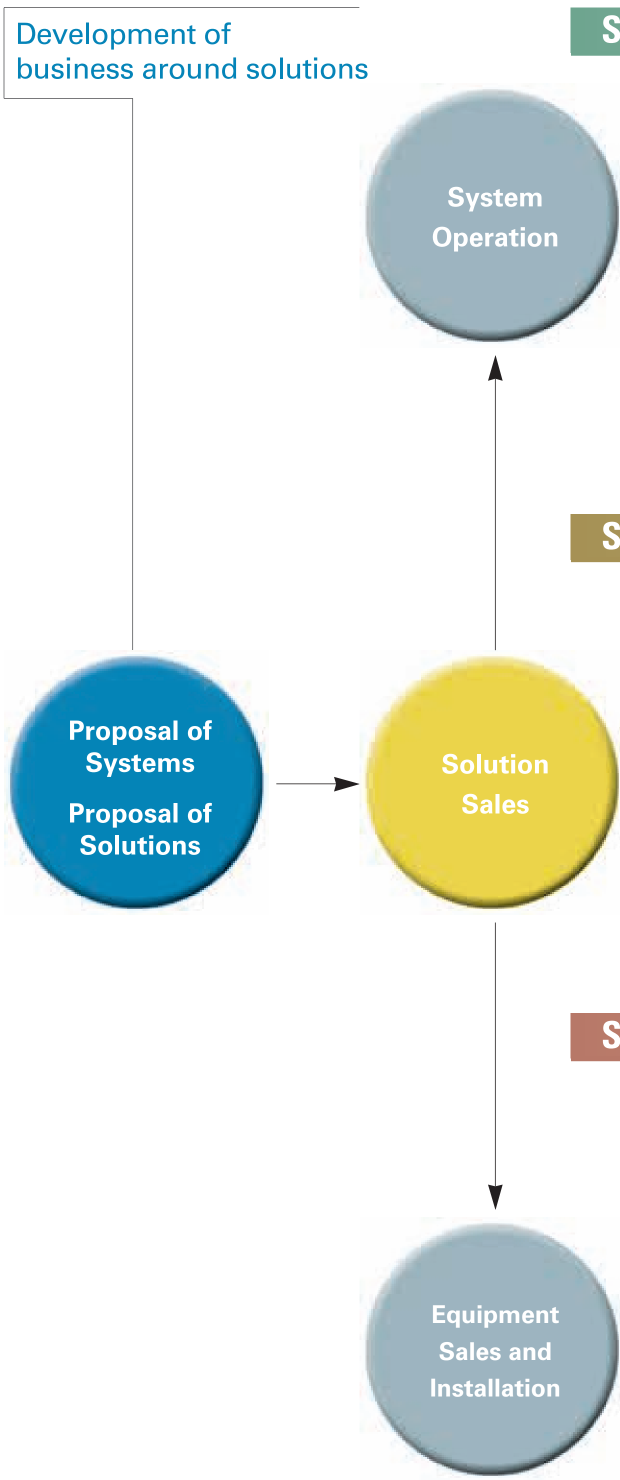
In concrete terms, we are offering sales of used PC application software, industrial waste management ASP services, sales of thin-client terminals, and vehicle traffic control services, while working internally on promoting recycling and resource-and energy-conservation.

In addition, as disaster countermeasures, we are contributing to society by enhancing our disaster recovery system and through such services as the "Mimamori Net," which provides regular information about the condition of elderly people living alone via e-mail.

Corporate Social Responsibility (CSR)

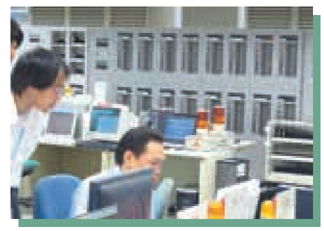
Environmentally-friendly	
•Recycling of personal computers	DeskWave for PC
•Industrial waste management	Industrial waste management system (electronic manifestation)
Promotion of energy conservation	
•Thin client	DeskWave
Security measures	
•Network security	IC card solution; ONMITSU; Managed fire wall; 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

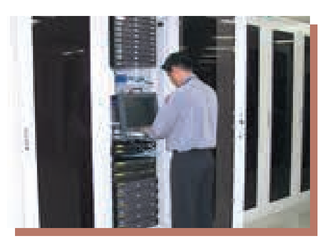
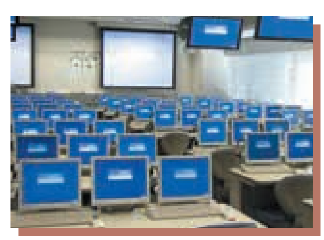



Service solution business — System solutions

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

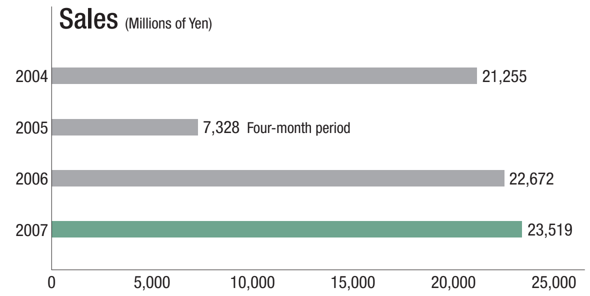

System and communications equipment business

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

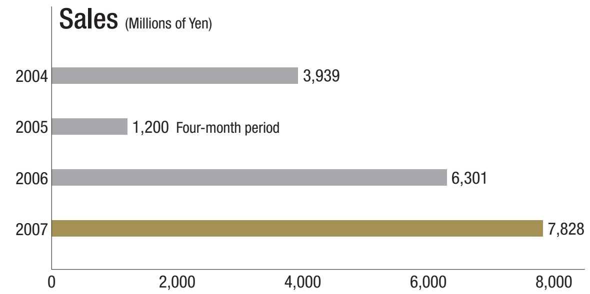
System services division

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.



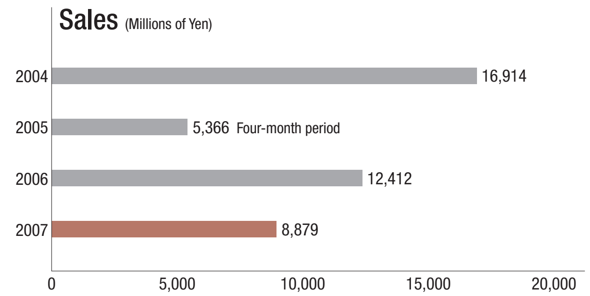
System solutions division

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

MEW-IS engages in the business of information services including provision of system operation and communications services, system development, and sales of system equipment. Since MEW-IS engages in a single business entity, the company does not disclose segment information by individual business areas, but summaries of business results for the Service Solutions Business and the System and Communications Equipment Business are provided. Data for the Service Solutions Business is indicated separately from that for the System Services Division and the System Solutions Division.

Service Solutions Business

System Services Division

New orders for outsourcing services as well as sales for system operation and maintenance services grew at a brisk pace and the number of application service provider (ASP) customers increased, resulting in robust sales of 23,519 million yen (up 3.7% from the previous year).

As its main activities, the System Services Division utilizes the technology skills and business solution capabilities that it has developed through many years of developing various systems and undertaking system operation to construct system families and provide operating services. The division's main activities are operation of business application systems that play central roles in corporate operation such as production, sales, and inventory management systems, personnel and accounting systems, and technology information systems. The division also provides electric commerce/electric data interchange (EC/EDI)

services, network services, outsourcing services, and ASP services.

System Solutions Division

Orders for system construction from Matsushita Electric Works, Ltd. (MEW) expanded at a strong pace, while orders for system construction from other MEW Group companies grew rapidly. In addition, orders for enterprise application integration (EAI) systems and sales of packaged software such as MetaForce and Otegaru Call Center were robust, resulting in sales of 7,828 million yen (up 24.2% from the previous year).

The System Solutions Division's main activities are proposing new solutions and undertaking development in accordance with customer needs and based on its system services experience as well as providing originally developed packaged software.

System and Communications Equipment Business

As a result of focusing management resources into the highly profitable System Services and System Solutions Divisions, the System and Communications Equipment Business experienced a significant decline in sales of software-related peripherals, and sales fell to 8,879 million yen (down 28.5% from the previous year).

The main business activities in this division are optimal selection of hardware and third-party software that will meet customer specifications from among the highly varied products available, providing them to customers, and performing construction work using those products. Specific activities include sale of system equipments such as personal computers and network-related communications equipment, provision of related services, and performance of telephone and LAN construction as well as sale of personal computers, servers, printers, communications equipment, and purchased software, and provision of discount telephone services.

Management's Discussion and Analysis of Operations

Operations

During the fiscal year ended March 31, 2007, the Japanese economy saw a continuation of strong corporate results and improved income, and both capital investment and employment improved, resulting in a general recovery despite some weakness in personal consumption.

Under these circumstances, the MEW-IS Group engaged in proposal marketing using its total solution capabilities in IT business fields, expanded its outsourcing business, and expanded users in conjunction with the merger of business with Matsushita Electric Industrial Co., Ltd. (MEI) and Matsushita Electric Works, Ltd. (MEW), contributing to an increase in system services sales.

In addition, the installation of supply chain management (SCM) system, proposal and marketing of systems using Web technologies, and growing need to comply with the Japanese version of the Sarbanes-Oxley Act resulted in substantially higher system solution sales for system integration solutions, call-center systems, and construction and installation of thin-client systems for educational institutions. Sales of network-related construction and system installation support in relation to system and communications equipment were strong, but the focus of business has shifted to the System Services and System Solutions Divisions, which have high profit rates, and sales of system-related hardware declined. As a result of these developments, consolidated net sales for the fiscal year ended March 31, 2007 was 40,226 million yen, down 2.8% from the previous year.

The cost of sales declined by 4.8% from the previous year to 32,666 million yen, which accounted for 81.2% of net sales, which is 1.7 points decline from the previous year. Selling, general and administrative expenses increased by 3.5% to 2,546 million yen, which accounted for 6.3% of net sales, which is 0.4 points increase from the previous year. As a result, operating income grew by 8.8% from the previous year to 5,014 million yen, which accounted for 12.5% of net sales, which is 1.4 points increase from the previous year. Both operating income and operating margin reached new record highs. This was the result of reducing sales with low profit margins and focusing management resources on business fields with high profit margins.

Net other income decreased by 22.0% from the previous year to 56 million yen. Although interest income increased and interest expense and impairment losses decreased substantially, a large fall in gains on the sale of investment securities compared to the previous year was the main factor behind the decline in net other income. As a result, income before income taxes and minority interests increased by 8.3% from the previous year to 5,070 million yen.

As a result of the above developments, net income for the fiscal year ended March 31, 2007 grew to 3,001 million yen, which is 7.2% increase from the previous year. The ratio of net income to net sales increased by 0.7 points to 7.5%.

Basic net income per share grew to 281.65 yen, which is 8.2% increase from the previous year. Return on equity decreased by 4 points from the previous year to 24.7% as a result of an increase in shareholders' equity.

Business review

The MEW-IS Group (MEW-IS and its subsidiaries) engages in the business of information services including system development, system operation, provision of communications services, and sales of system equipment. MEW-IS engages in a single business, and therefore segment information concerning individual business areas has been omitted.

Business results for each service product area during the fiscal year ended March 31, 2007 are as follows.

Service Solutions Business

(a) System Services Division

The system services division acquired new orders for outsourcing services and sales for system operation and maintenance services were strong. Combined with an increase in application service provider (ASP) customers, sales were robust at 23,519 million yen (up 3.7% from the previous year).

(b) System Solutions Division

Orders for system construction from Matsushita Electric Works, Ltd. (MEW) expanded at a strong pace, while orders for system construction from other MEW Group companies grew rapidly. In addition, sales of enterprise application integration (EAI) systems and our packaged software such as MetaForce and Otegaru Call Center were robust, resulting in sales of 7,828 million yen (up 24.2% from the previous year).

System and Communications Equipment Business

As a result of focusing management resources into the highly profitable System Services and System Solutions Divisions, the System and Communications Equipment Business experienced a significant decline in sales of software peripheral-related equipment, and sales fell to 8,879 million yen (down 28.5% from the previous year).

Financial position 2007

As of the end of the fiscal year ended March 31, 2007, total assets increased by 2,697 million yen from the end of the previous fiscal year to 21,307 million yen. The increase was largely the result of a growth in current assets.

Current assets increased by 3,036 million yen from the end of the previous fiscal year to 19,339 million yen. Although cash and deposits declined in conjunction with the decrease in net sales, deposits paid increased substantially, resulting in the higher current assets.

Fixed assets decreased by 338 million yen form the end of the previous fiscal year to 1,968 million yen. The decline was primarily the result

Management's Discussion and Analysis of Operations

of decreases in deferred tax assets and intangible fixed assets.

Total liabilities as of the end of the fiscal year ended March 31, 2007 increased by 350 million yen from the end of the previous fiscal year to 7,962 million yen. The increase was primarily the result of higher current liabilities.

Current liabilities increased by 508 million yen from the end of the previous fiscal year to 7,754 million yen. Although accounts payable - trade decreased as a result of lower net sales, higher income taxes payable and accounts payable - other led to the increase.

Long-term liabilities declined by 159 million yen to 207 million yen as a result of a substantial decrease in liability for retirement benefits.

Total equity as of the end of the fiscal year ended March 31, 2007 increased by 2,361 million yen from the end of the previous fiscal year to 13,346 million yen. The increase was the result of a 2,337 million yen increase in retained earnings generated from higher net income. As a result, the equity ratio increased by 3.5 points to 62.5%.

Cash Flows

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the year ended March 31, 2007 decreased by 234 million yen from the end of the previous year to 4,391 million yen (down 5.1%).

Cash flows from operating activities

Funds generated from operating activities amounted to 3,742 million yen. Although we had such expenses as 1,662 million yen for income taxes paid and a 225 million yen increase in inventory assets, the increase in funds was due to the recording of income before income taxes and minority interests of 5,070 million yen, as well as the recording of depreciation and amortization of 615 million yen.

Cash flows from investing activities

Funds used in investing activities amounted to 3,337 million yen. This decrease was due to expenses of 3,000 million yen for group deposits paid and 170 million yen for the purchases of software, as well as expenses of 170 million yen for the purchases of property and equipment.

Cash flows from financing activities

Funds used in financing activities amounted to 639 million yen. This figure is comprised of the payment of dividends.

Risk Management 2007

(1) Recruiting Human Resources

The MEW-IS Group is aware that for recruiting highly-skilled human resources with technology and management abilities is essential for the success of its future business activities.

The Group conducts periodic and interim hiring and engages in dynamic and varied recruiting activities such as holding briefing sessions via the Internet, but this type of outstanding personnel is limited in the information service and other industries, and competition to hire the best personnel is intensifying.

In addition, much system development and other work rely on outsourcing, and we are working closely with outsourcing companies to secure outsourcing personnel.

Under these circumstances, if we are unable to prevent current employees from leaving, to recruit new employees, or to secure outsourcing personnel, there is a risk that there will be a substantial impact on the future business activities of the MEW-IS Group.

(2) 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 collapse 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.

(3) 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 fiscal year ended March 31, 2007 was 50.3%. 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, Matsushita Electric Industrial Co., Ltd. (MEI) is the parent company of MEW and also the parent company of our company.

(4) 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 Corporate Technology Development Division / R&D Center, to ensure our response to a broad range of technology trends.

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

Consolidated Balance Sheets

March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2007**	2006	**2007**
CURRENT ASSETS:			
Cash and deposits (Note 3)	**¥ 1,216**	¥ 1,560	**$ 10,305**
Accounts receivable - Trade (Note 11)	**9,577**	9,376	**81,161**
Inventories (Note 4)	**535**	311	**4,534**
Deposits paid (Note 11)	**7,388**	4,281	**62,610**
Deferred tax assets (Note 8)	**390**	310	**3,305**
Other current assets (Note 11)	**233**	465	**1,975**
Total current assets	**19,339**	16,303	**163,890**
PROPERTY AND EQUIPMENT:			
Buildings	**235**	227	**1,992**
Tools, furniture and fixtures	**943**	788	**7,992**
Construction in progress	**18**	4	**152**
Total	**1,196**	1,019	**10,136**
Accumulated depreciation	**(649)**	(481)	**(5,500)**
Net property and equipment	**547**	538	**4,636**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**315**	315	**2,669**
Long-term loans	**1**	1	**8**
Software	**510**	746	**4,322**
Deferred tax assets (Note 8)	**440**	528	**3,729**
Deposits paid	**150**	148	**1,271**
Other assets	**26**	51	**221**
Allowance for doubtful receivables	**(21)**	(20)	**(178)**
Total investments and other assets	**1,421**	1,769	**12,042**
TOTAL	**¥ 21,307**	¥ 18,610	**$ 180,568**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2007	2006	Thousands of U.S. Dollars (Note 1) 2007
CURRENT LIABILITIES:			
Accounts payable - Trade (Note 11)	**¥ 3,600**	¥ 3,819	**$ 30,508**
Accounts payable - Other (Note 11)	**2,221**	1,789	**18,822**
Income taxes payable	**1,211**	769	**10,263**
Consumption taxes payable	**92**	252	**780**
Deposits received (Note 5)	**2**	59	**17**
Other current liabilities	**628**	558	**5,322**
Total current liabilities	**7,754**	7,246	**65,712**
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 6)	**113**	333	**958**
Deposits received (Note 5)	**42**	33	**356**
Other	**52**		**440**
Total long-term liabilities	**207**	366	**1,754**
MINORITY INTERESTS		13	
COMMITMENTS (Note 10)			
EQUITY (Notes 7 and 12)**:**			
Common stock authorized - 40,000,000 shares; issued 10,656,000 shares	**1,040**	1,040	**8,814**
Capital surplus	**871**	871	**7,381**
Retained earnings	**11,411**	9,074	**96,703**
Total	**13,322**	10,985	**112,898**
Minority interests	**24**		**204**
Total equity	**13,346**	10,985	**113,102**
TOTAL	**¥ 21,307**	¥ 18,610	**$ 180,568**

Consolidated Statements of Income

Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
NET SALES (Note 11)	**¥ 40,226**	¥ 41,385	**$ 340,898**
COST OF SALES (Notes 9 and 11)	**32,666**	34,316	**276,830**
Gross profit	**7,560**	7,069	**64,068**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9 and 11)	**2,546**	2,459	**21,576**
Operating income	**5,014**	4,610	**42,492**
OTHER INCOME (EXPENSES):			
Interest income	**25**	4	**212**
Interest expense	**(3)**	(6)	**(25)**
Receipt of cancellation fee of operating system (Note 11)	**30**		**254**
Gain on sales of investment in associated company		44	
Gain on donated assets (Note 11)		39	
Equity in losses of associated company		(7)	
Write-down of investment securities		(3)	
Other - net	**4**	1	**33**
Other income - net	**56**	72	**474**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**5,070**	4,682	**42,966**
INCOME TAXES (Note 8)**:**			
Current	**2,050**	1,756	**17,373**
Deferred	**8**	117	**68**
Total income taxes	**2,058**	1,873	**17,441**
MINORITY INTERESTS IN NET INCOME	**11**	9	**93**
NET INCOME	**¥ 3,001**	¥ 2,800	**$ 25,432**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.o and 12)**:**			
Basic net income	**¥ 281.65**	¥ 260.42	**$ 2.39**
Cash dividends	**55.00**	55.00	**0.47**

See notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity

Years Ended March 31, 2007 and 2006

	Issued Number of Shares of Common Stock	Millions of Yen					
		Common Stock	Capital Surplus	Retained Earnings	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2005	**10,656,000**	**¥ 1,040**	**¥ 871**	**¥ 6,628**	**¥ 8,539**		**¥ 8,539**
Net income				2,800	2,800		2,800
Cash dividends, ¥32.5 per share				(346)	(346)		(346)
Bonuses to directors				(8)	(8)		(8)
BALANCE, MARCH 31, 2006	**10,656,000**	**1,040**	**871**	**9,074**	**10,985**		**10,985**
Reclassified balance as of March 31, 2006 (Note 2.i)						**¥ 13**	**13**
Net income				**3,001**	**3,001**		**3,001**
Cash dividends, ¥60 per share				**(639)**	**(639)**		**(639)**
Bonuses to directors				**(25)**	**(25)**		**(25)**
Net changes in the year						**11**	**11**
BALANCE, MARCH 31, 2007	**10,656,000**	**¥ 1,040**	**¥ 871**	**¥ 11,411**	**¥ 13,322**	**¥ 24**	**¥ 13,346**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2006	**$ 8,814**	**$ 7,381**	**$ 76,898**	**$ 93,093**		**$ 93,093**
Reclassified balance as of March 31, 2006 (Note 2.i)					**$ 111**	**111**
Net income			**25,432**	**25,432**		**25,432**
Cash dividends, $0.51 per share			**(5,415)**	**(5,415)**		**(5,415)**
Bonuses to directors			**(212)**	**(212)**		**(212)**
Net changes in the year					**93**	**93**
BALANCE, MARCH 31, 2007	**$ 8,814**	**$ 7,381**	**$ 96,703**	**$ 112,898**	**$ 204**	**$ 113,102**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 5,070**	¥ 4,682	**$ 42,966**
Adjustments for:			
Depreciation and amortization	**615**	755	**5,212**
Increase (decrease) in allowance for doubtful receivables	**1**	(1)	**8**
Decrease in liability for retirement benefits	**(220)**	(231)	**(1,864)**
Gain on sales of investment in associated company		(44)	
Interest income	**(25)**	(4)	**(212)**
Interest expense	**3**	6	**25**
Write-down of investment securities		3	
Equity in losses of associated company		7	
Changes in assets and liabilities:			
Increase in accounts receivable	**(202)**	(1,636)	**(1,712)**
Decrease (increase) in inventories	**(225)**	714	**(1,907)**
Decrease (increase) in other current assets	**249**	(281)	**2,110**
Decrease in accounts payable	**(219)**	(694)	**(1,856)**
Increase in other current liabilities	**316**	1,021	**2,678**
Increase (decrease) in other long-term liabilities	**61**	(39)	**517**
Other - net	**(29)**	(64)	**(245)**
Total adjustments	**325**	(488)	**2,754**
Interest received	**12**	4	**102**
Interest paid	**(3)**	(6)	**(25)**
Income taxes paid	**(1,662)**	(1,724)	**(14,085)**
Net cash provided by operating activities	**3,742**	2,468	**31,712**
INVESTING ACTIVITIES:			
Increase in deposits paid	**(4,200)**	(1,200)	**(35,593)**
Decrease in deposits paid	**1,200**	1,200	**10,169**
Increase in time deposits		(10)	
Purchases of securities	**(3,010)**		**(25,508)**
Proceeds from sales of securities	**3,011**		**25,517**
Purchases of property and equipment	**(170)**	(277)	**(1,441)**
Purchases of software	**(170)**	(350)	**(1,441)**
Proceeds from sales of investment in associated company		59	
Other - net	**2**	2	**17**
Net cash used in investing activities	**(3,337)**	(576)	**(28,280)**
FINANCING ACTIVITIES - Dividends paid	**(639)**	(347)	**(5,415)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(234)**	1,545	**(1,983)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**4,625**	3,080	**39,195**
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	**¥ 4,391**	¥ 4,625	**$ 37,212**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2007 and 2006

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, 2007 and 2006, 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 equipment.

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 ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standard Board of Japan (ASBJ) published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under Japanese GAAP and has been renamed "the consolidated statement of changes in equity" from the current fiscal year.

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. In addition, certain reclassifications have been made in the 2006 financial statements to conform to the classifications used in 2007.

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 ¥118 to $1, the approximate rate of exchange at March 31, 2007. 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 accompanying consolidated financial statements 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.

During the year ended March 31, 2006, MintWave Co., Ltd. was excluded from the equity method as a result of the sale of its shares.

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 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 15 years for buildings and from 3 to 10 years for tools, furniture and fixtures.

f. ***Long-lived Assets -*** In August 2002, the Business Accounting Council (BAC) issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the ASBJ issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements were 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 Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate 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.

g. ***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.

h. ***Retirement Benefits -*** The Company has a non-contributory funded pension plan together with the Parent and certain domestic consolidated subsidiaries of the Parent 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.

i. ***Presentation of Equity -*** On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include minority interests. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

j. ***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.

k. ***Bonuses to Directors and Corporate Auditors -*** Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force ("PITF") No. 13, "Accounting treatment for bonuses to directors and corporate auditors", which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Company adopted the new accounting standard for bonuses to directors and corporate auditors in the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥16 million ($136 thousand).

l. ***Software Revenue Recognition -*** On March 30, 2006, the ASBJ issued PITF No. 17, "Practical Solution on Revenue Recognition of Software". The Group adopted this task force in the year ended March 31, 2007. The adoption this task force had immaterial impact on the results of operations of the Group.

m. ***Income Taxes -*** The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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

o. ***Per Share Information -*** Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the year.

Diluted net income per share 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.

The weighted-average number of common shares used in the computation was 10,656,000 shares for 2007 and 2006.

p. New Accounting Pronouncements

Measurement of Inventories **-** Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting **-** On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

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, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Cash and deposits	**¥ 1,216**	¥ 1,560	**$ 10,305**
Deposits paid with original maturities of within 3 months	**3,185**	3,075	**26,992**
Time deposits over 3 months	**(10)**	(10)	**(85)**
Cash and cash equivalents	**¥ 4,391**	¥ 4,625	**$ 37,212**

4. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Merchandise	**¥ 201**	¥ 183	**$ 1,703**
Work in process	**331**	125	**2,805**
Supplies	**3**	3	**26**
Total	**¥ 535**	¥ 311	**$ 4,534**

5. DEPOSITS RECEIVED

Deposits received at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Welfare pension	**¥ 42**	¥ 36	**$ 356**
Saving for house		56	
Other	**2**		**17**
Total	**44**	92	**373**
Less current portion	**(2)**	(59)	**(17)**
Long-term debt, less current portion	**¥ 42**	¥ 33	**$ 356**

Interest rates applicable to the welfare pension were 6.5% at March 31, 2007 and 2006.

Annual maturities of deposits received at March 31, 2007, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year Ending March 31		
2008	¥ 2	$ 17
2009	1	8
2010	2	17
2011	2	17
2012	2	17
2013 and thereafter	35	297
Total	¥ 44	$ 373

6. RETIREMENT BENEFITS

The Company has severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on principally accumulated points allocated to them each year according to their age and job evaluation and interest points over the accumulated points. Such retirement benefits are made in the form of 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.

The liability for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Projected benefit obligation	**¥ 3,013**	¥ 2,906	**$ 25,534**
Fair value of plan assets	**(2,461)**	(2,220)	**(20,856)**
Unfunded benefit obligations	**552**	686	**4,678**
Unrecognized actuarial loss	**(642)**	(574)	**(5,441)**
Unrecognized prior service cost	**203**	221	**1,721**
Net liability	**¥ 113**	¥ 333	**$ 958**

The components of net periodic benefit costs for the years ended March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Service cost	**¥ 184**	¥ 164	**$ 1,559**
Interest cost	**72**	67	**610**
Expected return on plan assets	**(66)**	(49)	**(559)**
Amortization of prior service cost	**(18)**	(18)	**(153)**
Recognized actuarial loss	**48**	53	**407**
Net periodic benefit costs	**¥ 220**	¥ 217	**$ 1,864**

Assumptions used for the years ended March 31, 2007 and 2006 are set forth as follows:

	2007	2006
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
Recognition period of actuarial gain/loss	**15years**	15years

7. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

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% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Deferred tax assets:			
Accrued enterprise taxes	**¥ 92**	¥ 59	**$ 780**
Depreciation	**360**	394	**3,051**
Retirement benefits	**46**	115	**390**
Accrued bonus to employees	**171**	146	**1,449**
Others	**161**	124	**1,364**
Total deferred tax assets	**¥ 830**	¥ 838	**$ 7,034**

For the years ended March 31, 2007 and 2006, 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 ¥75 million ($636 thousand) and ¥13 million for the years ended March 31, 2007 and 2006, respectively.

10. LEASES

The Group leases certain computer equipment and other assets.

Total lease payments under finance leases for the years ended March 31, 2007 and 2006 were ¥2,432 million ($20,610 thousand) and ¥2,509 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 March 31, 2007 and 2006 was as follows:

	Millions of Yen					
	2007			2006		
	Tools, Furniture and Fixtures	**Software**	**Total**	Tools, Furniture and Fixtures	Software	Total
Acquisition cost	**¥ 7,146**	**¥ 1,210**	**¥ 8,356**	¥ 7,748	¥ 1,212	¥ 8,960
Accumulated depreciation	**(3,423)**	**(683)**	**(4,106)**	(4,205)	(450)	(4,655)
Net leased property	**¥ 3,723**	**¥ 527**	**¥ 4,250**	¥ 3,543	¥ 762	¥ 4,305

	Thousands of U.S. Dollars		
	2007		
	Tools, Furniture and Fixtures	**Software**	**Total**
Acquisition cost	**$ 60,559**	**$ 10,254**	**$ 70,813**
Accumulated depreciation	**(29,008)**	**(5,788)**	**(34,796)**
Net leased property	**$ 31,551**	**$ 4,466**	**$ 36,017**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥ 1,955**	¥ 2,108	**$ 16,568**
Due after one year	**2,336**	2,510	**19,796**
Total	**¥ 4,291**	¥ 4,618	**$ 36,364**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Depreciation expense	**¥ 2,330**	¥ 2,397	**$ 19,746**
Interest expense	**73**	80	**618**
Total	**¥ 2,403**	¥ 2,477	**$ 20,364**

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, 2007 and 2006 and transactions for the years ended March 31, 2007 and 2006 with the Parent, its consolidated subsidiaries and its associated companies were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Sales	**¥ 25,885**	¥ 24,468	**$ 219,364**
Purchases	**305**	272	**2,585**
Lease and rental expense	**863**	838	**7,314**
Receipt of cancellation fee of operating system	**30**		**254**
Gain on donated assets		39	

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Accounts receivable	**¥ 5,729**	¥ 4,829	**$ 48,551**
Other current assets	**15**	2	**127**
Accounts payable	**195**	278	**1,653**
Deposits paid	**7,383**	4,267	**62,568**

12. SUBSEQUENT EVENT

Appropriation

The following appropriations of retained earnings at March 31, 2007 were approved at the Company's shareholders meeting held on June 14, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥27.50 ($0.23) per share	¥ 293	$ 2,483

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, 2007 and 2006, and the related consolidated statements of income, changes in 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 March 31, 2007 and 2006, 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

June 14, 2007

Member of
Deloitte Touche Tohmatsu

Corporate Data

Matsushita Electric Works Information Systems and Consolidated Subsidiaries
As of March 31, 2007

Matsushita Electric Works Information Systems Co., Ltd.

Head office: 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: 509

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: 5,027

Major Shareholders

Shareholder	Number of shares	Percentage of voting rights (%)
Matsushita Electric Works, Ltd.	6,787,200	63.69
Japan Trustee Services Bank, Ltd. (Trust Account)	588,600	5.52
MEW-IS Employee Stock Ownership Association	219,000	2.06
The Master Trust Bank of Japan, Ltd. (Trust Account)	199,400	1.87
Trust & Custody Services Bank, Ltd. (Securities Investment Fund Account)	95,700	0.90
Trust & Custody Services Bank, Ltd. (Pension Special Account)	84,000	0.79
Japan Trustee Services Bank, Ltd. (Trust Account 4).	68,600	0.64
United Nations, for the United Nations Joint Staff Pension Fund a UN Organ	60,800	0.57
FUJITSU LIMITED	36,000	0.34
IBM Japan, Ltd.	36,000	0.34
Oki Electric Industry Co., Ltd.	36,000	0.34

Board of Directors, Auditors and Officers

As of June14,2007

President:
Takeyoshi Kawamura

Senior Managing Directors:
Yasuhiko Nose
Mitsuo Mizuno

Managing Directors:
Suehiro Kanaya
Tsutomu Toda

Directors:
Toshihiro Ono *1
Shinichiro Satani *1

Auditors:
Tatsuji Shinkai *2
Kuniaki Watanabe *2
Makoto Ishii

Managing Executive Officer:
Mikio Okuda

Executive Officers:
Akira Hisano
Hisashi Kurono
Hiroyuki Maruoka

*1 outside director
*2 external auditor

Disclaimer

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Matsushita Electric Works Information Systems Co., Ltd.
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