Panasonic
ideas for life

Annual Report 2011

For the Year Ended March 31, 2011

Panasonic Electric Works Information Systems Co., Ltd.

The former Panasonic Electric Works' information systems division was established as an independent company, Panasonic Electric Works Information Systems Co., Ltd., in 1999. For nearly 50 years, based on our technical expertise, we have offered total solutions for information systems from planning and designing to development, operation and maintenance.

Our strength lies in our on-site capabilities cultivated by staying closely in tune with site needs, solving problems through trial and error. We strive to deliver useful solutions from the customer's perspective.

Contents

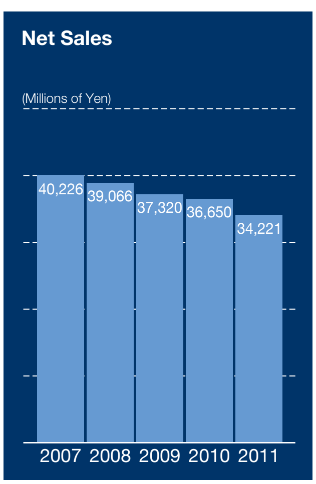
Consolidated Financial Highlights

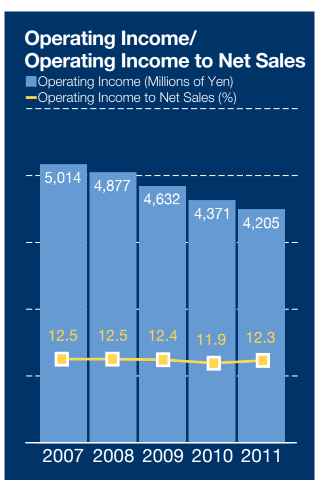
Panasonic Electric Works Information Systems Co., Ltd. and Subsidiaries
Years Ended March 31

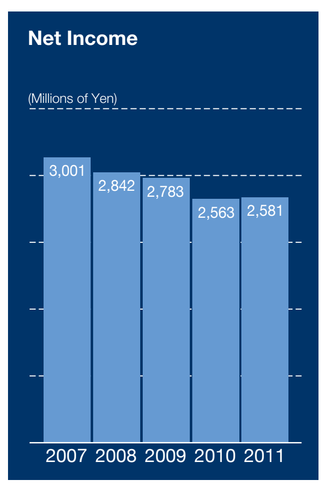
	Millions of Yen					Thousands of U.S. Dollars (Note 1)
	2011	2010	2009	2008	2007	**2011**
Net sales	**¥34,221**	¥36,650	¥37,320	¥39,066	¥40,226	**$412,301**
Operating income	**4,205**	4,371	4,632	4,877	5,014	**50,663**
Net income	**2,581**	2,563	2,783	2,842	3,001	**31,096**
Net cash provided by operating activities	**¥ 3,154**	¥ 4,483	¥ 3,864	¥ 2,848	¥ 3,742	**$ 38,000**
Net cash used in investing activities	**(2,862)**	(2,829)	(3,866)	(1,921)	(3,337)	**(34,482)**
Net cash used in financing activities	**(821)**	(863)	(710)	(639)	(639)	**(9,891)**
Cash and cash equivalents	**4,230**	4,759	3,968	4,679	4,391	**50,964**
Total assets	**¥27,317**	¥25,146	¥23,211	¥21,185	¥21,307	**$329,120**
Equity	**21,359**	19,659	17,604	15,552	13,346	**257,337**

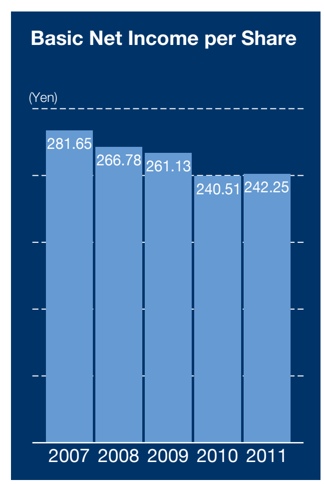
	Yen					U.S. Dollars (Note 1)
Basic net income (Note 2)	**¥242.25**	¥240.51	¥261.13	¥266.78	¥281.65	**$ 2.92**
Cash dividends	**65.00**	65.00	75.00	65.00	55.00	**0.78**
Operating income to net sales	**12.3%**	11.9%	12.4%	12.5%	12.5%	
Return on equity	**12.6**	13.8	16.8	19.7	24.7	
Equity ratio	**78.2**	78.2	75.7	73.3	62.5	

Notes: 1. Amounts expressed in U.S. dollars are calculated using the exchange rate prevailing on March 31, 2011 of ¥83 to US$1.00.
2. Diluted net income per share is not indicated here, because there are no potentially dilutive shares.

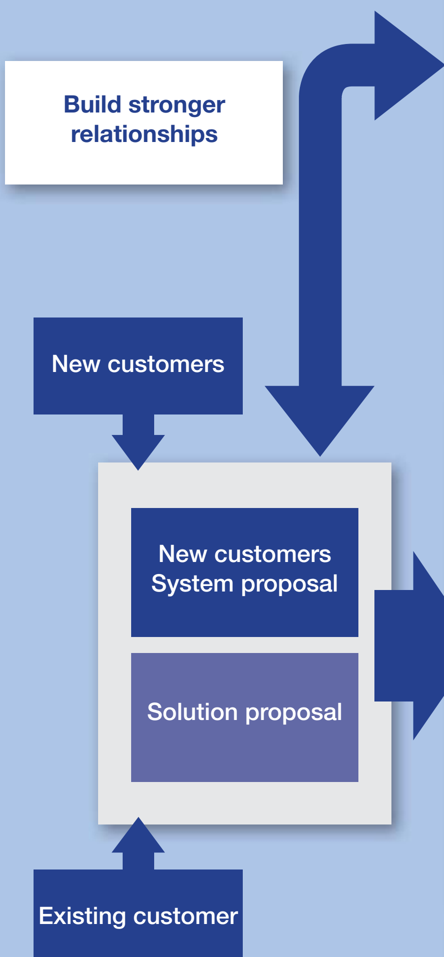








Cautionary Statement with Respect to Forward-Looking Statements
This annual report contains forward-looking statements that reflect the Panasonic Electric Works Information Systems Group's plans, business strategies and targets. These statements are in accordance with assumptions and beliefs determined by management based on currently available information and involve uncertainties and changes in the business environment at home and abroad. Actual results and business performance may differ materially from these statements.



System Services

- System operation services at data centers
- Maintenance and operation of customer systems

Breakdown of Net Sales

64.7%

Information systems have become indispensible for corporate management. Various business systems are being put in place to enable companies to operate 24 hours a day, 365 days a year. These operations play a vital role in business continuity. From two data center locations, the Osaka IDC and Osaka Central Data Center, the Group maintains the safety and security of customer systems while providing operation services that meet customer needs.

Enhancing Stock-Typed Business

System Solutions

- Core system architecture solutions
- IT infrastructure architecture solutions
- Develop and provide proprietary packaged software

Breakdown of Net Sales

18.6%

We are seeing significant changes in the operating environment, and customers are looking for nothing short of a revolution in productivity and efficiency enhancements, as they continue to renovate their businesses to enhance their competitive advantage. We strive to deliver solutions strategies that make use of IT to assist our customers in these and all their goals.

Offering Multivendor Services

System and Communications Equipment Business

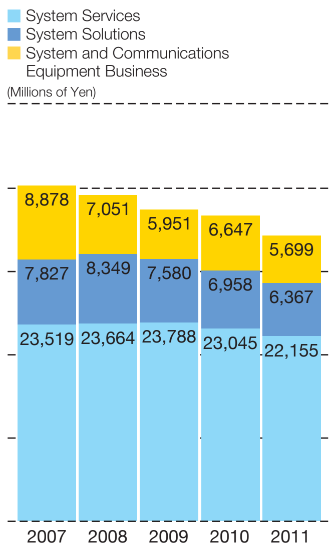
- Sales of computers, servers, and communications equipment
- Network and facility construction

Breakdown of Net Sales

16.7%

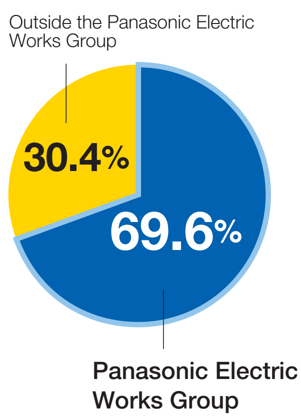
When offering solutions to our customers, the Group also proposes the most suitable system equipment for the customer. We call this a “multi-vendor” approach. We leverage a track record we have cultivated over our long history of operations in Japan and overseas, by testing every device available on the market for adoption. Based on our own experience, we confidently propose flexible combinations not tied to specific manufacturers.

Net Sales by Business Segment



Net Sales by Business Segment

(FY 3/2011)



Performance in the Year to March 31, 2011

While we were successful at acquiring new customers for our system operation services at the Osaka Central Data Center, continued downward pressure on the price of services for existing customers resulted in sales and gross margins (ratio of gross profits to net sales) that were lower than in the previous year.

Future Strategy

As interest in cloud computing and other developments grows, we are starting to see changes at IT companies, which now want to make use of their assets rather than simply hold onto them. Looking ahead, we expect the need for maximized use of IT at a reasonable cost to continue to increase. The Panasonic Group will meet ongoing customer needs primarily through "Nextructure," our next-generation information system infrastructure solution, which was introduced in November 2010.

Performance in the Year to March 31, 2011

Despite the contribution to sales from ERP system orders and work flow package sales, income fell on the partial postponement of system development projects for Panasonic Electric Works, as part of Panasonic Group business restructuring. The gross margin was much higher than in the previous year.

Future Strategy

We are steadily proceeding with IT system development and other initiatives as part of overall Panasonic Group business restructuring efforts scheduled for completion in January 2012. Furthermore, the demand for ERP and other packages continues to grow as the need for speed in management increases. We strive to provide customers with more than just systems and applications; we aim to supply them with user-friendly corporate innovation that quickly gives the customer the best and most appropriate solutions.

Performance in the Year to March 31, 2011

The impact of machinery renewal postponements and purchase restraints resulted in lower system equipment sales and revenues. We exceeded the high gross margin of the previous year through sales of high-value-added services promoting careful business selection and focus.

Future Strategy

In December 2010, we signed an exclusive agent agreement with Egenera, Inc. for sales of PAN Manager® Software for the Fujitsu blade server PRIMERGY BX900 in the Japanese market. Going forward, we will also focus efforts on incorporating our rich experience and expertise into the PAN Manager® solutions products we sell.

Further Accelerating Our Business to Achieve Medium-Term Management Plan Targets

Introduction

To begin, I would like to express my deepest condolences to all who were affected by the Great East Japan Earthquake, which struck on March 11, 2011. Our thoughts are with the people in the affected region, and we hope sincerely for the earliest possible recovery.

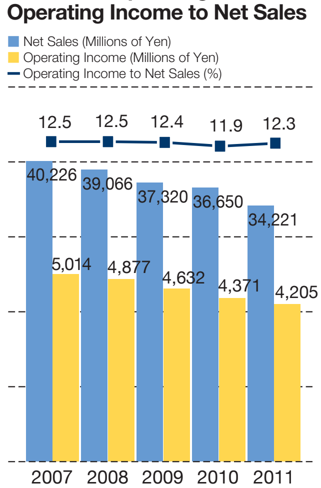
The fiscal year ended March 31, 2011 was the first year of our medium-term management plan—a year of steadily implementing all manner of measures. As we move on to the next steps of the plan during the fiscal year ending March 31, 2012, we will be placing a major focus on further accelerating our business.

Performance for the Fiscal Year Ended March 31, 2011

Net Sales	Operating Income	Net Income
¥34,221 million	¥4,205 million	¥2,581 million
(Fiscal Year Ended March 31, 2010: ¥36,650 million)	(Fiscal Year Ended March 31, 2010: ¥4,371 million)	(Fiscal Year Ended March 31, 2010: ¥2,563 million)
Year on Year –6.6%	Year on Year –3.8%	Year on Year +0.7%

OPERATING PERFORMANCE

Net Sales/Operating Income/Operating Income to Net Sales



The Year in Review (Market Environment and Business Conditions)

Looking back on the fiscal year ended March 31, 2011, the Japanese economy was in a phase of gradual recovery. However, the overall situation remained opaque, owing to the impact of long-term yen appreciation, a slowdown in the growth of emerging market economies that had propped up the recovery, anxieties about the future business climate in the United States and China, and the loss of effectiveness of economic stimulus measures in Japan. Amid these circumstances, the Great East Japan Earthquake struck, throwing the economy into a tailspin and confounding its long-term outlook.

In the IT service industry, conditions remained difficult: although the downturn in corporate capital investment appeared to be ending, companies continued to restrain IT investment.

This was the business environment into which we began introducing measures put in place for the first year of our management plan, which dovetails into our management vision for 2012 as “Move to Delight—Aiming to Create Delight, not merely Satisfaction.” Based on the medium-term management plan, we pursued initiatives according to three themes: expand sales outside the Panasonic Electric Works Group to achieve an external sales ratio of 35%; reinforce partnerships with key customers; and strengthen management practices, maintaining a consolidated operating margin of around 12% while investing in the cultivation of new business and new technologies.

Medium-Term Management Plan: First-Year Results, State of Progress

During the fiscal year ended March 31, 2011, keeping in mind the business environment plagued by a drop in prices for our services, we forged ahead toward the objectives of our medium-term business plan, building infrastructure to reinforce our sales capabilities and working to expand our development structure. Specifically, we relocated and expanded our office in Tokyo in June 2010 and expanded our sales and development structure within the metropolitan area.

In October 2010, we began to offer a series of products, services and solutions that achieve “best” and “optimal” results for customers considering the use of cloud computing. As a result of these efforts, during the fiscal year ended March 31, 2011, we expanded sales outside the Panasonic Electric Works Group to achieve an external sales ratio of 30.4%, up 1.1 percentage points from the 29.3% recorded in the preceding fiscal year.

The medium-term management plan introduces five growing business areas: infrastructure optimization, design process reform, system integration for core functions, IT operations service and collaboration with Panasonic Electric Works Co., Ltd. Of these, we proposed “Nextructure” as a systematic solution for infrastructure optimization and IT operations service, and under the cooperation with Panasonic Electric Works Co., Ltd., we started to make IT-based solution proposals for the company’s “comprehensive solution business.”

Under the theme of reinforcing partnerships with key customers, we proactively proposed IT innovations to support the growth strategies of our largest customer, Panasonic Electric Works Co., Ltd. During the year, Panasonic Corporation announced the conversion of Panasonic Electric Works Co., Ltd. and Sanyo Electric Co., Ltd. to wholly owned subsidiaries. As a result, some of the orders for system development projects that we expected to receive during the year were postponed. At the same time, however, this change represents an opportunity for us to participate in new Group business restructuring on the IT front.

To strengthen management practices, while working on the one hand to rationalize and boost the efficiency of our operations, on the other hand we strove to cultivate new businesses and technologies and made a proactive effort to develop business in new markets. As a result, we maintained the profit level that meets our target, as our consolidated operating margin reached 12.3%. We believe that we responded to customers’ needs with flexibility and promptness by introducing project teams in the “Nextructure” and thin client businesses.

Medium-Term Management Plan (FY 3/2011 - FY 3/2013) — Four Major Strategies —

1. Expand sales outside the Panasonic Electric Works Group

- Approach large/mid-sized companies with IT rationalization proposals
- Selection and concentration of new/priority business
- Build infrastructure for overseas development

2. Reinforce partnerships with key customers

- Initiatives to accelerate reform of IT structure
- Cultivate engineering IT

3. Strengthen management practices

- Structural reforms
- Thorough rationalization
- Human resource development
- Nurture the “quality-first” mindset

New Theme

4. Business reorganization of the Panasonic Group

- Participation in network and IT infrastructure development

Initiatives for the Upcoming Year

Market Environment (Forecast)

In the upcoming fiscal year, we anticipate new demand stemming from the growing prevalence of cloud computing and smartphones in Japan. However, affecting domestic IT investment, the Great East Japan Earthquake, which struck on March 11, 2011, has caused business sentiment to worsen, and we expect the trend of spending restraint to continue.

Our Initiatives and Strategies

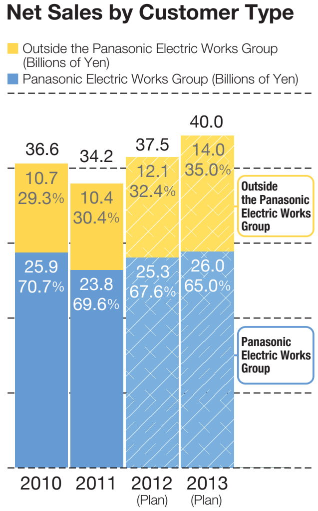
The fiscal year ending March 31, 2012 marks the second year of the Group's medium-term management plan. We will forge ahead with initiatives designed to help us reach our objectives.

Specifically, we will progress in the five growth fields, as well as striving to create new solutions that leverage Group strengths. We will also continue enhancing the sales and development structures at our Tokyo office that will enable us to respond more carefully and promptly to customers' needs, reinforcing our operations in the Tokyo metropolitan area.

Meanwhile, completing IT system development to support the business restructuring of the Panasonic Group is one of our top objectives for the fiscal year ending March 31, 2012. We will put forth every effort on a companywide basis to ensure the success of these activities.

In terms of bolstering our management constitution, we will boost the flexibility of our structure, and continue to implement structural reforms. Furthermore, we will conduct server integration and introduce videoconferencing to reduce costs and move forward with rationalization. We also intend to make steady steps toward cultivating our human resources, emphasizing a quality focus, as we work to go beyond merely satisfying our customers to delighting them.

Net Sales by Customer Type



Impact of Our Parent Company Becoming a Wholly Owned Subsidiary of Panasonic

As discussed earlier, in April 2011 Panasonic converted Panasonic Electric Works Co., Ltd. and Sanyo Electric Co., Ltd. to wholly owned subsidiaries. The Panasonic Group also plans to drastically restructure its operations in January 2012 into the three business categories: consumer, devices, and solutions.

We expected to take part wholeheartedly in the IT system development accompanying this business restructuring. The impact of this participation has been incorporated into our operating performance forecast.

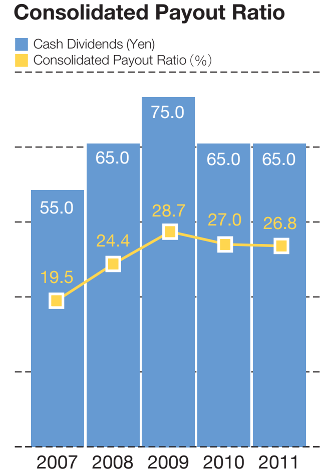
Shareholder Returns

Shareholder Return Policy and Dividends to Be Paid in This and the Next Year

The Company considers the return of profits to shareholders a priority. While keeping in mind the need to replenish internal reserves, reinforcing our management foundation for long-term growth, our aim is to ensure steady dividends, taking a proactive stance in linking dividends to financial performance.

The Articles of Incorporation provide that March 31, September 30, and other days specified by the Board of Directors shall be the record dates for the dividends from surplus funds and that the Board of Directors shall be the decision-making body concerning the dividends from surplus funds. For the foreseeable future we plan to pay stable annual dividends of ¥55 per share. While taking into overall consideration the fund-raising environment, financial conditions and the payout ratio, we aim to also reflect our consolidated operating performance in dividends.

In the fiscal year ended March 31, 2011, based on our policy of a stable dividend of ¥55 plus a performance-linked dividend, we set total dividends per share at ¥65. Also for the year to March 31, 2012, we plan to pay interim and year-end dividends of ¥27.5 per share, plus a performance-linked dividend of ¥5, bringing total dividends to ¥65 per share. We ask for the ongoing guidance and support of our investors as we face the challenges that lie ahead.



Cash Dividends/ Consolidated Payout Ratio

Kazuhiro Maegawa
President

Special Feature:

Toward the Next IT Infrastructure

"With IT systems are Shifting in Focus from "Ownership" to "Usage." Issues to Consider as We Explore the Future of IT Systems."

Why optimize infrastructure now?

In today's information society, we are able to acquire any information anytime, anyplace. Systems that manage information constantly surging like a flood are indispensible to corporate management. However, the explosive growth in systems resulting from advances in information technology has put the information system departments of some corporations in a quandary over how to manage all that technology. They face serious problems involving management time, labor and power consumption.

Furthermore, for the past several years, the IT industry has endured amid a severe economic environment where not only has IT investment been largely curtailed, but the way corporations think about IT in general has changed significantly. There has been a shift toward "management without ownership," in other words, from ownership to usage of IT systems. Of these, the system currently attracting the most attention is cloud computing (hereinafter referred to as "cloud").

In general, the cloud refers to public cloud where an unspecified number of users are provided access to the cloud through the internet. For example, free web-based email is one instance of public cloud. On the other hand, an increasing number of corporations have created a private cloud environment on their intranets accessible by a limited number of specified users.

However, in both situations, the cloud is only being applied in a very limited section of the company. This is because there are still many obstacles to clear before the cloud can be implemented company-wide, including security, internal controls and data protection. In pursuit of the easy and the popular over the short-term, we may, in the process, be inadvertently creating irreversible problems for IT infrastructure.

Infrastructure Optimization to Take IT to the Next Level

What do we mean by "best" and "optimal"? If each corporation were to make selections based solely on their own experience and predictions, they would ultimately have to make tough decisions that they have never experienced.

Going forward, cloud compatibility will be an essential element of IT infrastructure structural reforms. However, just as you can't travel overseas from Japan on a bus, we think it would be very difficult to realize IT infrastructure structural reforms focused only on the cloud. Rather, to be successful, we believe several methods should be used, just like airplanes, trains and buses are all used to move travelers to a single destination. Our next-generation information system infrastructure solution, "Nextructure," was created to provide support for just such an endeavor.

One of Nextructure's special features is that it provides solutions based on its own real experiences. We are creating realistic processes in line with the various intentions of our customers who wish to use the cloud, by fusing together processes backed up by practical experiences, advanced technologies well-tempered through onsite experiences and solutions carefully selected from the user perspective.

Nextructure

=

Processes backed up by hands-on experience

×

Cutting-edge technologies perfected in the workplace

×

Solutions carefully selected from the user's perspective

The "Nextructure" Concept

THE ORIGIN OF "NEXTRUCTURE"/ THREE EFFECTS EXPERIENCED BY THE COMPANY THAT REALIZED INFRASTRUCTURE OPTIMIZATION WITH "INTEGRATION BY VIRTUALIZATION"

There was a period when we also worried about the speed at which information systems were growing. As open systems spread, the number of servers required for operation shot up dramatically—before we knew it, we had over 1,000 servers ourselves.

In 2004, we began conducting server consolidation. Ultimately, these servers end up as virtualized "Egenera Blade Frame®" blade servers, made by a U.S. firm, Egenera, Inc. Virtualized servers not only save space and energy, but they also dramatically reduce the number of unnecessary servers and operator-hours. At the same time, to ensure that we do not lose the merits of the open system, and to clarify the roles of development and operations, we consolidated operations across the entire company, launched initiatives to unify management in each system and were successful at standardizing infrastructure revolving around Blade Frame®. Before the word "cloud" was even on anyone's lips, we had already successfully created private clouds for which we received high acclaim.

1. EFFECT EXPERIENCED BY THE COMPANY

The management of 380 servers is handled by two internal and one external employees !

Saving ¥57 million per year (Note 1)

Management of a core system server responsible for mission critical business affairs normally requires seven to eight specialized personnel.

After consolidation using the Blade Frame® server, our 380 remaining servers are operated by just three employees. A large portion of the labor costs is incurred at data center operations, which is having a major positive impact on cost.

Note 1: According to an estimation by the company

Racking, as done in the past

BladeFrame® racking

2. EFFECT EXPERIENCED BY THE COMPANY

It only takes 30 minutes to get one server ready !
Urgent orders from our application department can be accommodated.

Server construction time reduced by 94% (Note 2)

Blade Frame® contains an image copy function that can copy the setup of an active server. This function lessens the burden of server setup when a new server is installed, because individual manual installation from OS is not required, enabling the install and start-up process that usually takes an entire day to be shortened to about 30 minutes.

Also, the virtualization function allows flexible allocation of resources, so an urgent request for a production or test environment from onsite development can now be accommodated.

Note 2: According to an estimation by the company

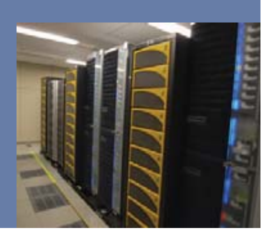
3. EFFECT EXPERIENCED BY THE COMPANY

Two and a half minutes to recovery (Note 3)**. Full-auto failover completed !**

From broken machine to replacement machine in two and a half minutes

Blade Frame® excels at recovering from a fault. As soon as a fault occurs, the recovery process begins immediately and automatically as the machine switches into a standby machine, and the whole process of switching and restarting the blade will be completed in a several minutes. Moreover, even if there have been changes to server settings (including applications) the failover function will remain unaffected.

Note 3: Includes OS start up completion time (based on our estimates using Egenera Blade Frame®) hardware check, memory check and BIOS start-up time, DBMS and file system recovery time.



This Year's Progress

Toward the provision of the necessary infrastructure for the cloud era

Established a cloud technology promotion group with the Daiwa Institute of Research Group and NS Solutions

On October 5, 2010, Panasonic Electric Works Information Systems announced that it had reached an agreement with the Daiwa Institute of Research Group and NS Solutions to establish a cloud technology promotion group with the objective of applying cloud technology to core systems from the perspective of IT spin-off companies. The three companies will work together in an attempt to improve quality and expand the areas of application for cloud infrastructure through the technical validation of cloud devices and products.

Signed an exclusive agent agreement for the Japanese market with Egenera, Inc. for PAN Manager® Software for the Fujitsu blade server PRIMERGY BX900

On December 2, 2010, we signed an exclusive agent agreement for the Japanese market with Egenera, Inc. for PAN Manager® Software for the Fujitsu blade server, PRIMERGY BX900.

Going forward, we will make use of the wealth of experience gained through using the PAN solutions over a long period of time, as a large user of BladeFrame® and the first Asian user of the Dell PAN System, in providing total services from providing a system to its maintenance support as the exclusive agent of "PAN Manager® Software for Fujitsu".

Main Initiatives during the Past Year

2010 Topics

Apr.

April 2010

- Kazuhiro Maegawa appointed President.
- Medium-term management plan launched.

May

May 2010

Consolidated subsidiary Panasonic Electric Works Net Solutions Co., Ltd. launched sales of “Major Flow Time,” a web-based attendance management system in response to revisions in the Labor Standards Law.

Major Flow Time

Jun.

June 2010

Our Tokyo facility moved (and expanded) from Chuo Ward to Minato Ward, where the new Tokyo office was established.

Jul.

July 2010

Announcement that Panasonic Corporation would make Panasonic Electric Works Co., Ltd. and Sanyo Electric Co., Ltd. wholly-owned subsidiaries from April 2011.

Aug.

August 2010

Participated in “Stock Navigation Conference” held for individual investors, with content streamed live over the Internet.

Oct.

October 2010

Joined with the Daiwa Institute of Research Group and NS Solutions to establish a cloud technology promotion group.
(☞Please see p. 11 for details)

Nov.

November 2010

Nextructure

- Began provision of next-generation information system infrastructure solution "Nextructure." (☞Please see p. 9 for details)

- Participated in Green Osaka, a citywide Osaka cleanup program, as part of our social responsibility activities.

Dec.

December 2010

eneview

Launched sales of "eneview" environmental monitoring software for monitoring energy at data centers.

Signed an exclusive agent agreement for the Japanese market with Egenera, Inc. for PAN Manager® Software.
(☞Please see p. 11 for details)

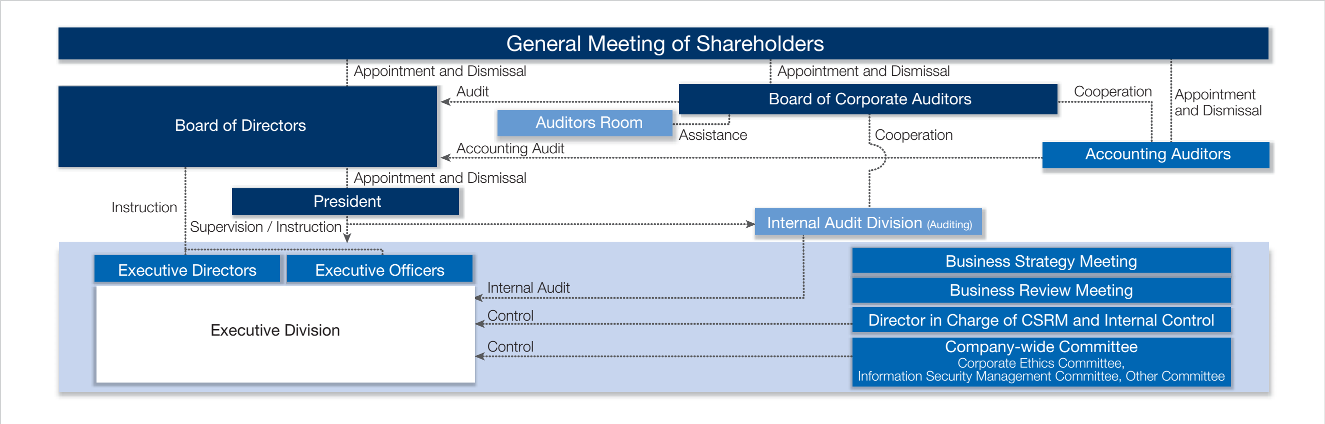
2011 Topics

Feb.

February 2011

The IT service management systems in our data service centers received ISO20000 certification.

Achieving Swift and Appropriate Decision Making and Supervisory and Auditing Functions, as well as Business Controls



Business Execution and Supervision

The Board of Directors meeting is held regularly once a month and irregularly as required to report on significant operating policies, decisions on substantive matters, and the execution of business and duties, as well as statutory matters. Also, to provide neutral and impartial supervision, two of the seven directors are outside directors.

Actual business is executed by executive directors and executives under the leadership of the president in accordance with policies that have been decided by the Board of Directors to clarify the responsibility and to sufficiently demonstrate supervisory functions. Also, for the purpose of uniting the whole Company as one through the discussion and sharing of information necessary for the smooth and rational execution of business, we have established business strategy meetings and management study groups.

Auditing

The Company's auditing system is made up of auditors and the Board of Auditors, an internal audit unit as well as an accounting auditor, and is conducted as follows: to implement a varied and effective audit, each carries out the management audit from a different point of view together with appropriate coordination.

Board of Auditors and the Auditors' Inspection

The Board of Auditors is comprised of auditors, audit plans, methods and so forth, and reports on the implementation status of the audit. The audit is mostly taken from the point of view of legality and is conducted on operations and the financial condition by auditors based on plans determined by the Board of Auditors. Auditors also attend important meetings such as that of the Board of Directors and give recommendations and advice from an independent standpoint. To strengthen the functions of the auditors, we also established an audit office to support the auditors' professional duties, and we consult with auditors regarding the assessment of the office and its personnel changes.

Internal Audit

The Company established the division with the aim to execute fair and efficient business and maintenance of an internal check system to preempt and prevent any irregularities. The division conducts its audit in line with the annual plan, and the results are reported to the Board of Directors.

Accounting Auditor

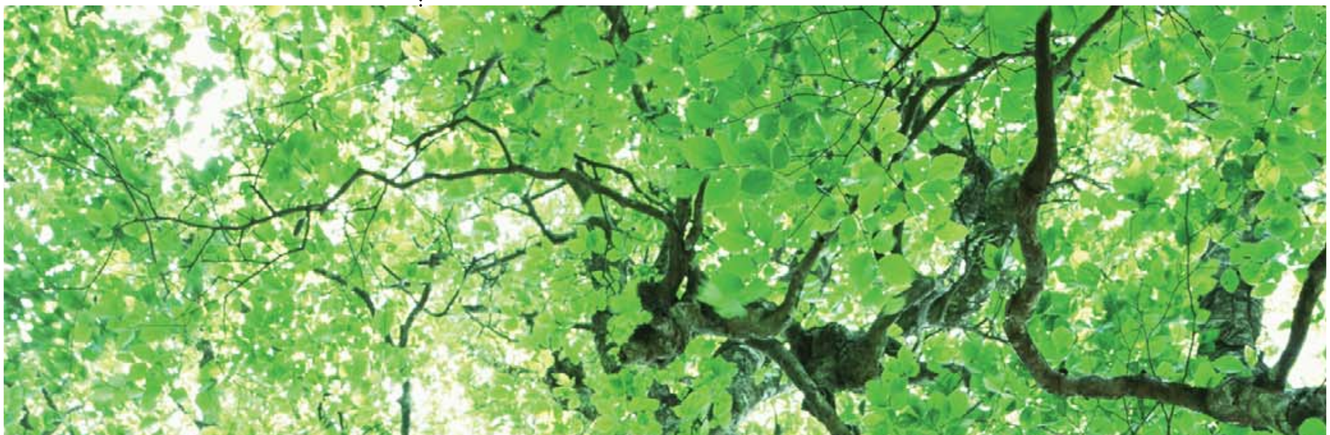
Concerning the audit under the Companies Act and Financial Instruments and Exchange Law, the Company has entered into an audit contract with Deloitte Touche Tohmatsu LLC.

Controls

We believe developing a sound business and maintaining customers' trust in our business are indispensable to the growth of the Company, so with the goal of establishing a regulated business environment, we have assigned a board member to take charge of internal controls (CSRM*). We have also established such groups as corporate ethics and information security management committees that will deploy concrete measures companywide based on the content of discussions.

*CSRM: Combining CSR (Corporate Social Responsibility) and Risk Management.

Seeking to Contribute to Global Culture by Using IT Services to Enhance and Improve Societal Activities



We take part in the cleanup activity that takes place in Osaka City every year.

As a Public Body

For approximately 50 years since the days of our predecessor, the information systems division of Panasonic Electric Works, we have worked with the spirit of the words of the founder of the Panasonic Group, Konosuke Matsushita: “The company is a public body” and “All for the customer.”

“A company’s mission is not just commercial pursuits. Aim to improve and develop social life and contribute to the progress of global culture.” This is the basis of our corporate social responsibility (CSR) activity.

Activities for Fairness

Based on the Panasonic Group management philosophy, we try to look beyond just complying with laws, ordinances and rules to conduct fair and honest business activities according to conscience and good sense.

To thoroughly strengthen compliance, we introduced and are developing a corporate ethics program.

All for the Customer

Contributing to our customers’ business leads to contributing to society.

“To be useful to the customer,” we always offer dedication in our work through IT.

Coexistence with the Global Environment

In parallel with the development of IT, power consumption is increasing, and this is becoming a major problem for the whole of society.

We use data centers that can operate with lower power consumption than before, and integrated servers that use virtualization technology; we are carrying out business operations that consider the global environment at the same time as utilizing our experience with the latest IT. In such ways, we are supporting our customers’ environmental mitigation measures.

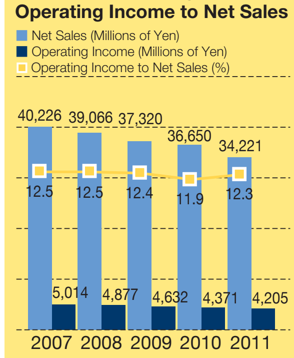
1.

Financial Position

Sales

During the fiscal year ended March 31, 2011 (April 1, 2010, to March 31, 2011), the Japanese economy was in a phase of gradual recovery. However, the outlook remained opaque, owing to the impact of long-term yen appreciation, a slowdown in the growth of emerging market economies that had propped up the recovery, anxieties about the future business climate in the United States and China, and the discontinuation of economic stimulus measures in Japan. In the IT service industry, conditions remained difficult: although corporate capital investment appeared to be ending its freefall, companies continued to hold back on IT investment. Under these conditions, the Panasonic Electric Works Group faced a problematic operating environment with declining prices for its services. Nevertheless, we forged ahead toward the objectives of our medium-term management plan, building infrastructure to reinforce our sales capabilities and working to expand our development structure. We have begun proposing products, services and solutions to customers considering the use of cloud computing, and they consistently rate our offerings "best" or "optimal." Nevertheless, consolidated net sales fell 6.6% from the preceding year, to ¥34,221 million.

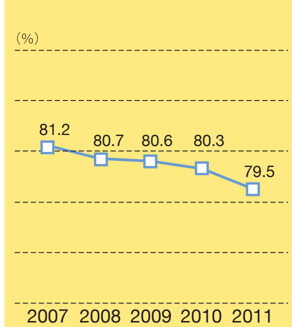
Net Sales/Operating Income/ Operating Income to Net Sales



Gross Profit; Selling, General and Administrative Expenses

During the year, we continued efforts to improve our management constitution through broad-based rationalization efforts such as reducing outsourcing costs. Consequently, cost of sales fell 7.6%, to ¥27,201 million. Gross profit fell ¥185 million, or 2.6%, to ¥7,020 million, and the cost of sales ratio improved 0.8 percentage point, from 80.3% to 79.5%. Selling, general and administrative (SG&A) expenses fell 0.7% from the preceding year, to ¥2,815 million. The ratio of SG&A expenses to net sales was up 0.5 percentage point, from 7.7% to 8.2%. This rise reflected our medium- to long-term stance on investing in the development of our human resources.

Cost to Sales Ratio



Operating Income, Non-Operating Income

Consolidated operating income fell 3.8%, to ¥4,205 million, while the operating margin was up 0.4 percentage point, to 12.3%. Other income increased ¥240 million, to ¥270 million. This was largely due to extraordinary income on the sale of investment securities, while an extraordinary loss was posted in line with the relocation of our Tokyo office. The interest coverage ratio fell from the previous year's 460.4 times to 269.5 times.

Net Income

Net income—income before income taxes and minority interests less total income taxes—amounted to ¥2,581 million, up 0.7% compared with the preceding fiscal year.

2.

Assets, Liabilities and Net Assets

Assets

As of March 31, 2011, total assets were ¥27,317 million. Looking at major items within current assets, cash and deposits were down ¥216 million, and accounts receivable–trade fell ¥246 million. Accounts receivable increased ¥231 million on construction contracts, and deposits paid grew by ¥776 million. Other prepaid expenses were up ¥258 million. In fixed assets, equipment increased by ¥281 million and lease assets were up ¥493 million. In investments and other assets, prepaid pension costs rose ¥285 million, and long-term prepaid expenses expanded ¥310 million.

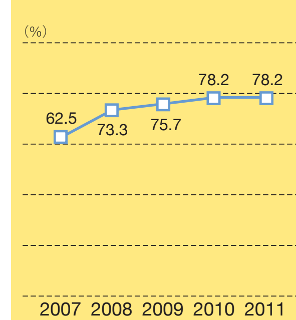
Liabilities

Total liabilities as of March 31, 2011, came to ¥5,958 million. Major factors among current liabilities included a ¥253 million drop in accounts payable–trade, while income taxes payable rose ¥269 million. Accounts payable–other fell ¥218 million. Within long-term liabilities, lease obligations expanded ¥394 million.

Equity

At the end of the fiscal year, total equity was ¥21,359 million. Principal changes in this category included a ¥1,888 million increase in retained earnings. The unrealized gain on available-for-sale securities, meanwhile, fell ¥187 million.

Equity Ratio



3. Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities during the year came to ¥3,154 million, ¥1,328 million less than in the preceding year. Principal factors included income before income taxes and minority interests, which provided ¥4,475 million. Depreciation and amortization also provided ¥1,495 million, an increase in other current assets provided ¥445 million, and an increase in prepaid pension cost provided ¥285 million. Major uses of cash were a ¥254 million decrease in accounts payable and income taxes paid of ¥1,435 million.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥2,862 million, ¥33 million more than was used in these activities during the preceding fiscal year. Purchases of property and equipment used ¥1,580 million and purchases of software ¥554 million, whereas the sale of investment securities provided ¥417 million.

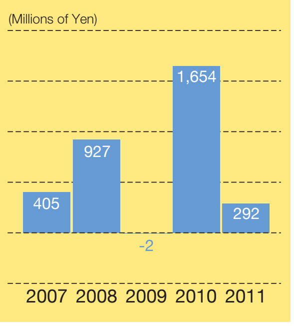
Cash Flows from Financing Activities

During the year, net cash used in financing activities totaled ¥821 million, or ¥41 million less than in the preceding fiscal year. The main use of cash was for ¥693 million in dividends paid.

Free Cash Flows

The aforementioned operating and investing activities resulted in positive free cash flows of ¥292 million.

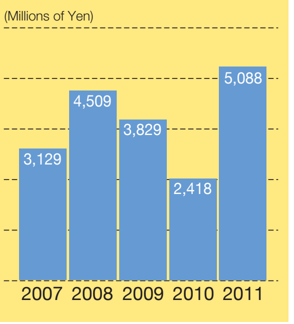
Free Cash Flow



4. Forecast for the Fiscal Year Ending March 31, 2012

In the upcoming fiscal year, in Japan we anticipate new demand stemming from the growing prevalence of cloud computing and smart phones. Affecting domestic IT investment, the Great East Japan Earthquake, which struck on March 11, 2011 caused business sentiment to worsen, and we expect the trend toward spending restraint to continue. As the upcoming fiscal year is the second of our medium-term management plan, we will step up efforts to achieve the plan's objectives. Furthermore, in April 2011 Panasonic Corporation converted Panasonic Electric Works Co., Ltd., and Sanyo Electric Co., Ltd., to wholly owned subsidiaries. Accordingly, the Panasonic Electric Works Group will take part in IT system development initiatives as part of the Panasonic Group's operational restructuring. Our consolidated results forecast for the fiscal year ending March 31, 2012 (April 1, 2011 to March 31, 2012) calls for net sales of ¥37,500 million, up 9.6% from the preceding fiscal year. We also anticipate an 8.2% increase in operating income, to ¥4,550 million and net income of ¥2,730 million, up 5.8%.

Backlog Orders at the End of the Period



5. Order Backlog

As of March 31, 2011, our order backlog stood at ¥5,088 million, up 110.3% from a year earlier. This extremely high level stems from orders for IT system development related to the operational restructuring of the Panasonic Group, forecast for January 2012.

6. Research and Development

The Group's research and development activities are mainly conducted at its R&D Center. During the fiscal year ended March 31, 2011, R&D expenditures amounted to ¥76 million, largely for verifying the functionality of new technologies and commercial licenses. The new medium-term management plan regards R&D activities for the creation of new businesses and technologies as important measures, and we plan to invest a total of ¥300 million in these areas over a three-year period.

7. Capital Investment

Capital investment in the year to March 31, 2011, amounted to ¥2,560 million. Investments were mainly made in additional facilities related to the server integration environment, in augmenting our Osaka Central Data Center and in the development of an integrated IT asset management system.

Items in this annual report concerning business conditions and financial conditions that may strongly affect investor decisions include the following risks. However, these do not cover all risks with respect to the Group and there may be other hard-to-predict risks not detailed in the material. The Group's business, performance and financial status may be adversely affected by various significant risk factors. Items regarding the future were determined by the Group as of the financial statement filing date (June 16, 2011).

Risks Related to Economic Conditions

Fluctuations in the Economic Environment

Demand for the Group's products and services may be affected by general economic trends mainly in Japan. Economic downturns and resulting declines in demand in the Japanese market may thus adversely affect the Group's financial condition, operating results and cash flows.

Interest Rate Fluctuations

Interest rate fluctuations may affect operating expense, interest expense and interest income, as well as the value of financial assets and liabilities, and may have an adverse impact on the Group's business, performance and financial position.

Stock Price Falls

The Group holds Japanese stocks as investment securities, and decreases in their market value may necessitate the recognition of valuation losses. Furthermore, a decline in the valuation difference on available-for-sale securities may reduce net assets.

Risks Related to the Group's Business Activities

Competitive Environment

The Group faces different types of competitors in the information services industry, ranging from large international companies to relatively small, rapidly growing companies. The Group actively makes investments and takes initiatives in strategic products and services. However, investments or sales initiatives for a particular product or service may fail in comparison to competitors in terms of quantity, quality, and speed. Furthermore, competitors may have greater financial, technological and marketing resources than the Group.

Price Competition

The Group is subject to intense price competition in the information services industry, and this may make it difficult for the Group to determine prices for products and services to secure adequate profits. This downward pressure on prices may have a serious effect on securing the Group's profits, and becomes especially noticeable when demand for products and services decreases. Prices of many of the Group's products and services are expected to continue declining in the fiscal year ending March 31, 2012.

Competition in New Technologies

The Group may lose the ability to compete in new markets if it fails to correctly predict and develop the new technologies, products and services to meet future market needs.

Securing Capable Human Resources

The Group's future success depends largely on its ability to retain skilled employees in the technical and management fields. The Group expects that it will be necessary to hire more personnel in the information services business field, but industry demand for skilled employees exceeds the supply, making competition for attracting and retaining these employees intense. Because of this severe competition for skilled employees, the Group may be unable to retain existing personnel or attract new talent. If this should happen, the Group's business, performance and financial position could be adversely affected.

Business Alliances with Other Companies, etc.

The Group develops its business by forming alliances with or strategic investments in other companies, and the strategic importance of partnering with third parties is increasing. In some cases, such partnerships are crucial to achieving the Group's goal of introducing new products and services, but the Group may not be able to successfully collaborate or achieve expected synergies with its partners. In addition, these partners may change their business strategies and it may become difficult for the Group to maintain these business partnerships. If any of the foregoing should happen, the Group's businesses, performance and financial status could be adversely affected.

Procurement of Raw Materials, etc., and Purchase Price Surges

The Group's operations depend on obtaining high-quality products and services in a timely manner and in the necessary quantities, and we therefore select reliable suppliers. However, it may be difficult to change or increase suppliers, or switch to other products and services if the supply is interrupted or industry demand increases. This may adversely affect the Group's businesses. Moreover, although the Group and suppliers decide purchase prices by contract, purchase prices may increase significantly due to changes in demand or for other reasons. Furthermore, some products and services are only available from a limited number of suppliers. If the Group is unable to procure such products and services, its businesses, performance and financial status may be adversely affected.

Capital Status and Financial Conditions of Customers

Some of the Group's customers purchase products and services from the Group on payment terms that do not provide for immediate payment. If customers for whom the Group has substantial accounts receivable encounter financial difficulties and are unable to make payments on time, the Group's businesses, performance and financial status may be adversely affected.

Risks Related to Future Plans, etc.

The Group has announced its new medium-term management plan, which covers the period from April 1, 2010, through March 31, 2013, and an earnings forecast for the fiscal year ending March 31, 2012. However, the Group may fail to achieve all of the goals announced and/or the expected results.

Risks Related to Legal Restrictions and Litigation

Direct or Indirect Costs Related to Product Liability or Warranty Claims Due to Defects in Products or Services

The Group pays due attention to ensuring the quality of its products and services. However, the occurrence of defects in products or services could make the Group liable for damages, including indirect damages, that are not completely covered by liability insurance and the Group could incur significant expenses. Moreover, negative publicity concerning these problems could impair the Group's corporate image, and the Group's businesses, performance and financial status may be adversely affected.

Intellectual Property Right Protection

The Group works to secure a competitive edge for its businesses by protecting intellectual property rights (IPRs) related to the technologies, products, and services it develops. However, rights may not be granted to provide adequate protection based on IPRs.

Furthermore, the Group may be unable to use or be forced to use on disadvantageous terms the technologies, products and services of third parties protected by IPRs when needed. As of March 31, 2011, the Group was using the IPRs of third parties under license from third parties for some of its products and services. However, in the future the Group may not be able to obtain the necessary licenses from third parties or may be able to obtain licenses only under disadvantageous terms.

Litigation may also be necessary to defend the Group against IPR infringement claims brought by third parties or to enforce the Group's IPRs. The Group may incur significant expenses and use significant management resources for such lawsuits. Furthermore, if third-party claims that the Group infringed on IPRs are upheld, the Group may cease to be able to use specific technologies, products and/or services, or be able to supply specific technologies, products and/or services, and may be liable for significant damages.

Changes in Account Standards and Tax Systems

The Group's business, performance and financial status may be adversely affected by the unforeseen application of new accounting standards and tax systems. Furthermore, differences in views with tax authorities on the Group's tax returns could result in the Group being liable for more taxes than expected.

Information Leaks

In the normal course of business, the Group obtains information (including personal information) about customers and the like relating to privacy and creditworthiness. The Group pays due attention to safeguarding the confidentiality of this information and has implemented the greatest possible measures to prevent information leaks. However, the Group cannot rule out the possibility that such information may be leaked due to an accident or other inevitable cause. Such a leakage of information may result in the Group being held liable for damages to affected parties and may impair the Group's corporate image. Moreover, there is a risk that the Group's trade secrets may be misused by external parties. In such a case, the Group's businesses, performance and financial status may be adversely affected.

Losses Due to Other Legal Restrictions, etc

The Group is subject to governmental regulations in Japan and other countries and regions in which it conducts its business. These include government approvals required for conducting business and investments, laws and regulations governing national security, and export/import laws and regulations, as well as commercial, antitrust, intellectual property, financial transactions, worker protection, subcontractor protection, and business taxation laws and regulations. Tighter laws and regulations or stricter interpretations of them than in the past by authorities could place restrictions on the Group's businesses or result in increased expenses for complying with them. The Group has taken measures to ensure that it is prepared to handle a compliance violation or other emergency through such efforts as establishing networks of emergency contacts and organizational bodies responsible for responses. However, the Group's corporate image could be impaired and the Group's businesses, performance and financial status could be adversely affected if its response is inadequate.

Risks Related to Disasters or Unpredictable Events

Effects of Disasters or Unpredictable Events

The headquarters and major bases of the Group are located in Japan. The occurrence of a natural disaster such as an earthquake, flood or other unexpected event such as a fire, war or terrorist attack, infectious disease outbreak, industrial accident, malicious computer virus, breakdown or malfunction in the Group's information system or communications network as a result of such events may result in serious damage to Group facilities, and the Group may have to stop operations at certain facilities and delay the provision of products and services.

The Group may incur considerable expenses for restoring damaged facilities, which could adversely affect the Group's businesses, performance and financial position.

Other Risks

Pension Liabilities

The Group has contributory, funded benefit pension plans covering substantially all employees in Japan who meet eligibility requirements. Revisions to experience assumptions and pension asset performance could result in an increase in unrecognized actuarial losses, leading to an increase in future net periodic benefit costs of these pension plans.

Fixed Asset Impairment

The Group has many fixed assets, such as property and equipment. All Group companies periodically review the recorded value of fixed assets on the balance sheet to determine if future cash flows to be derived from these assets will be sufficient to recover the residual values in accordance with accounting standards governing the impairment of fixed assets. If these assets cannot generate sufficient cash flows, impairment losses may have to be recognized.

Recognizing Uncertainties in Deferred Tax Assets and Income Taxes, Etc.

The Group evaluates the likelihood of recognizing the tax benefits of deferred tax assets, based on taxable income forecasts and the evaluation of uncertainty, in considering the recoverability of deferred tax assets and evaluation of income tax uncertainties. However, deteriorating economic conditions, tax audits and other factors may result in temporary variances and net losses being carried forward beyond the period during which tax benefits can be recognized. In such a case, the Group would be required to recognize greater taxable income than had been anticipated, resulting in the possibility of higher corporate taxes.

Consolidated Balance Sheets

Panasonic Electric Works Information Systems Co., Ltd. and Subsidiaries
March 31, 2011 and 2010

Assets

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
Current Assets:			
Cash and deposits (Notes 4 and 14)	¥ 172	¥ 389	$ 2,072
Accounts receivable – Trade (Notes 14 and 16)	6,442	6,456	77,614
Inventories (Note 5)	204	143	2,458
Deposits paid (Notes 4, 14 and 16)	12,662	11,885	152,554
Deferred tax assets (Note 11)	322	265	3,879
Other current assets (Note 16)	730	287	8,796
Allowance for doubtful receivables	—	(1)	—
Total current assets	20,532	19,424	247,373
Property and Equipment:			
Buildings	907	885	10,928
Tools, furniture and fixtures	5,142	3,934	61,952
Lease assets (Note 13)	835	237	10,060
Construction in progress	531	565	6,398
Total	7,415	5,621	89,338
Accumulated depreciation	(3,520)	(2,444)	(42,410)
Net property and equipment	3,895	3,177	46,928
Investments and Other Assets:			
Investment securities (Notes 6 and 14)	341	791	4,108
Goodwill (Note 7)	45	61	542
Software	522	422	6,289
Development cost of software in progress	341	159	4,108
Long-term deposits paid	256	246	3,084
Long-term prepaid expenses	310	—	3,735
Prepaid pension cost (Note 9)	891	606	10,735
Deferred tax assets (Note 11)	33	44	398
Other assets (Note 13)	177	243	2,133
Allowance for doubtful receivables	(26)	(27)	(313)
Total investments and other assets	2,890	2,545	34,819
Total	¥27,317	¥25,146	$329,120

See notes to consolidated financial statements.

Liabilities and Equity

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	**2011**
Current Liabilities:			
Accounts payable – Trade (Notes 14 and 16)	**¥ 1,970**	¥ 2,224	**$ 23,735**
Accounts payable – Other (Notes 14 and 16)	**1,102**	1,320	**13,277**
Income taxes payable (Note 14)	**1,061**	791	**12,783**
Consumption taxes payable	**61**	118	**735**
Deposits received (Note 8)	**4**	3	**48**
Other current liabilities	**987**	739	**11,892**
Total current liabilities	**5,185**	5,195	**62,470**
Long-Term Liabilities:			
Long-term deposits received (Note 8)	**46**	48	**554**
Deferred tax liabilities (Note 11)	**166**	67	**2,000**
Long-term lease obligations (Note 14)	**561**	166	**6,759**
Other	**—**	11	**—**
Total long-term liabilities	**773**	292	**9,313**
Equity (Notes 10 and 17)**:**			
Common stock –			
authorized 40,000,000 shares; issued 10,656,000 shares	**1,040**	1,040	**12,530**
Capital surplus	**871**	871	**10,494**
Retained earnings	**19,356**	17,468	**233,205**
Treasury stock – at cost			
195 shares in 2011 and 127 shares in 2010	**(0)**	(0)	**(0)**
Accumulated other comprehensive income –			
Unrealized gain on available-for-sale securities	**92**	280	**1,108**
Total equity	**21,359**	19,659	**257,337**
Total	**¥27,317**	¥25,146	**$329,120**

Consolidated Statements of Income and Comprehensive Income

Panasonic Electric Works Information Systems Co., Ltd. and Subsidiaries
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	**2011**
Net Sales (Note 16)	**¥34,221**	¥36,650	**$412,301**
Cost of Sales (Notes 12 and 16)	**27,201**	29,445	**327,723**
Gross profit	**7,020**	7,205	**84,578**
Selling, General and Administrative Expenses (Notes 12 and 16)	**2,815**	2,834	**33,915**
Operating income	**4,205**	4,371	**50,663**
Other Income (Expenses):			
Interest income	**66**	79	**795**
Interest expense	**(12)**	(10)	**(145)**
Gain on sales of investment securities (Note 6)	**282**	—	**3,398**
Other – net	**(66)**	(39)	**(795)**
Other income (expense) – net	**270**	30	**3,253**
Income before income taxes and minority interests	**4,475**	4,401	**53,916**
Income Taxes (Note 11)**:**			
Current	**1,714**	1,677	**20,651**
Deferred	**180**	158	**2,169**
Total income taxes	**1,894**	1,835	**22,820**
Net Income before Minority Interests	**2,581**	2,566	**31,096**
Minority Interests in Net Income	**—**	3	**—**
Net Income	**2,581**	2,563	**31,096**
Net Income before Minority Interests	**2,581**	—	**31,096**
Other Comprehensive Income (Note 15) **–**			
Unrealized gain on available-for-sale securities	**(188)**	—	**(2,265)**
Comprehensive Income (Note 15)	**¥ 2,393**	—	**$ 28,831**
Total Comprehensive Income Attributable to (Note 15)**:**			
Owners of the parent	**2,393**	—	**28,831**
Minority interests	**—**	—	**—**

	Yen		U.S. Dollars
Per Share of Common Stock (Notes 2.o and 17)**:**			
Basic net income	**¥242.25**	¥240.51	**$2.92**
Cash dividends applicable to the year	**65.00**	65.00	**0.78**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Panasonic Electric Works Information Systems Co., Ltd. and Subsidiaries
Years Ended March 31, 2011 and 2010

Millions of Yen

	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income: Unrealized Gain on Available-for-sale Securities	Total	Minority Interests	Total Equity
Balance April 1, 2009	10,656,000	¥1,040	¥871	¥15,704	¥(0)	¥ (42)	¥17,573	¥ 31	¥17,604
Net income	—	—	—	2,563	—	—	2,563	—	2,563
Cash dividends, ¥75 per share	—	—	—	(799)	—	—	(799)	—	(799)
Purchase of treasury stock	—	—	—	—	(0)	—	(0)	—	(0)
Net changes in the year	—	—	—	—	—	322	322	(31)	291
Balance March 31, 2010	10,656,000	1,040	871	17,468	(0)	280	19,659	—	19,659
Net income	**—**	**—**	**—**	**2,581**	**—**	**—**	**2,581**	**—**	**2,581**
Cash dividends, ¥65 per share	**—**	**—**	**—**	**(693)**	**—**	**—**	**(693)**	**—**	**(693)**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**(0)**	**—**	**(0)**	**—**	**(0)**
Net changes in the year	**—**	**—**	**—**	**—**	**—**	**(188)**	**(188)**	**—**	**(188)**
Balance March 31, 2011	**10,656,000**	**¥1,040**	**¥871**	**¥19,356**	**¥(0)**	**¥ 92**	**¥21,359**	**¥ —**	**¥21,359**

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income: Unrealized Gain on Available-for-sale Securities	Total	Minority Interests	Total Equity
Balance March 31, 2010	$12,530	$10,494	$210,458	$(0)	$ 3,373	$236,855	$—	$236,855
Net income	**—**	**—**	**31,096**	**—**	**—**	**31,096**	**—**	**31,096**
Cash dividends, $0.78 per share	**—**	**—**	**(8,349)**	**—**	**—**	**(8,349)**	**—**	**(8,349)**
Purchase of treasury stock	**—**	**—**	**—**	**(0)**	**—**	**(0)**	**—**	**(0)**
Net changes in the year	**—**	**—**	**—**	**—**	**(2,265)**	**(2,265)**	**—**	**(2,265)**
Balance March 31, 2011	**$12,530**	**$10,494**	**$233,205**	**$(0)**	**$ 1,108**	**$257,337**	**$—**	**$257,337**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Panasonic Electric Works Information Systems Co., Ltd. and Subsidiaries
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	**2011**
Operating Activities:			
Income before income taxes and minority interests	**¥ 4,475**	¥ 4,401	**$ 53,916**
Adjustments for:			
Depreciation and amortization	**1,495**	1,247	**18,012**
Increase (decrease) in allowance for doubtful receivables	**(3)**	1	**(36)**
Interest and dividend income	**(73)**	(84)	**(880)**
Interest expense	**12**	10	**145**
Gain on sales of investment securities	**(282)**	—	**(3,398)**
Changes in assets and liabilities:			
Decrease in accounts receivable	**16**	312	**193**
Decrease (increase) in inventories	**(61)**	472	**(735)**
Decrease (increase) in other current assets	**(445)**	2	**(5,361)**
Increase in prepaid pension cost	**(285)**	(247)	**(3,434)**
Increase (decrease) in accounts payable	**(254)**	133	**(3,060)**
Increase (decrease) in other current liabilities	**62**	(168)	**747**
Decrease in other long-term liabilities	**(13)**	(5)	**(157)**
Other – net	**(120)**	44	**(1,446)**
Subtotal	**4,524**	6,118	**54,506**
Interest and dividends received	**77**	90	**928**
Interest paid	**(12)**	(10)	**(145)**
Income taxes paid	**(1,435)**	(1,715)	**(17,289)**
Net cash provided by operating activities	**3,154**	4,483	**38,000**
Investing Activities:			
Increase in deposits paid	**(8,500)**	(7,500)	**(102,410)**
Decrease in deposits paid	**7,500**	6,700	**90,361**
Purchases of property and equipment	**(1,580)**	(1,687)	**(19,036)**
Purchases of software	**(554)**	(284)	**(6,675)**
Sales of investment securities	**417**	—	**5,024**
Other – net	**(145)**	(58)	**(1,746)**
Net cash used in investing activities	**(2,862)**	(2,829)	**(34,482)**
Financing Activities:			
Repayment of lease obligations	**(128)**	(64)	**(1,542)**
Dividends paid	**(693)**	(799)	**(8,349)**
Net cash used in financing activities	**(821)**	(863)	**(9,891)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(529)**	791	**(6,373)**
Cash and Cash Equivalents, Beginning of Year	**4,759**	3,968	**57,337**
Cash and Cash Equivalents, End of Year (Note 4)	**¥ 4,230**	¥ 4,759	**$ 50,964**

See notes to consolidated financial statements.

1. Basis of Presenting Consolidated Financial Statements

Panasonic Electric Works Information Systems Co., Ltd. (the "Company") was incorporated on February 22, 1999 as a subsidiary of Panasonic Electric Works Co., Ltd. (the "Parent"). The Company is 64% owned by the Parent at both March 31, 2011 and 2010. The principal 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 Act 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 the application and disclosure requirements of International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of income and comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 15. In addition, "net income before minority interests" is disclosed in the consolidated statements of income and comprehensive income from the year ended March 31, 2011.

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 2010 financial statements to conform to the classifications used in 2011.

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 ¥83 to $1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation

The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its 2 subsidiaries (2 subsidiaries in 2010) (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.

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 amortized on a straight-line basis over five years.

All significant intercompany balances and transactions are 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 net selling value. Work in process inventories are stated at the lower of cost, determined by the specific identification method, or net selling value.

d. Investment Securities

Available-for-sale securities, which are not classified as either 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.

e. Property and Equipment

Property and equipment are stated at cost. Depreciation of tools, furniture and fixtures of the Group is computed substantially by the declining-balance method for the year ended March 31, 2010 and by the straight-line method for the year ended March 31, 2011 on the estimated useful lives of the assets, while the straight-line method is applied to buildings and lease assets for 2010 and 2011. 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 circumstances 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 other 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. Asset Retirement Obligations

In March 2008, the Accounting Standards Board of Japan (the “ASBJ”) published the accounting standard for asset retirement obligations, ASBJ Statement No. 18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21 “Guidance on Accounting Standard for Asset Retirement Obligations”. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010. There is no effect of applying this change.

j. Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions”, which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions with certain “as if capitalized” information disclosed in the notes to the lessee's financial statements.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

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. Construction Contracts

In December 2007, the ASBJ issued ASBJ Statement No. 15 “Accounting Standard for Construction Contracts” and ASBJ Guidance No. 18 “Guidance on 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 should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and was effective for fiscal years beginning on or after April 1, 2009. The Company applied the accounting standard effective April 1, 2009.

n. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income and comprehensive 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.

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 and comprehensive 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 basis net income per share computation was 10,656,828 shares and 10,655,909 shares for 2011 and 2010, respectively.

p. New Accounting Pronouncements

Accounting Changes and Error Corrections—In December 2009, ASBJ issued ASBJ Statement No. 24 “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24 “Guidance on Accounting Standard for Accounting Changes and Error Corrections”. Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentations—When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior Period Errors—When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. Accounting Change

Effective April 1, 2010, the Group changed their depreciation method for tools, furniture and fixtures from the declining-balance method to the straight-line method. The Group believes the change is preferable as the straight-line method better provides uniformity across the Group’s operations with respect to depreciation method, provides better matching of revenue and expense in the consolidated statements of income and comprehensive income, and enhances comparability with peers. The effect of this change was to increase operating income and income before income taxes and minority interests by ¥206 million ($2,482 thousand), respectively, for the year ended March 31, 2011.

4. 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, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Cash and deposits	**¥ 172**	**¥ 389**	**$ 2,072**
Deposits paid with original maturities of within 3 months	**4,158**	**4,380**	**50,097**
Time deposits over 3 months	**(100)**	**(10)**	**(1,205)**
Cash and cash equivalents	**¥4,230**	**¥4,759**	**$50,964**

5. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Merchandise	**¥ 68**	¥ 69	**$ 819**
Work in process	**134**	68	**1,615**
Supplies	**2**	6	**24**
Total	**¥204**	¥143	**$2,458**

6. Investment Securities

Investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Non-current:			
Marketable equity securities	**¥341**	¥791	**$4,108**

The costs and aggregate fair values of investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Cost	Unrealized Gain	Unrealized Losses	Fair Value	Cost	Unrealized Gain	Unrealized Losses	Fair Value
March 31, 2011								
Securities classified as:								
Available-for-sale:								
Equity securities	**¥187**	**¥155**	**¥(1)**	**¥341**	**$2,253**	**$1,867**	**$(12)**	**$4,108**
March 31, 2010								
Securities classified as:								
Available-for-sale:								
Equity securities	¥321	¥474	¥(4)	¥791				

The information of the available-for-sale securities which were sold during the year ended March 31, 2011 was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Loss	Proceeds	Realized Gains	Realized Loss
March 31, 2011						
Available-for-sale:						
Equity securities	**¥417**	**¥285**	**¥3**	**$5,024**	**$3,434**	**$36**

7. Goodwill

Goodwill at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Goodwill on business acquisition	**¥44**	¥59	**$530**
Consolidation goodwill	**1**	2	**12**
Total	**¥45**	¥61	**$542**

Goodwill on business acquisition and consolidation goodwill are amortized on a straight-line basis over five years.

8. Deposits Received

Deposits received at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Welfare pension	**¥46**	¥48	**$554**
Other	**4**	3	**48**
Total	**50**	51	**602**
Less current portion	**(4)**	(3)	**(48)**
Long-term debt, less current portion	**¥46**	¥48	**$554**

Interest rates applicable to the welfare pension were 6.8% at March 31, 2011 and 2010.

Annual maturities of deposits received at March 31, 2011, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 4	$ 48
2013	2	24
2014	2	24
2015	3	36
2016	3	36
2017 and thereafter	36	434
Total	¥50	$602

9. Retirement Benefits

The Company has severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based principally on 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 asset for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Projected benefit obligation	**¥ 3,840**	¥ 3,576	**$ 46,265**
Fair value of plan assets	**(3,110)**	(2,828)	**(37,470)**
Unfunded benefit obligations	**730**	748	**8,795**
Unrecognized actuarial loss	**(1,635)**	(1,446)	**(19,699)**
Unrecognized prior service cost	**14**	92	**169**
Net asset	**¥ (891)**	¥ (606)	**$(10,735)**

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Service cost	**¥216**	¥207	**$ 2,602**
Interest cost	**89**	84	**1,072**
Expected return on plan assets	**(85)**	(70)	**(1,024)**
Amortization of prior service cost	**(79)**	(74)	**(952)**
Recognized actuarial loss	**127**	126	**1,531**
Net periodic benefit costs	**¥268**	¥273	**$ 3,229**

Assumptions used for the years ended March 31, 2011 and 2010 are set forth as follows:

	2011	2010
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**3.0%**	3.0%
Amortization period of prior service cost	**7 years**	7 years
Recognition period of actuarial gain/loss	**15 years**	15 years

10. Equity

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, 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 Company meets all above criteria.

The Companies Act 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 Companies Act 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 Companies Act 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 the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act 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 Companies Act 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 a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act 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.

11. Income Taxes

The Company and 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, 2011 and 2010.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Deferred tax assets:			
Accrued enterprise taxes	**¥ 80**	¥ 64	**$ 964**
Depreciation	**225**	291	**2,711**
Accrued bonus to employees	**113**	81	**1,361**
Others	**193**	240	**2,325**
Total	**¥611**	¥676	**$7,361**
Deferred tax liabilities:			
Prepaid pension cost	**¥360**	¥244	**$4,337**
Unrealized gains on available-for-sale securities	**62**	190	**747**
Total	**¥422**	¥434	**$5,084**
Net deferred tax assets	**¥189**	¥242	**$2,277**

Because the differences between the normal effective statutory tax rates and the actual effective tax rates for the years ended March 31, 2011 and 2010 are not material, the tax reconciliations are not disclosed.

12. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses were ¥76 million ($916 thousand) and ¥1 million for the years ended March 31, 2011 and 2010, respectively.

13. Leases

The Group leases certain computer equipment, software and other assets.

Total lease payments under finance leases for the years ended March 31, 2011 and 2010 were ¥476 million ($5,735 thousand) and ¥734 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	2011			
	Millions of Yen		Thousands of U.S. Dollars	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	**¥205**	**¥268**	**$2,470**	**$3,229**
Due after one year	**561**	**211**	**6,759**	**2,542**
Total	**¥766**	**¥479**	**$9,229**	**$5,771**

Pro forma information of leased property whose lease inception was before March 31, 2008

Pro forma information of leased property whose lease inception was before March 31, 2008 was as follows:

	Millions of Yen					
	2011			2010		
	Tools, Furniture and Fixtures	Software	Total	Tools, Furniture and Fixtures	Software	Total
Acquisition cost	**¥ 492**	**¥ 2**	**¥ 494**	¥ 2,185	¥ 17	¥ 2,202
Accumulated depreciation	**(435)**	**(1)**	**(436)**	(1,693)	(15)	(1,708)
Net leased property	**¥ 57**	**¥ 1**	**¥ 58**	¥ 492	¥ 2	¥ 494

	Thousands of U.S. Dollars		
	2011		
	Tools, Furniture and Fixtures	Software	Total
Acquisition cost	**$ 5,928**	**$ 24**	**$ 5,952**
Accumulated depreciation	**(5,241)**	**(12)**	**(5,253)**
Net leased property	**$ 687**	**$ 12**	**$ 699**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Due within one year	**¥62**	¥461	**$747**
Due after one year	**8**	77	**96**
Total	**¥70**	¥538	**$843**

Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Depreciation expense	**¥422**	¥674	**$5,085**
Interest expense	**8**	21	**96**
Total	**¥430**	¥695	**$5,181**
Lease payments	**¥476**	¥734	**$5,735**

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

14. Financial Instruments and Related Disclosures

In March 2008, the ASBJ revised ASBJ Statement No. 10, “Accounting Standard for Financial Instruments”, and issued ASBJ Guidance No. 19, “Guidance on Accounting Standard for Financial Instruments and Related Disclosures”. This accounting standard and the guidance was applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the guidance effective March 31, 2010.

(1) Financial Instrument Policies

The Group raises necessary money from its own fund, in light of capital investment plans for development of software and acquisition of data management facilities and hardware, etc. The Company places surplus funds only in short-term deposits.

(2) Financial Instruments and Risks

Accounts receivable - trade which are operating receivables are exposed to customer credit risks. Investment securities are shares in companies with which the Company has business relationships or capital alliances, and are exposed to market fluctuation risks.

Settlements of most accounts payable - trade which are operating liabilities are within one year. Some of them are in foreign currency due to exports of products and are subject to exchange-rate fluctuation risks. However, they have little impact because of their small amounts. Lease obligations relating to finance leases are mainly for procuring the required capital investment. Maturities can be up to five years after settlement dates.

(3) Financial Instrument Risk Management Structure

a. Credit Risk Management (including risks of customers breaching contracts)

In accordance with the receivables management rules, the Company regularly monitors the status of key customers' operating receivables and oversee due dates and balances by customer in cooperation between the head office accounting department and each business division. With this, the Company is endeavoring to swiftly identify and alleviate collection concerns that could stem from deteriorating financial positions or other factors. Its subsidiaries have implemented the same management system in compliance with the Group's receivables management policies.

The maximum amount of credit risk as of the end of the fiscal year under review is shown as a balance sheet value of financial assets subject to credit risks.

b. Market Risk Management (foreign exchange and interest rate risks)

The Company's operating liabilities in foreign currency have little impact due to their small amounts. The Company checks out trends in exchange rates at each time transactions are made.

The Company regularly assesses the prices of marketable investment securities and financial positions of their issuers (business partners) and constantly reviews the necessity of such holdings in consideration of the relationship with them.

c. Funding-Related Liquidity Risk Management (risk of inability to settle by payment dates)

The Company's accounting department formulates and renews funding plans based on reports from each department in a timely manner. The Company also has made the agreement for use of the Cash Management System (CMS) with Panasonic Electric Works Finance Co., Ltd. so as to control liquidity risks by managing surplus funds and balances constantly.

(4) Fair values of financial instruments

Fair values of financial instruments are based on a quoted price in active markets. If a quoted price is not available, other rational valuation techniques are used instead.

Millions of Yen

March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain/ Loss
Cash and deposits	¥ 172	¥ 172	¥ –
Accounts receivable – Trade	6,442	6,442	–
Deposits paid	12,662	12,662	–
Investment securities	341	341	–
Total	¥19,617	¥19,617	¥ –
Accounts payable – Trade	¥ 1,970	¥ 1,970	¥ –
Accounts payable – Other	1,102	1,102	
Income taxes payable	1,061	1,061	–
Long-term lease obligations	561	552	(9)
Total	¥ 4,694	¥ 4,685	¥(9)

Millions of Yen

March 31, 2010	Carrying Amount	Fair Value	Unrealized Gain/ Loss
Cash and deposits	¥ 389	¥ 389	¥ –
Accounts receivable – Trade	6,456	6,456	–
Investment securities	791	791	–
Deposits paid	11,885	11,885	–
Total	¥19,521	¥19,521	¥ –
Accounts payable – Trade	¥ 2,224	¥ 2,224	¥ –
Income taxes payable	791	791	–
Accounts payable – Other	1,320	1,320	–
Total	¥ 4,335	¥ 4,335	¥ –

Thousands of U.S. Dollars

March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain/ Loss
Cash and deposits	$ 2,072	$ 2,072	$ –
Accounts receivable – Trade	77,614	77,614	–
Deposits paid	152,554	152,554	–
Investment securities	4,108	4,108	–
Total	$236,348	$236,348	$ –
Accounts payable – Trade	$ 23,735	$ 23,735	$ –
Accounts payable – Other	13,277	13,277	
Income taxes payable	12,783	12,783	–
Long-term lease obligations	6,759	6,651	(108)
Total	$ 56,554	$56,446	$(108)

Cash and deposits

The carrying values of cash and deposits approximate fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments. The information of the fair value for the investment securities by classification is included in Note 6.

Accounts receivables and accounts payables

The carrying values of accounts receivables and accounts payables approximate fair value because of their short maturities.

Deposits paid

The carrying values of deposits paid approximate fair value because of their short maturities.

Income tax payable

The carrying values of income tax payable approximate fair value because of their short maturities.

Lease obligations

The fair values of lease obligations are determined by discounting the cash flows related to the debt at the Group's assumed lease interest rate.

(5) Maturity analysis for financial assets and securities with contractual maturities

Millions of Yen

March 31, 2011	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits	¥ 172	¥ –	¥ –	¥ –
Accounts receivable – Trade	6,442	–	–	–
Deposits paid	12,662	–	–	–
Total	¥19,276	¥ –	¥ –	¥ –

Thousands of U.S. Dollars

March 31, 2011	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits	$ 2,072	$ –	$ –	$ –
Accounts receivable – Trade	77,614	–	–	–
Deposits paid	152,554	–	–	–
Total	$232,240	$ –	$ –	$ –

Please see Note 13 for obligations under finance lease.

15. Comprehensive Income

For the year ended March 31, 2010
Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of Yen
Other comprehensive income –	
Unrealized gain on available-for-sale securities	¥321

Total comprehensive income for the year ended March 31, 2010 was the following:

	Millions of Yen
Total comprehensive income attributable to:	
Owners of the parent	¥2,884
Minority interests	3
Total comprehensive income	¥2,887

16. Related Party Transactions

Balances at March 31, 2011 and 2010 and transactions for the years ended March 31, 2011 and 2010 with the Parent, its consolidated subsidiaries and its associated companies were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Sales	**¥21,223**	¥22,643	**$255,699**
Purchases	**120**	103	**1,446**
Lease and rental expense	**545**	634	**6,566**
Accounts receivable – Trade	**¥ 3,894**	¥ 3,678	**$ 46,916**
Deposits paid	**12,444**	11,736	**149,928**
Other current assets	**24**	28	**289**
Accounts payable:			
Trade	**8**	17	**96**
Other	**138**	238	**1,663**

17. Subsequent Event

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2011 was resolved at the Board of Directors meeting held on May 19, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥32.5 ($0.39) per share	¥346	$4,169

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Panasonic Electric Works Information Systems Co., Ltd. (the "Company") and subsidiaries (together, the "Group") as of March 31, 2011 and 2010, and the related consolidated statement of income and comprehensive income for the year ended March 31, 2011, the consolidated statement of income for the year ended March 31, 2010, and the related consolidated statements of 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 Panasonic Electric Works Information Systems Co., Ltd. and subsidiaries as of March 31, 2011 and 2010, 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.

As discussed in Note 3 to the consolidated financial statements, the Group changed the depreciation method for tools, furniture and fixtures effective April 1, 2010.

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 LLC

June 15, 2011

Member of
Deloitte Touche Tohmatsu Limited

Corporate Data

As of March 31, 2011

Headquarters
19-19, Chayamachi, Kita-ku, Osaka 530-0013, Japan

Established
February 22, 1999

Paid-in Capital
¥1,040 million

Fiscal Year-End
March 31

Nature of Business
Information services

Number of Employees
677 (consolidated)

Consolidated Subsidiaries

- **Panasonic Electric Works Net Solutions Co., Ltd.**
  Paid-in capital: ¥70 million
  Nature of business: Development of groupware
- **V-Internet Operations, Inc.**
  Paid-in capital: ¥60 million
  Nature of business: Development of security systems

Board of Directors,Corporate Auditors and Corporate Officers (As of June 15, 2011)

President	Kazuhiro Maegawa
Managing Directors	Akira Hisano
	Hisashi Kurono
Directors	Shuichi Takazaki
	Tatsuo Yoshikawa
	Shinichi Hasegawa *1
	Takahiro Nakagawa *1
Auditors	Takayuki Takeda *2
	Tamaki Fujimoto
	Makoto Iwahashi *2
Executive Officers	Keisuke Tanaka
	Hajime Onishi
	Takashi Maeda
	Mitsuru Maekawa
	Hiroyoshi Maruyama

*1: Outside Director
*2: Outside Auditor

Stock Information

As of March 31, 2011

Total Shares Authorized
40,000,000 shares

Total Shares Issued
10,656,000 shares

Number of Shareholders
5,212

Stock Exchange Listing
Tokyo Stock Exchange, First Section

Securities Code
4283

Stock Trading Unit
100 shares

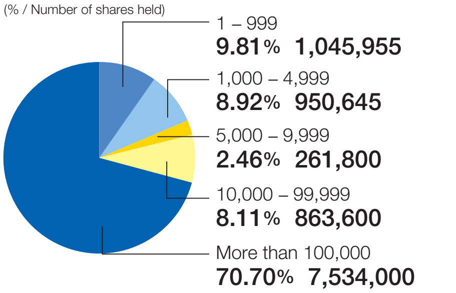
Regular Shareholders' Meeting
June of each year

Transfer Agent
Sumitomo Trust and Banking Corporation

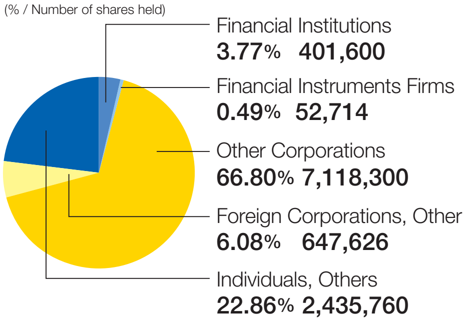
Major Shareholders

Shareholder	Number of Shares (thousands)	Ownership Ratio (%)
Panasonic Electric Works, Co., Ltd.	6,787	63.69
BBH FOR FIDELITY LOW-PRICED STOCK FUND	400	3.76
Employees Stock Ownership Association	243	2.28
Japan Trustee Services Bank, Ltd. (Trust Account)	101	0.94
The Master Trust Bank of Japan, Ltd. (Trust Account)	58	0.55
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	57	0.54
FUJITSU LIMITED	36	0.33
IBM Japan, Ltd.	36	0.33
Oki Electric Industry Co., Ltd	36	0.33
Japan Trustee Services Bank, Ltd. (Trust Account 1)	33	0.31

Breakdown of Shareholders by Number of Shares Held
(% / Number of shares held)



Breakdown of Shareholders by Investor Type
(% / Number of shares held)



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