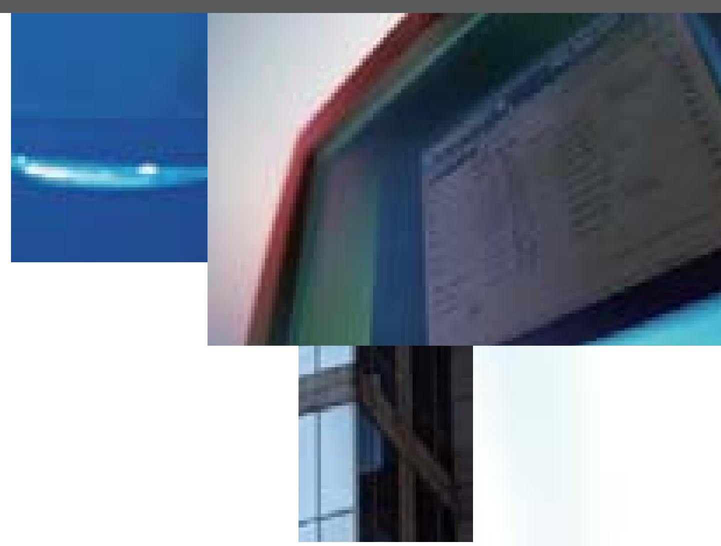
Panasonic
ideas for life

Annual Report 2008

For the Year Ended March 31

Panasonic Electric Works Information Systems Co.,Ltd.



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.

Our Feature

1. Technical capabilities that have supported Panasonic Electric Works, a forerunning IT firm, for nearly 50 years
2. Power for sales through the channels of the Panasonic Electric Works group
3. Multivendor environment not dependent on a particular manufacturer
4. One-stop provision of solutions
5. Possession of an enormous infrastructure (networks, computers, and IDCs)
6. High productivity

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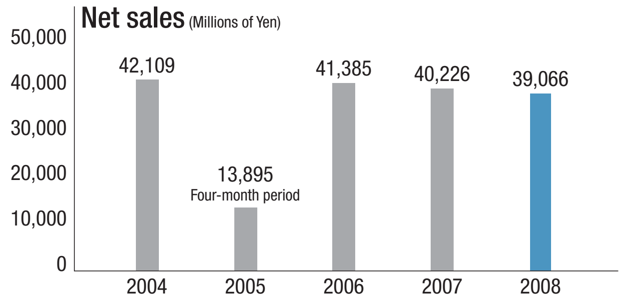
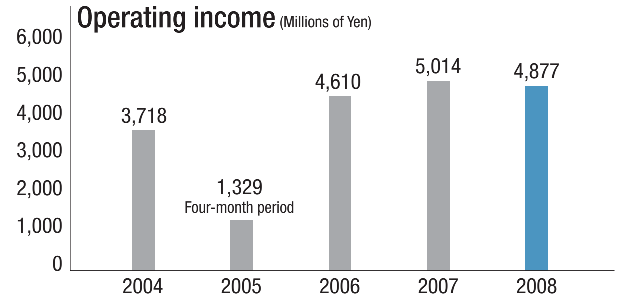
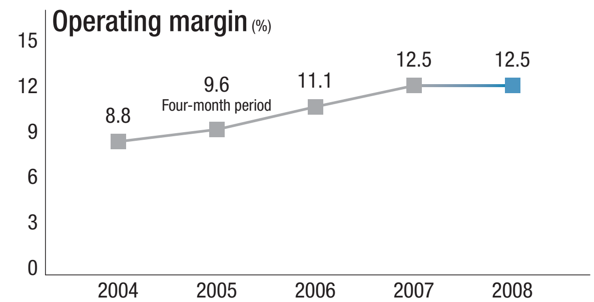
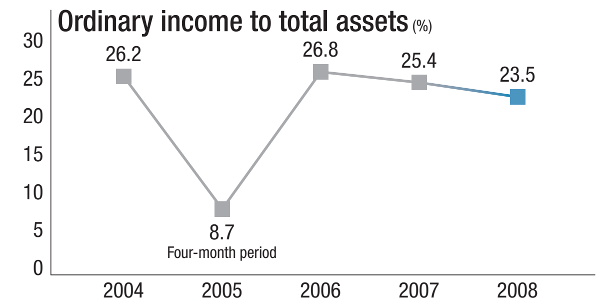
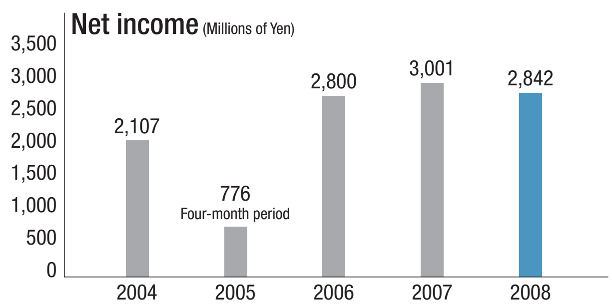
Financial Highlights

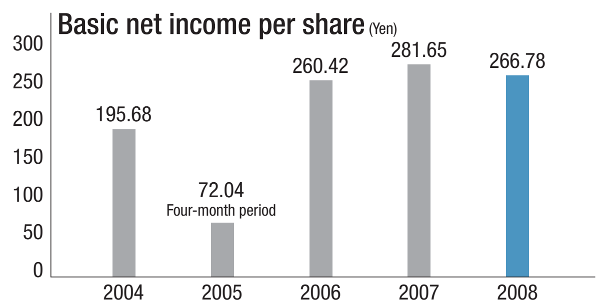


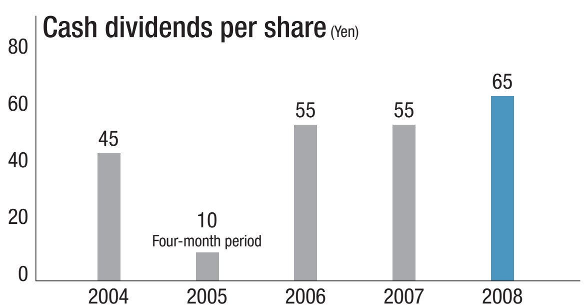


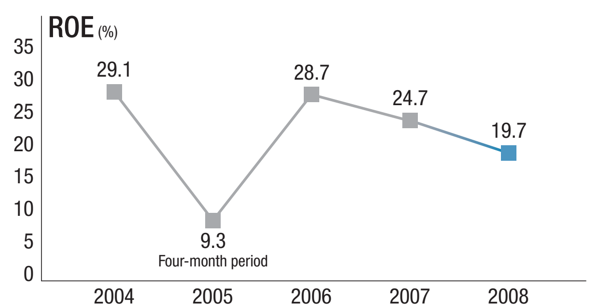












Note: Basic net income per share and cash dividends per share are retroactively recalculated as if the stock splits occurred on December 1, 2002. Effective January 20, 2003, the Company declared a stock split issuing 1 additional share for each outstanding share resulting in 26,640 shares issued to shareholders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

Message from the President

Pressing Ahead with the "Challenging the New" to Achieve Our 2010 Management Vision

Although the fiscal year ended March 31, 2008 presented the Company with a particularly challenging external environment and we experienced declines in both sales and income, the strategies of emphasizing profits that we have implemented over the past several years resulted in an operating margin of 12.5%, a new record high. The sense of uncertainty concerning the business environment increased rapidly in the second half of the fiscal year ended March 31, 2008, but we are by no means pessimistic. This is because when considered from a medium- to long-term perspective, IT is not just a means of streamlining and raising the efficiency of business; it is also increasingly adopted as a means of enhancing the effectiveness of sales and business strategies. As a result, we expect IT investment to continue expanding for the foreseeable future. The Company will continue its strategies of emphasizing profits and will make every effort to expand sales.

In February 2009, we will celebrate 10 years since the foundation of the Company. To make this event an opportunity to achieve even greater progress, we have adopted the "Challenging the New" as our management strategy for the fiscal year ending March 31, 2009. The "Challenging the New" addresses three specific topics: achieving new records in sales and income, creating new products and changing into new personnel. By working to achieve these goals in the fiscal year ending March 31, 2009, we will act in concert to realize the management vision for 2010: "Value Designer-Working with customers to envision their future and create value together."

In October 2008, Matsushita Electric Works Information Systems has changed its name to Panasonic Electric Works Information Systems Co., Ltd. in conjunction with the global brand value enhancement strategy of the Matsushita Group. And the National brand formerly used by the Company has been changed to Panasonic. The Panasonic brand has high name recognition around the world and is well known by foreign investors. We expect that as the Company provides services to the overseas business sites of the Panasonic Electric Works group companies, having a globally-recognized brand name will provide us with significant momentum.

I look forward to the continued support and guidance of our shareholders and investors in the coming years.

Challenging the New

A new self, a new company

New company name and logo From October 1st, 2008

New name

パナソニック電工インフォメーションシステムズ株式会社
Panasonic Electric Works Information Systems Co., Ltd.

Logo

Panasonic

Takeyoshi Kawamura
President

Q&A with the President

Q What is your assessment of the financial results for the fiscal year ended March 31, 2008?

A During the first half of the fiscal year, the Japanese economy grew at a relatively steady pace thanks to higher corporate capital investment fueled by the expanding world economy and rising personal consumption supported by improved employment and income. In the second half, however, credit insecurity brought about by the turmoil in financial capital markets as well as high prices for commodities such as oil and falling stock markets led to increased uncertainty concerning future prospects for the world economy.

Despite these developments, the Company saw a steady level of new orders for outsourcing services and system operation and managed to increase sales of supply chain management (SCM) systems, production management systems, and sales and distribution management systems to Panasonic Electric Works and its group companies, and the sales of system services and system solutions both reached new record highs. On the other hand, in the System and Communications Equipment Business, although sales of security related products increased, overall sales fell because of constrained investment including IT investment in response to the uncertainty concerning the economy.

As a result, consolidated results for the fiscal year ended March 31, 2008 were net sales of 39,066 million yen (down 2.9% from the previous year), operating income of 4,877 million yen (down 2.7%), and net income of 2,842 million yen (down 5.3%). Both the operating margin and the ordinary income margin, however, surpassed previous records thanks to the effects of our strategy of emphasizing profits for the past several years. In addition, we saw a year-on-year increase in free cash flows of 522 million yen.

Q What specific measures are you taking to achieve the 2010 Management Vision?

A To achieve our management vision for 2010, which we have defined as "Value Designer-Working with customers to envision their future and create value together," we must first achieve the goals of our management policy for the fiscal year ending March 31, 2009, which is entitled the "Challenging the New." The "Challenging the New" addresses three specific topics: achieving new records in sales and income, creating new products and changing into new personnel.

First, with respect to setting new records in sales and income, we are implementing organizational reforms and reinforcing our profit bases. Organizational reforms include the establishment of a division that will specialize in external sales and accelerate the solutions business by bolstering collaboration between manufacturing and sales as well as creating a development center to increase the pace of new product development and improve productivity. To reinforce our profit bases, we will acquire CMMI level 3, raise quality and production efficiency by implementing comprehensive project management, implement a "work diet" that eliminates work-related waste and increases efficiency, virtualize servers and implement streamlining such as a thorough review of IDC.

Next, in the area of new product development, we will actively develop the outsourcing business and SaaS business, cultivate new ECM business, increase support for manufacturing sites and speed up development of new products through horizontal deployment of data-related technologies and the use of compound merchandises. We will also promote business design support solutions that use our business expertise and actively create new alliances.

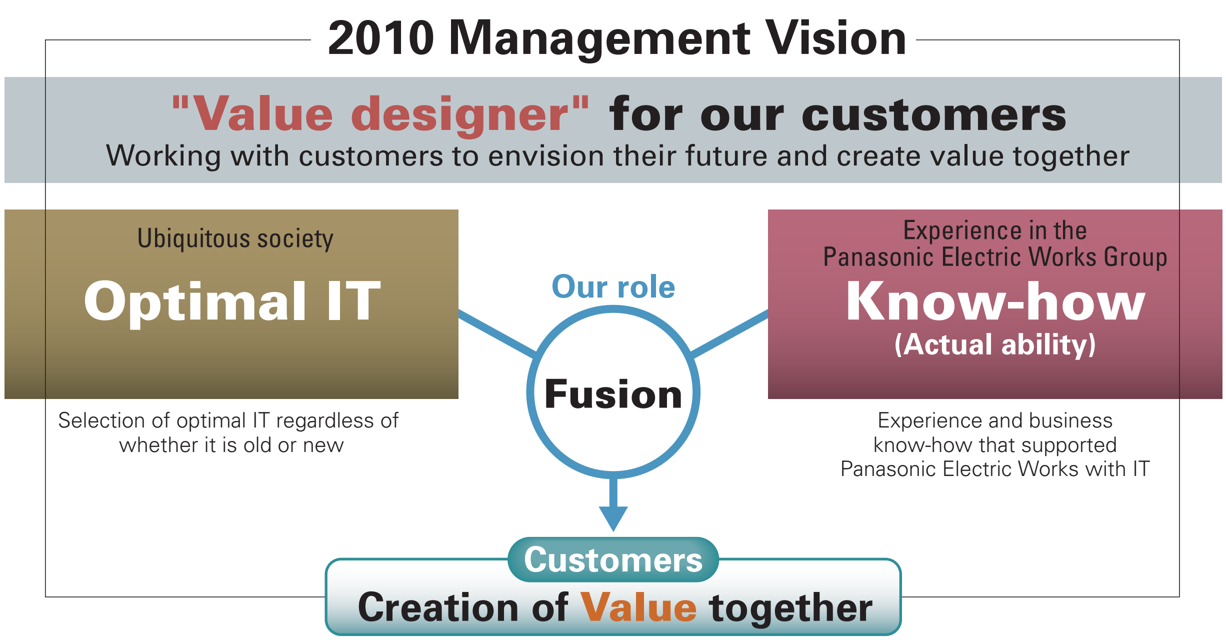
In the third area, empowering personnel, we are making bold moves towards the creation of a work environment completely unlike the current environment through active job rotation, the “work diet” I mentioned earlier and reinforcement of training programs. This will lead to the development of human resources who can serve as the drivers of corporate growth.

Q What are the reasons behind the company's high productivity and business efficiency?

A Among all SI companies in Japan, we have the third highest ordinary income per employee and the fourth highest ratio of ordinary income to total assets. There are two main reasons why we have been able to achieve these high levels of business efficiency.

The first reason is our business model itself. The system integration process is generally divided into four stages: planning, design, development and operation. Of these four stages, the Company places particular emphasis on planning and operation, which have high added value, and makes skillful use of collaboration with business partners in the design and development stages, which tend to entail high personnel expenses. This method has functioned well and has contributed to our high business efficiency.

The second reason is the importance we place on internal human resources. Our main business is the solution business, which requires considerable consulting capabilities, and consequently the capabilities of individual personnel are directly



linked to our competitiveness as a company. As I said earlier, one of our priority topics for the year ending March 2009 is empowering personnel, but we have long sought to nurture personnel who are well-balanced in an overall perspective including technical skills, planning abilities, communication capabilities and human skills. The continuous and unstinted investments that we have made in these areas are also factors behind our high productivity.

Ranking of FY2007 Solution provider results in Japan

Productivity (Ordinary Income per Employee)

Ranking	Company Name	Ordinary Income per Employee
1	MOSHI MOSHI HOTLINE, INC.	¥ 12.05 million
2	Nomura Research Institute, Ltd.	¥ 9.72 million
3	**Matsushita Electric Works Information Systems***	**¥ 9.04 million**
4	CYBERNET SYSTEMS CO., LTD.	¥ 6.86 million
5	Daiwa Institute of Research Ltd.	¥ 6.79 million
6	OBIC Co., Ltd.	¥ 6.16 million
7	Zentek Technology Japan, Inc.	¥ 4.97 million
8	Kanematsu Electronics Ltd.	¥ 4.46 million
9	ITFOR Inc.	¥ 4.16 million
10	ITOCHU Techno-Solutions Corporation	¥ 4.13 million
Average ordinary income per person among 163 companies surveyed		¥ 1.92 million

Source: NIKKEI SOLUTION BUSINESS 2008.7.30
*The Company has changed its name to Panasonic Electric Works Information Systems in October 2008.

Business Efficiency (Ratio of Ordinary Income to Total Assets)

Ranking	Company Name	Ratio of Ordinary Income to Total Assets
1	FUJITSU HOKURIKU SYSTEMS LTD.	26.3%
2	MOSHI MOSHI HOTLINE, INC.	24.7%
3	YAMATO SYSTEM DEVELOPMENT CO., LTD.	24.2%
4	**Matsushita Electric Works Information Systems***	**23.6%**
5	Canon IT Solutions Inc.	23.1%
6	Daiwa Institute of Research Ltd.	23.0%
7	Future Architect, Inc.	22.5%
8	FUJITSU FSAS INC.	21.6%
9	Hitachi Distribution Software Co., Ltd.	19.7%
10	NSD CO., LTD.	18.7%
Average Ratio of Ordinary Income to Total Assets among 163 companies surveyed		9.5%

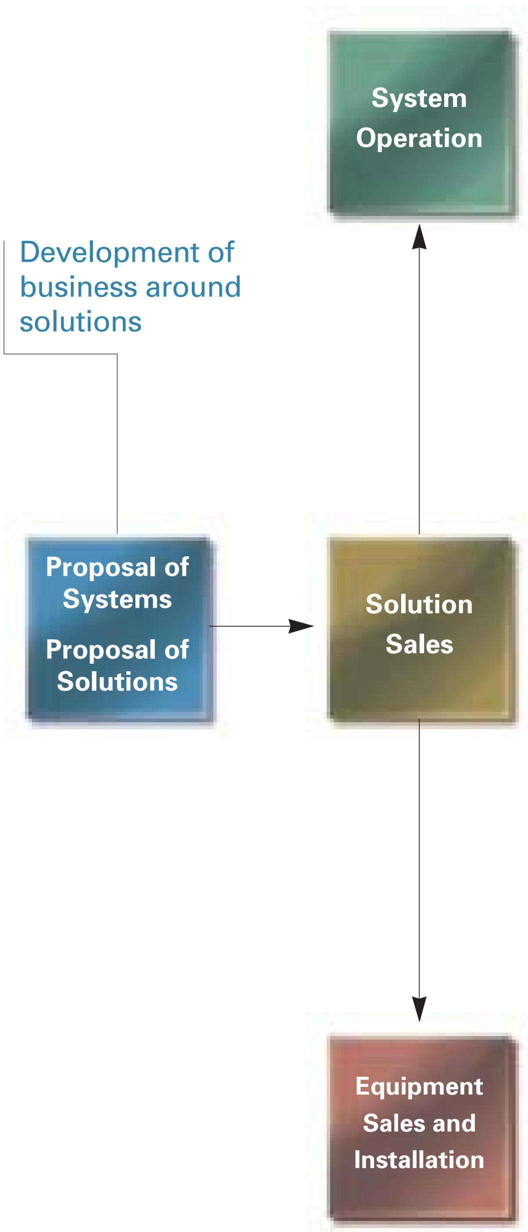
Source: NIKKEI SOLUTION BUSINESS 2008.7.30
*The Company has changed its name to Panasonic Electric Works Information Systems in October 2008.

Q Please tell us about the company's policy on shareholder returns.

A Our fundamental policy is to provide stable and continuous returns to shareholders and to carry out an active dividend policy based on consolidated financial results, keeping in mind the need for adequate internal reserves to reinforce our management foundations and expand business in the future. We will maintain the annual dividend of 55 yen per share for the time being and plan to distribute profits at the highest possible rate based on consolidated results, taking into consideration our capital status, financial standing, dividend payout ratio and other factors.

In accordance with this policy, in the fiscal year ended March 2008, we paid an interim dividend of 32.5 yen per share and maintained this level despite decreases in both sales and income at the end of the fiscal year, paying a 32.5 yen per share year-end dividend, for a total annual dividend of 65 yen per share. As a result, our dividend payout ratio rose 4.9 points to 24.4%.

Our Business at a Glance

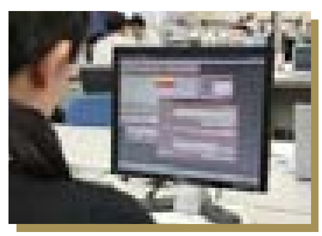


Service solution business — System services

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

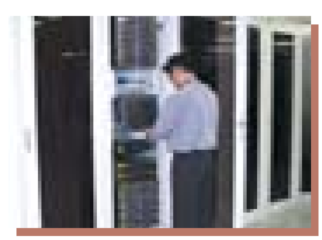
Service solution business — System solutions

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



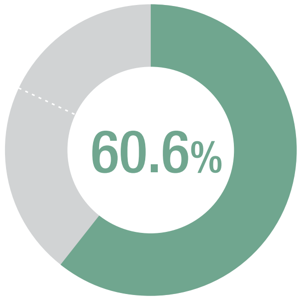
Our Target Markets

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.

System services division

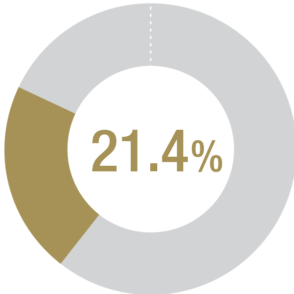
The division is engaged primarily in the business of providing a wide array of information systems, which make full use of our technological capabilities and business solution skills we have nurtured through a variety of system developments over the years, including consigned system operation.
In specific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



% of Net Sales (2008)

System solutions division

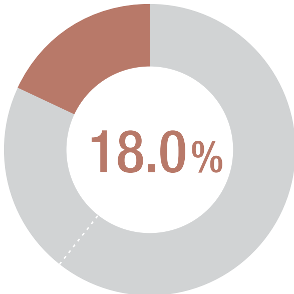
The division's main businesses include the proposals of new information system solutions, consigned system developments, and the provision of originally developed software packages. It utilizes its own experience in information system services to propose solutions that are best suited to customer specifications.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



% of Net Sales (2008)

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.



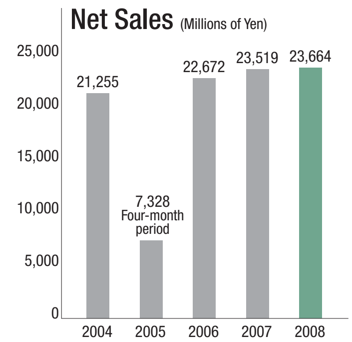
% of Net Sales (2008)

Review of Operations

Performance in the Year Through March 2008

System services division

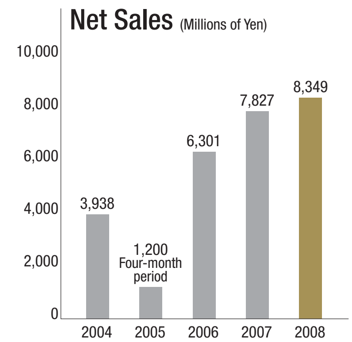
The "stock business," an area where we can expect stable sales, reported steady performance in businesses such as system operation, maintenance and outsourcing services. As demand to respond to the Japanese version of the American Sarbanes-Oxley Act increased, we acquired new customers. New orders for outsourcing services increased and system operation and maintenance service sales grew at a steady pace. This led to a 0.6% increase in net sales, which were 23,664 million yen.



Performance in the Year Through March 2008

System solutions division

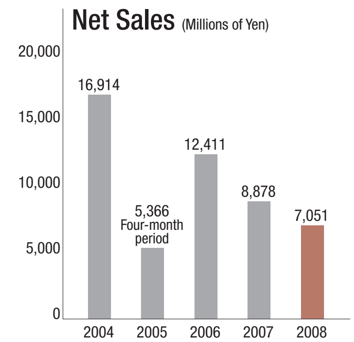
Orders for system construction from Panasonic Electric Works grew steadily. Although orders for systems from the group companies fell, the launch of the "eSmileCall" call center package and the "Electronic Document / Electronic Contract Solutions" designed to support to comply with the Japanese version of the Sarbanes-Oxley Act and other efforts to increase sales of new products and services outside the corporate group resulted in net sales of 8,349 million yen, up 6.7% from the previous year.



Performance in the Year Through March 2008

System and communications equipment business

Interest in information security rose throughout the society, and the Company worked to enhance and increase security-related products and expand sales. This led to higher sales of security products, but thin-client projects fell because of slowing replacement of PCs in customers of educational fields such as national universities. As a result, sales fell 20.6% from the previous year to 7,051 million yen.



Corporate Governance

The Company has created optimal corporate governance structures from the perspectives of “execution” and “supervision” in accordance with the Articles of Incorporation and the internal regulations adopted by the Board of Directors with the objective of maximizing corporate value.

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.

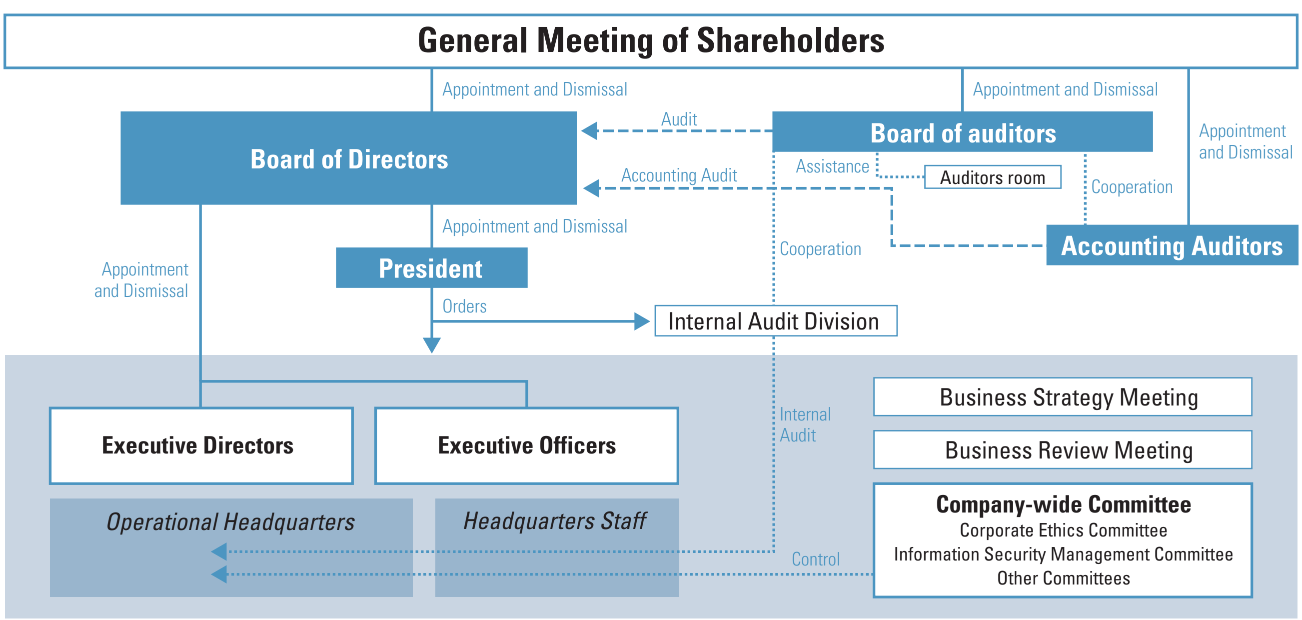
The board of directors meeting, which consists of seven directors including two outside directors, is held regularly every month. At the meeting, directors report on significant operating policies, decisions on substantive matters, and the status of the business and operations of the company, as well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

The Company has one outside director and one auditor appointed by its parent company, but the Board of Directors is able to make management decisions independently 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 regard to compliance, all directors, executive officers and employees perform their work activities fairly and in good faith in accordance with the provisions of the Corporate Ethics Regulations and the basic principles described in the Panasonic Action Guidelines and a brochure entitled Our Code of Ethical Conduct. We also use a corporate ethics reporting hotline for the early detection of legal violations and improper conduct.

The Corporate Ethics Committee, chaired by the president, and the director in charge of corporate ethics promote ethics-related activities companywide. In addition, appropriate organizations have been established and persons responsible for ethics have been appointed at business sites, programs such as one for corporate ethics leaders have been established, and other corporate ethics activities are conducted at work sites.

For the year ended March 31, 2008, compensation paid to the directors was 118.220 million yen (including 10.050 million yen paid to the two outside directors). Of this total amount, 94.170 million yen was for base pay (including 10.050 million yen paid to the two outside directors) and 24.050 million yen was for bonuses (no bonuses were paid to the two outside directors).



Corporate Social Responsibility (CSR)

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.

Contribute to the society through our products


Environment-conscious data center


Backup center

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

Five-Year Summary

For the Years Ended March 31, 2008, 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, 2008	March 31, 2007	March 31, 2006	March 31, 2005	November 30, 2004	**March 31, 2008**
RESULTS OF OPERATIONS:						
Net sales	**¥ 39,066**	¥ 40,226	¥ 41,385	¥ 13,895	¥ 42,109	**$ 390,660**
Cost of sales	**31,543**	32,666	34,316	11,826	36,230	**315,430**
Selling, general and administrative expenses	**2,646**	2,546	2,459	740	2,161	**26,460**
Operating income	**4,877**	5,014	4,610	1,329	3,718	**48,770**
Income before income taxes and minority interests	**4,847**	5,070	4,682	1,309	3,683	**48,470**
Net income	**2,842**	3,001	2,800	776	2,107	**28,420**
FINANCIAL POSITION:						
Current assets	**18,754**	19,339	16,303	13,506	11,589	**187,540**
Net property and equipment	**1,139**	547	538	401	386	**11,390**
Total assets	**21,185**	21,307	18,610	16,119	14,017	**211,850**
Current liabilities	**5,538**	7,754	7,246	6,939	5,214	**55,380**
Long-term liabilities	**95**	207	366	636	696	**950**
Equity	**15,552**	13,346	10,985	8,539	8,105	**155,520**
OTHER STATISTICS:						
Research and development costs	**39**	75	13	3	49	**390**
Depreciation and amortization	**614**	615	755	289	1,056	**6,140**

	Yen					U.S. Dollars
	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	November 30, 2004	**March 31, 2008**
PER SHARE OF COMMON STOCK:						
Basic net income	**¥ 266.78**	¥ 281.65	¥ 260.42	¥ 72.04	¥ 195.68	**$ 2.67**
Cash dividends	**65.00**	55.00	55.00	10.00	45.00	**0.65**

Note: 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 ¥100 to $1, the approximate rate of exchange at March 31, 2008.

Management's Discussion and Analysis of Operations

Operations

For the fiscal year ended March 31, 2008, the Company reported consolidated net sales of 39,066 million yen, down 2.9% from the previous year.

The cost of sales was down 3.4% to 31,543 million yen. The ratio of costs to sales improved from previous year's 81.2% by 0.5% to 80.7% as a result of contributions to profits from the sales with high profit margins such as made-to-order outsourced system development as well as reductions in outsourcing expenses. Selling, general and administrative (SG&A) expenses increased 4.0% from the previous year to 2,646 million yen, resulting in an SG&A ratio of 6.8%, a 0.5 point increase from 6.3% in the previous year. The change was due to a bolstering of the sales force. As a result, consolidated operating income declined by 2.7% to 4,877 million yen. The operating margin was 12.5%, and although the increase from the previous year was slight, this represents a new record high.

Net other income or loss fell from a profit of 56 million yen previous year to a loss of 30 million yen. Interest income increased substantially from the previous year, but 153 million yen in write-down of investment securities were incurred, resulting in a net loss. Consequently, income before income taxes and minority interests declined by 4.4% to 4,847 million yen.

As a result of the above developments, net income for the fiscal year ended March 31, 2008 was 2,842 million yen, down 5.3% from the previous year. The ratio of net income to net sales fell 0.2 points to 7.3%.

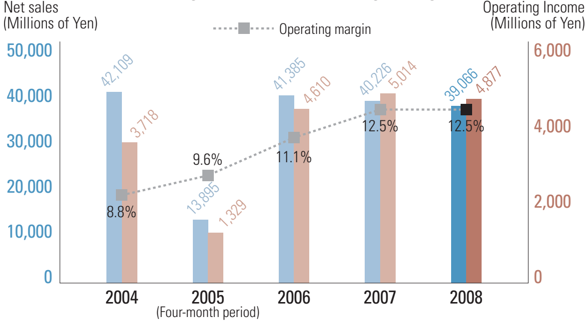
Basic net income per share declined to 266.78 yen, a 5.3% (14.87 yen) decrease from the previous year, in conjunction with a decrease in net income. Return on equity was down 5.0 points from the previous year to 19.7% as a result of an increase in shareholders' equity.

Summary for Each Division

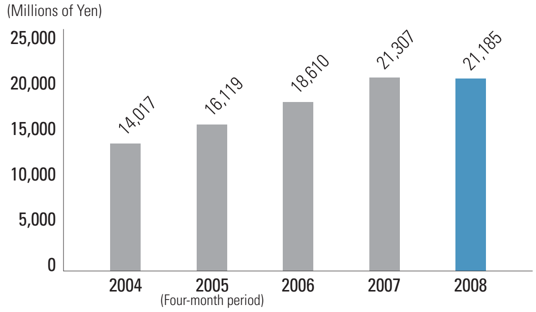
The Group (the Company and its subsidiaries) engages in the businesses of information services including system development, system operation, provision of communications services, and sales of system equipment. The Company engages in a single business, and therefore segment information concerning individual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

Business results for each service product area during the fiscal year ended March 31, 2008 are as follows:

Net sales, Operating Income, Operating margin



Total Assets



Service Solutions Business

(a) System Services Division

New orders for outsourcing services and sales of system operation and maintenance services were strong, resulting in net sales of 23,664 million yen, up 0.6% from the previous year.

(b) System Solutions Division

Orders for systems from the Panasonic Electric Works group companies declined, but orders for system construction from Panasonic Electric Works Co., Ltd. continued to grow steadily, and efforts were made to expand business including the launch of new products such as the "eSmileCall" call center package and the "Electronic Document / Electronic Contract Solutions." As a result, net sales were 8,349 million yen, up 6.7% from the previous year.

System and Communications Equipment Business

In response to the enforcement of the Financial Instruments and Exchange Law (also known as the Japanese version of the Sarbanes-Oxley Act, or "J-SOX"), attention on information security is rising throughout the society as more businesses are taking measures for internal control. The Company took active measures to increase sales and acquire new orders such as the launch of new Mobile Thin-Client Solutions that combines convenience with security. These efforts led to increased sales of security-related products, but thin-client projects fell because of slowing replacement of PCs by customers in the education segment. As a result, net sales were 7,051 million yen, down 20.6% from the previous year.

Financial position

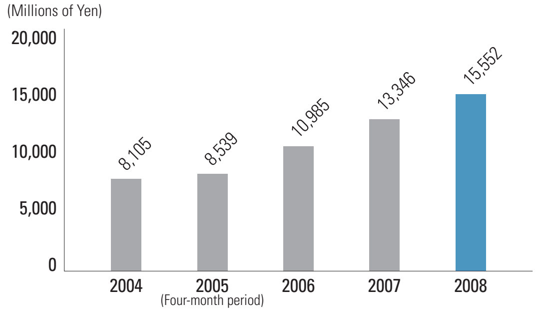
As of the end of the fiscal year ended March 31, 2008, total assets decreased by 121 million yen from the end of the previous fiscal year to 21,185 million yen. The decrease was primarily the result of a fall in current assets.

Current assets fell by 585 million yen from the end of the previous fiscal year to 18,754 million yen. Although deposits paid increased considerably, combined accounts receivable and cash and deposits decreased 2,208 million yen, resulting in the decline in current assets.

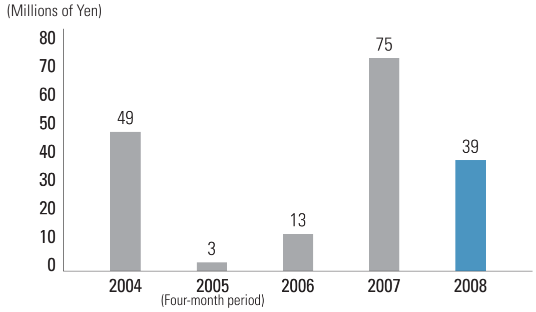
Fixed assets increased by 463 million yen from the end of the previous fiscal year to 2,431 million yen. The increase was primarily the result of increased tools, furniture and fixtures.

Total liabilities as of the end of the fiscal year declined by 2,328 million yen from the end of the previous fiscal year to 5,633 million yen. The decrease was primarily the result of lower current liabilities.

Equity



Research and Development Costs



Management's Discussion and Analysis of Operations

Current liabilities decreased by 2,217 million yen from the end of the previous fiscal year to 5,538 million yen. The decline was largely the result of lower accounts payable-trade and accounts payable-other and a decrease in income taxes payable.

Long-term liabilities declined by 111 million yen to 95 million yen from the end of the previous fiscal year, primarily as a result of a decrease in liabilities for retirement benefits.

Total equity as of the end of the fiscal year increased by 2,206 million yen from the end of the previous fiscal year to 15,552 million yen. The increase was the result of an increase in retained earnings generated from net income. As a result, the equity ratio increased from 62.5% by 10.8 points to 73.3%.

Cash Flows

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the year ended March 31, 2008 increased by 288 million yen from the end of the previous year to 4,679 million yen (up 6.6%).

Cash flows from operating activities

Funds generated from operating activities amounted to 2,848 million yen. Although we had such expenses as 2,260 million yen for income taxes paid and 1,399 million yen decrease in accounts payable, funds increased due to income before income taxes and minority interests of 4,847 million yen, as well as 1,793 million yen decrease in accounts receivable.

Cash flows from investing activities

Funds used in investing activities amounted to 1,921million yen. This decrease was due to 6,000 million increase in deposits paid, 5,100 million decrease in deposits paid, and expenses of 713 million yen for purchases of property and equipment, as well as expenses of 175 million yen for purchases of software.

Cash flows from financing activities

Funds used in financing activities amounted to 639 million yen due to the payment of dividends.

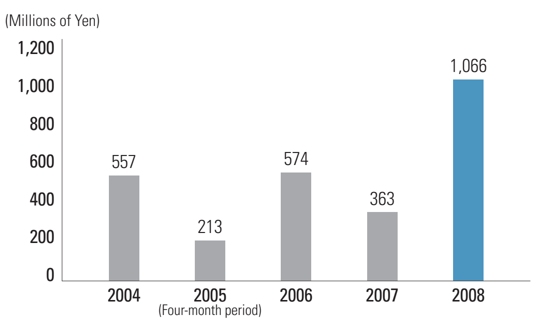
Risk Management 2008

(1) Recruiting Human Resources

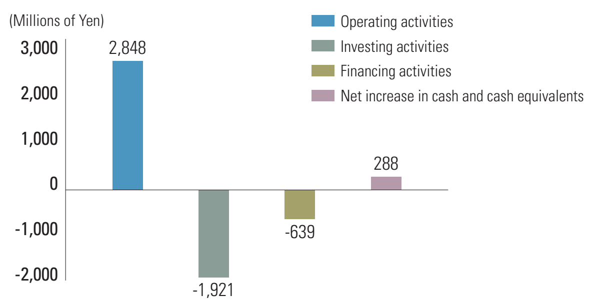
The Group is aware that for recruiting highly-skilled human resources with technology or management abilities is essential for the success of its future business activities.

The Group conducts periodic and interim hiring and engages in dynamic and varied

Capital Expenditure



Cash Flows 2008



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 subcontracting companies to secure outsourced 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 Group.

(2) Information Security

If information systems should break down or leaks of a customer's or individual's information should occur for any reason during the course of provision of system services from our group, 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 the 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, enhancing and maintaining thorough internal information management structure within the Group. The committee also promotes enlightenment, education, and awareness raising for employees concerning information management.

(3) Transactions with the Parent Company

The Company is a consolidated subsidiary of Panasonic Electric Works Co., Ltd., which owns 63.86% of the voting rights including indirect ownership, and is fully contracted for information system services for the parent company. The sales to Panasonic Electric Works in the fiscal year ended March 31, 2008 accounted for 56.5%. While we are expanding sales outside the Panasonic Electric Works Group, any significant changes in business strategy in our business relationship with Panasonic Electric Works could exert an impact upon our business performance.

In addition, Panasonic Corporation is the parent company of Panasonic Electric Works and also the parent company of our company.

(4) System for Software Development

The Company 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 to 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 the Company, 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.

Consolidated Balance Sheets

March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2008**	2007	**2008**
CURRENT ASSETS:			
Cash and deposits (Note 3)	**¥ 773**	¥ 1,216	**$ 7,730**
Accounts receivable - Trade (Note 12)	**7,810**	9,577	**78,100**
Inventories (Note 4)	**525**	535	**5,250**
Deposits paid (Note 12)	**9,039**	7,388	**90,390**
Deferred tax assets (Note 9)	**349**	390	**3,490**
Other current assets (Note 12)	**258**	233	**2,580**
Total current assets	**18,754**	19,339	**187,540**
PROPERTY AND EQUIPMENT:			
Buildings	**240**	235	**2,400**
Tools, furniture and fixtures	**1,697**	943	**16,970**
Construction in progress	**164**	18	**1,640**
Total	**2,101**	1,196	**21,010**
Accumulated depreciation	**(962)**	(649)	**(9,620)**
Net property and equipment	**1,139**	547	**11,390**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 5)	**205**	315	**2,050**
Long-term loans		1	
Goodwill	**4**		**40**
Software	**337**	510	**3,370**
Long-term deposits paid	**147**	150	**1,470**
Prepaid pension cost (Note 7)	**125**		**1,250**
Deferred tax assets (Note 9)	**385**	440	**3,850**
Other assets	**109**	26	**1,090**
Allowance for doubtful receivables	**(20)**	(21)	**(200)**
Total investments and other assets	**1,292**	1,421	**12,920**
TOTAL	**¥ 21,185**	¥ 21,307	**$ 211,850**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2008	2007	Thousands of U.S. Dollars (Note 1) 2008
CURRENT LIABILITIES:			
Accounts payable - Trade (Note 12)	**¥ 2,199**	¥ 3,600	**$ 21,990**
Accounts payable - Other (Note 12)	**1,711**	2,221	**17,110**
Income taxes payable	**901**	1,211	**9,010**
Consumption taxes payable	**50**	92	**500**
Deposits received (Note 6)	**3**	2	**30**
Other current liabilities	**674**	628	**6,740**
Total current liabilities	**5,538**	7,754	**55,380**
LONG-TERM LIABILITIES:			
Liability for retirement benefits (Note 7)		113	
Deposits received (Note 6)	**40**	42	**400**
Other	**55**	52	**550**
Total long-term liabilities	**95**	207	**950**
COMMITMENTS (Note 11)			
EQUITY (Notes 8 and 13)**:**			
Common stock			
authorized 40,000,000 shares;			
issued 10,656,000 shares	**1,040**	1,040	**10,400**
Capital surplus	**871**	871	**8,710**
Retained earnings	**13,614**	11,411	**136,140**
Unrealized loss on available-for-sale securities	**(3)**		**(30)**
Treasury stock - at cost 63 shares in 2008	**(0)**		**(0)**
Total	**15,522**	13,322	**155,220**
Minority interests	**30**	24	**300**
Total equity	**15,552**	13,346	**155,520**
TOTAL	**¥ 21,185**	¥ 21,307	**$ 211,850**

Matsushita Electric Works Information Systems Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	**2008**
NET SALES (Note 12)	**¥ 39,066**	¥ 40,226	**$390,660**
COST OF SALES (Notes 10 and 12)	**31,543**	32,666	**315,430**
Gross profit	**7,523**	7,560	**75,230**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 10 and 12)	**2,646**	2,546	**26,460**
Operating income	**4,877**	5,014	**48,770**
OTHER INCOME (EXPENSES):			
Interest income	**69**	25	**690**
Interest expense	**(3)**	(3)	**(30)**
Receipt of cancellation fee of operating system (Note 12)	**54**	30	**540**
Write-down of investment securities	**(153)**		**(1,530)**
Other - net	**3**	4	**30**
Other income (expense) - net	**(30)**	56	**(300)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**4,847**	5,070	**48,470**
INCOME TAXES (Note 9)**:**			
Current	**1,898**	2,050	**18,980**
Deferred	**101**	8	**1,010**
Total income taxes	**1,999**	2,058	**19,990**
MINORITY INTERESTS IN NET INCOME	**6**	11	**60**
NET INCOME	**¥ 2,842**	¥ 3,001	**$ 28,420**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.n and 13)**:**			
Basic net income	**¥ 266.78**	¥ 281.65	**$ 2.67**
Cash dividends	**65.00**	55.00	**0.65**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Years Ended March 31, 2008 and 2007

	Issued Number of Shares of Common Stock	Millions of Yen							
		Common Stock	Capital Surplus	Retained Earnings	Unrealized Loss on Available-for-sale Securities	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 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**
Net income				**2,842**			**2,842**		**2,842**
Cash dividends, ¥60 per share				**(639)**			**(639)**		**(639)**
Purchase of treasury stock						**¥ (0)**	**(0)**		**(0)**
Net changes in the year					**¥ (3)**		**(3)**	**6**	**3**
BALANCE, MARCH 31, 2008	**10,656,000**	**¥ 1,040**	**¥ 871**	**¥13,614**	**¥ (3)**	**¥ (0)**	**¥15,522**	**¥ 30**	**¥15,552**

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Loss on Available-for-sale Securities	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2007	**$10,400**	**$ 8,710**	**$114,110**			**$133,220**	**$ 240**	**$133,460**
Net income			**28,420**			**28,420**		**28,420**
Cash dividends, $0.60 per share			**(6,390)**			**(6,390)**		**(6,390)**
Purchase of treasury stock					**$ (0)**	**(0)**		**(0)**
Net changes in the year				**$ (30)**		**(30)**	**60**	**30**
BALANCE, MARCH 31, 2008	**$10,400**	**$ 8,710**	**$136,140**	**$ (30)**	**$ (0)**	**$155,220**	**$ 300**	**$155,520**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	**2008**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 4,847**	¥ 5,070	**$ 48,470**
Adjustments for:			
Depreciation and amortization	**614**	615	**6,140**
Increase in allowance for doubtful receivables		1	
Decrease in liability for retirement benefits	**(113)**	(220)	**(1,130)**
Interest income	**(69)**	(25)	**(690)**
Interest expense	**3**	3	**30**
Write-down of investment securities	**153**		**1,530**
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	**1,793**	(202)	**17,930**
Decrease (increase) in inventories	**24**	(225)	**240**
Decrease (increase) in other current assets	**(37)**	249	**(370)**
Increase in prepaid pension cost	**(125)**		**(1,250)**
Decrease in accounts payable	**(1,399)**	(219)	**(13,990)**
Increase (decrease) in other current liabilities	**(653)**	316	**(6,530)**
Increase in other long-term liabilities	**1**	61	**10**
Other - net	**12**	(29)	**120**
Total adjustments	**204**	325	**2,040**
Interest received	**60**	12	**600**
Interest paid	**(3)**	(3)	**(30)**
Income taxes paid	**(2,260)**	(1,662)	**(22,600)**
Net cash provided by operating activities	**2,848**	3,742	**28,480**
INVESTING ACTIVITIES:			
Increase in deposits paid	**(6,000)**	(4,200)	**(60,000)**
Decrease in deposits paid	**5,100**	1,200	**51,000**
Purchases of securities		(3,010)	
Proceeds from sales of securities		3,011	
Purchases of property and equipment	**(713)**	(170)	**(7,130)**
Purchases of software	**(175)**	(170)	**(1,750)**
Purchases of investment securities	**(52)**		**(520)**
Payment for purchase of V-internet Operations, Inc. net of cash acquired	**(49)**		**(490)**
Other - net	**(32)**	2	**(320)**
Net cash used in investing activities	**(1,921)**	(3,337)	**(19,210)**
FINANCING ACTIVITIES - DIVIDENDS PAID	**(639)**	(639)	**(6,390)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**288**	(234)	**2,880**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**4,391**	4,625	**43,910**
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	**¥ 4,679**	¥ 4,391	**$ 46,790**
ADDITIONAL CASH FLOWS INFORMATION:			
Assets acquired	**¥ 190**		**$ 1,900**
Liabilities assumed	**61**		**610**
Cash paid for the capital	**133**		**1,330**
Goodwill	**4**		**40**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2008 and 2007

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, 2008 and 2007, 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 Financial Instruments and Exchange Law (formerly, 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.

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥100 to $1, the approximate rate of exchange at March 31, 2008. 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 as of March 31, 2008 include the accounts of the Company and its 2 subsidiaries (1 subsidiary in 2007) (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.

Investment in unconsolidated subsidiary in which the Company has control is stated at cost due to immateriality. If the equity method of accounting had been applied to the investment in this company, the effect on the accompanying consolidated financial statements would not be material.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition and is being amortized on a straight-line basis over five years.

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 -*** Available-for-sale securities, which are not classified as either of the trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

e. ***Property and Equipment -*** Property and equipment are stated at cost. Depreciation of property and equipment of the Company is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings. The range of useful lives is from 8 to 15 years for buildings and from 3 to 10 years for tools, furniture and fixtures.

f. ***Long-lived Assets -*** 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 Accounting Standards Board of Japan (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 was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

j. ***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. All other leases are accounted for as operating leases.

k. ***Bonuses to Directors and Corporate Auditors -*** Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

l. ***Software Revenue Recognition -*** On March 30, 2006, the ASBJ issued Practical Issues Task Force ("PITF") No. 17, "Practical Solution on Revenue Recognition of Software". The Group adopted this task force in the year ended March 31, 2007.

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. ***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 10,655,997 shares and 10,656,000 shares for 2008 and 2007.

o. ***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. 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.

Lessee

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 shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Construction Contracts - Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. On December 27, 2007, the ASBJ published a new accounting standard for construction contracts. Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 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, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Cash and deposits	**¥ 773**	¥ 1,216	**$ 7,730**
Deposits paid with original maturities of within 3 months	**3,916**	3,185	**39,160**
Time deposits over 3 months	**(10)**	(10)	**(100)**
Cash and cash equivalents	**¥ 4,679**	¥ 4,391	**$ 46,790**

4. INVENTORIES

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Merchandise	**¥ 226**	¥ 201	**$ 2,260**
Work in process	**297**	331	**2,970**
Supplies	**2**	3	**20**
Total	**¥ 525**	¥ 535	**$ 5,250**

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Non-current:			
Marketable equity securities	**¥ 196**		**$ 1,960**
Unquoted equity securities	**8**	¥ 315	**80**
Investment in unconsolidated subsidiary	**1**		**10**
Total	**¥ 205**	¥ 315	**$ 2,050**

The carrying amounts and aggregate fair values of investment securities at March 31, 2008 were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Cost	Unrealized Losses	Fair Value	Cost	Unrealized Losses	Fair Value
March 31, 2008						
Securities classified as:						
Available-for-sale:						
Equity securities	**¥ 200**	**¥ (4)**	**¥ 196**	**$ 2,000**	**$ (40)**	**$ 1,960**

6. DEPOSITS RECEIVED

Deposits received at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Welfare pension	**¥ 40**	¥ 42	**$ 400**
Other	**3**	2	**30**
Total	**43**	44	**430**
Less current portion	**(3)**	(2)	**(30)**
Long-term debt, less current portion	**¥ 40**	¥ 42	**$ 400**

Interest rates applicable to the welfare pension were 6.5% at March 31, 2008 and 2007.

Annual maturities of deposits received at March 31, 2008, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 3	$ 30
2010	2	20
2011	2	20
2012	2	20
2013	2	20
2014 and thereafter	32	320
Total	¥ 43	$ 430

7. 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, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Projected benefit obligation	**¥ 3,256**	¥ 3,013	**$ 32,560**
Fair value of plan assets	**(2,556)**	(2,461)	**(25,560)**
Unfunded benefit obligations	**700**	552	**7,000**
Unrecognized actuarial gain	**(1,010)**	(642)	**(10,100)**
Unrecognized prior service cost	**185**	203	**1,850**
Net liability (asset)	**¥ (125)**	¥ 113	**$ (1,250)**

The components of net periodic benefit costs for the years ended March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Service cost	**¥ 185**	¥ 184	**$ 1,850**
Interest cost	**75**	72	**750**
Expected return on plan assets	**(74)**	(66)	**(740)**
Amortization of prior service cost	**(18)**	(18)	**(180)**
Recognized actuarial loss	**55**	48	**550**
Net periodic benefit costs	**¥ 223**	¥ 220	**$ 2,230**

Assumptions used for the years ended March 31, 2008 and 2007 are set forth as follows:

	2008	2007
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

8. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions 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.

9. INCOME TAXES

The Company and its domestic subsidiaries are 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, 2008 and 2007.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Deferred tax assets:			
Accrued enterprise taxes	**¥ 69**	¥ 92	**$ 690**
Depreciation	**339**	360	**3,390**
Retirement benefits		46	
Accrued bonus to employees	**175**	171	**1,750**
Others	**202**	161	**2,020**
Total	**¥ 785**	¥ 830	**$ 7,850**
Deferred tax liabilities:			
Prepaid pension cost	**¥ 51**		**$ 510**
Net deferred tax assets	**¥ 734**	¥ 830	**$ 7,340**

For the years ended March 31, 2008 and 2007, 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.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in cost of sales and selling, general and administrative expenses were ¥39 million ($390 thousand) and ¥75 million for the years ended March 31, 2008 and 2007, respectively.

11. LEASES

The Group leases certain computer equipment and other assets.

Total lease payments under finance leases for the years ended March 31, 2008 and 2007 were ¥1,968 million ($19,680 thousand) and ¥2,432 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, 2008 and 2007 was as follows:

	Millions of Yen					
	2008			2007		
	Tools, Furniture and Fixtures	**Software**	**Total**	Tools, Furniture and Fixtures	Software	Total
Acquisition cost	**¥ 5,057**	**¥ 53**	**¥ 5,110**	¥ 7,146	¥ 1,210	¥ 8,356
Accumulated depreciation	**(2,642)**	**(35)**	**(2,677)**	(3,423)	(683)	(4,106)
Net leased property	**¥ 2,415**	**¥ 18**	**¥ 2,433**	¥ 3,723	¥ 527	¥ 4,250

	Thousands of U.S. Dollars		
	2008		
	Tools, Furniture and Fixtures	**Software**	**Total**
Acquisition cost	**$ 50,570**	**$ 530**	**$ 51,100**
Accumulated depreciation	**(26,420)**	**(350)**	**(26,770)**
Net leased property	**$ 24,150**	**$ 180**	**$ 24,330**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Due within one year	**¥ 1,298**	¥ 1,955	**$ 12,980**
Due after one year	**1,270**	2,336	**12,700**
Total	**¥ 2,568**	¥ 4,291	**$ 25,680**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Depreciation expense	**¥ 1,851**	¥ 2,330	**$ 18,510**
Interest expense	**42**	73	**420**
Total	**¥ 1,893**	¥ 2,403	**$ 18,930**

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.

12. RELATED PARTY TRANSACTIONS

Balances at March 31, 2008 and 2007 and transactions for the years ended March 31, 2008 and 2007 with the Parent, its consolidated subsidiaries and its associated companies were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Sales	**¥ 25,323**	¥ 25,885	**$ 253,230**
Purchases	**14**	305	**140**
Lease and rental expense	**849**	863	**8,490**
Receipt of cancellation fee of operating system		30	

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Accounts receivable	**¥ 5,378**	¥ 5,729	**$ 53,780**
Other current assets	**24**	15	**240**
Accounts payable	**132**	195	**1,320**
Deposits paid	**8,983**	7,383	**89,830**

13. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriations of retained earnings at March 31, 2008 were resoluted at the Board of Directors meeting held on May 21, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥32.50 ($0.33) per share	¥ 346	$ 3,460

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 consolidated subsidiaries as of March 31, 2008 and 2007, 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 consolidated subsidiaries as of March 31, 2008 and 2007, 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 17, 2008

Member of
Deloitte Touche Tohmatsu

Panasonic Electric Works Information Systems Co., Ltd.

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Osaka 530-0013, JAPAN
Telephone: +81-6-6906-2801
Facsimile: +81-6-6377-0833
URL: http://panasonic-denkois.co.jp/english/

Establishment: February 22, 1999

Paid-in capital: 1,040 million yen

Number of employees: 531

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: 5,544

Corporate Data

The Company and Consolidated Subsidiaries As of March 31, 2008

Major Shareholders

Shareholder	Number of shares	Percentage of voting rights (%)
Matsushita Electric Works, Ltd.*1	6,787,200	63.69
Japan Trustee Services Bank, Ltd. (Trust Account)	362,200	3.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	258,100	2.42
MEW-IS*2 Employee Stock Ownership Association	207,200	1.94
Meiji Yasuda Life Insurance Company Account 51	91,400	0.86
Bank of New York GCM Client Accounts ELRG	42,700	0.40
Japan Trustee Services Bank, Ltd. (Trust Account 4)	39,800	0.37
FUJITSU LIMITED	36,000	0.34
IBM Japan, Ltd.	36,000	0.34
Oki Electric Industry Co., Ltd.	36,000	0.34

*1 Matsushita Electric Works, Ltd. has changed its name to Panasonic Electric Works Co., Ltd. in October 2008.
*2 The Company has changed its name to Panasonic Electric Works Information Systems in October 2008.

Board of Directors, Auditors and Officers

As of June 17,2008

President:
Takeyoshi Kawamura

Vice President:
Kazuhiro Maegawa

Managing Director:
Tsutomu Toda

Directors:
Akira Hisano
Hisashi Kurono
Shinichi Hasegawa *1
Shinichiro Satani *1

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

Executive Officers:
Hiroyuki Maruoka *3
Keisuke Tanaka
Hajime Onishi

*1 outside director
*2 external auditor
*3 senior executive officer

Disclaimer

Annual Report 2008 is intended to provide information about the business performance and strategy of the Company and its subsidiaries. It is not intended and should not be construed as an inducement to purchase or sell stock in the Company or its subsidiaries. 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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