



Panasonic Electric Works Information Systems Co., Ltd.

Consolidated Financial Statements for the First Half Ended September 30, 2009

Name of the Company: Panasonic Electric Works Information Systems Co., Ltd.
 Registered Stock Exchange: First Section, Tokyo Stock Exchange
 Code No.: 4283
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Planned Submission Date of the Quarterly Security Report: November 5, 2009

Planned Dividend Payment Date: November 30, 2009

(Amounts less than one million yen have been omitted.)

1. Business Results and Financial Position for the First Half of 2010 (April 1, 2009– September 30, 2009)

(1) Results of operations

(% shows the change from the previous first half)

	Net sales (¥ million)	Percentage change (%)	Operating income (¥ million)	Percentage change (%)	Ordinary income (¥ million)	Percentage change (%)
First half of 2010	18,305	(0.7)	2,383	5.3	2,401	3.3
First half of 2009	18,427	—	2,262	—	2,324	—

	Net income (¥ million)	Percentage change (%)	Net income per share (¥)	Diluted net income per share (¥)
First half of 2010	1,416	2.8	132.96	—
First half of 2009	1,377	—	129.29	—

(2) Financial positions

	Total assets (¥ million)	Net assets (¥ million)	Ratio of shareholders' equity to total assets (%)	Net assets per share (¥)
First half of 2010	23,643	18,606	78.6	1,743.10
Year ended March 31, 2009	23,211	17,604	75.7	1,649.15

Reference: Shareholders' equity: The first half of 2010: ¥18,574 million, Year ended March 2009: ¥17,573 million

2. Dividend

Record date	Dividend per share				
	1Q(¥)	2Q(¥)	3Q(¥)	Year end(¥)	Annual(¥)
Year ended March 31, 2009	—	32.50	—	42.50	75.00
Year ending March 31, 2010	—	32.50			
Year ending March 31, 2010 (Forecast)			—	32.50	65.00

Note: Changes in forecasts of dividends in the second quarter of 2010: None

3. Forecast of Business Results for the Year Ending March 31, 2010 (April 1, 2009– March 31, 2010)

(% shows the change from the previous year)

	Net sales (¥ million)	Percentage change (%)	Operating income (¥ million)	Percentage change (%)	Ordinary income (¥ million)	Percentage change (%)
Year ending March 31, 2010	38,000	1.8	4,650	0.4	4,750	0.2

	Net income (¥ million)	Percentage change (%)	Net income per share (¥)
Year ending March 31, 2010	2,820	1.3	264.64

Note: Changes in forecasts of consolidated earnings in the second quarter of 2010: None

4. Others

(1) Significant changes in subsidiaries during the period (transfer of specified subsidiaries resulting in a change in the scope of consolidation): None

(2) Application of the simplified accounting method and/or the special accounting method for quarterly consolidated financial statements: None

(3) Changes in accounting principles and procedures or format of quarterly consolidated financial statements (those listed in changes to important items forming the basis for preparation of quarterly consolidated financial statements)

(a) Changes accompanying revisions to items such as accounting standards: Yes

(b) Other changes: None

Note: For details, please refer to Page 6, “4. Others” of “Qualitative Information and Financial Statements.”

(4) Number of shares issued (common shares)

(a) Number of shares issued at the end of the period (including treasury shares)

The second quarter of 2010: 10,656,000 shares

Fiscal year ended March 2009: 10,656,000 shares

(b) Number of treasury shares at the end of the period

The second quarter of 2010: 66 shares

Fiscal year ended March 2009: 63 shares

(c) Average number of shares during the period

The first half of 2010: 10,655,934 shares

The first half of 2009: 10,655,937 shares

* Explanation of the proper use of earnings projections and other notes

— Forecasts described above have been made based on information available as of the date of announcement. Actual results may differ from these forecasts due to various unpredictable factors and the conditional changes of the future business operation because of the internal and external causes.

Qualitative Information and Financial Statements

1. Qualitative Information on Consolidated Operating Results

During the first half ended September 30, 2009 (April 1, 2009 – September 30, 2009), Japan's economy saw clear signs of a pickup on the back of factors such as recovery in exports, progress being made in inventory adjustments, and stimulus measures put into effect by the previous administration; however, given that excess of employment and equipment and further strengthening of the yen remain a worry, there were concerns that this recovery may not be sustainable.

Conditions also continue to be very challenging in the information services industry as more business enterprises place tighter controls on capital investment, often resulting in a deferment of IT investment.

In line with the "Return to Starting Point" management policy that the Group adopted for the fiscal year ending March 2010, we are working to expand sales to companies outside of the Panasonic Electric Works Group by focusing on system operation services, which are relatively immune to shifts in economic conditions, and providing products, services, and other solutions made possible thanks only to our unique on-site experience and understanding. In addition, we are also undertaking improvements in management constitution and reinforcement of our management foundations based on our four management initiatives – namely, thorough rationalization, building "quality-first" mindset, initiatives in new technologies and nurturing human resources.

(1) Consolidated financial results for the first half of 2010

	First half of 2009 (¥ million)	First half of 2010 (¥ million)	Change (%)
Net sales	18,427	18,305	(0.7)
Operating income	2,262	2,383	5.3
Ordinary income	2,324	2,401	3.3
Net income	1,377	1,416	2.8

Formulated based on our proprietary know-how, the operation and server integration projects for companies aiming to streamline system operations performed well, as did our workflow packages, and this led to growth in sales to companies outside of the Panasonic Electric Works Group in the first half of the year ending March 2010. However, sales to group companies remained sluggish, and with the long-term infrastructure system rebuild project for Panasonic Electric Works now drawing to a close, sales to that company had also been lower since July. As a result of these factors, net sales for the first half were down slightly year-on-year.

Turning to profit, efforts to realize a more transparent cost structure made it possible for outsourcing expenses to be reduced; meanwhile, other action taken in line with the thorough-rationalization initiative also led to improvements in management constitution. As a result, we saw profit increase even with the dip in sales from July onward.

(Reference)

Consolidated financial results for the second quarter of 2010 (July 1, 2009 to September 30, 2009)

	Second quarter of 2009 (¥ million)	Second quarter of 2010 (¥ million)	Change (%)
Net sales	10,150	9,577	(5.6)
Operating income	1,366	1,332	(2.5)
Ordinary income	1,406	1,348	(4.1)
Net income	825	784	(5.0)

(2) Business results by product segment for the first half of 2010

(a) System Services

Net sales decreased by 1.5% year-on-year to 11,773 million yen, and the ratio of gross profits to net sales rose to 22.7% (20.0% in the previous first half).

Despite this year-on-year drop in net sales in the tough economic conditions, we improved the ratio of gross profits to net sales as a result of the thorough-rationalization.

In the second quarter of the fiscal year, net sales decreased by 1.8% year-on-year to 589 million yen, and the ratio of gross profits to net sales rose to 24.4% (22.1% in the previous second quarter).

(b) System Solutions

Net sales rose by 3.7% year-on-year to 3,724 million yen, and the ratio of gross profits to net sales decreased to 17.5% (22.1% in the previous first half).

Good performance of the workflow packages Soujiro and MajorFlow developed and marketed by Panasonic Electric Works Net Solutions contributed to this increase in sales. In addition, a new order was won for development of web system for a major communications company, and as in the previous fiscal year, proactive efforts were made in the development of new products, culminating in the release of enhanced versions of e-Learning systems and adaptors for integrating Google's web application services with existing systems. Nevertheless, sales to Panasonic Electric Works and its group companies were weak, and now that the long-term infrastructure system rebuild project for Panasonic Electric Works was drawing to a close, sales to that company had been lower since July; consequently, overall sales dropped since the first quarter.

The above-mentioned drop in the ratio of gross profits to net sales was attributable to an year-on-year reduction in the number of high-margin projects being undertaken; nevertheless, ongoing efforts were being made to improve profitability through, for example, boosting the efficiency of system development and reducing outsourcing expenses by making the cost structure more transparent.

In the second quarter of the fiscal year, net sales decreased by 8.8% year-on-year to 2,325 million yen, and the ratio of gross profits to net sales decreased to 14.0% (17.7% in the previous second quarter).

(C) System and Communication Equipment Business

Net sales decreased by 2.9% year-on-year to 287 million yen, and the ratio of gross profits to net sales rose to 19.0% (14.9% in the previous first half).

Postponement of device upgrades and other purchases was the main factor behind the year-on-year fall in sales; meanwhile, the improvement in the ratio of gross profits to net sales was brought about in part by strong sales of video conferencing systems and Egenera® BladeFrame® – an system developed to satisfy customers' streamlining needs and proactively promoted to sales since previous year.

In the challenging economic environment, companies continue to place tougher restrictions on capital investment, but demand for efficiency-enhancing, streamlining solutions are rising. We intend to make use of our own experience as an end user in order to respond to demand of this type of company and thus further boost sales.

In the second quarter of the fiscal year, net sales decreased by 14.3% year-on-year to 1,442 million yen, and the ratio of gross profits to net sales rose to 20.5% (16.4% in the previous second quarter).

2. Qualitative Information on Consolidated Financial Position

(1) Assets, liabilities and net assets

As of the end of the second quarter of the fiscal year ending March 31, 2010, total assets increased by 1.9% to 23,643 million yen from the previous second quarter. This was mainly due to the following: in current assets, 1,359 million yen decreased in notes and accounts receivable-trade, 575 million yen increased in money deposited, 474 million yen increased in cash and deposits, and 403 million yen increased in accounts receivable from construction contracts. With regard to investments and other assets, 120 million yen increased in prepaid pension cost.

Liabilities decreased by 10.2% to 5,036 million yen as a result of a 638 million yen decrease in accounts payable and a 120 million yen decrease in notes and accounts payable-trade.

Net assets increased by 5.7% to 1,866 million yen as a result of a 963 million yen increase in retained earnings.

(2) Cash flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the second quarter of the fiscal year increased by 831 million yen from the end of the previous second quarter to 4,986 million yen.

(a) Cash flows from operating activities

Funds generated from operating activities increased 303 million yen year-on-year to 2,485 million yen.

This was mainly due to factors including a 2,401 million yen of income before income taxes and minority interests, a 602 million yen of depreciation and amortization, a 955 million yen decrease in accounts receivable and an 830 million yen of payment for income taxes.

(b) Cash flows from investing activities

Funds used in investing activities decreased by 1,374 million yen to 985 million yen.

This was mainly due to factors including purchases of property and equipment totaling 767 million yen, and purchases of software totaling 163 million yen.

(c) Cash flows from financing activities

Funds used in financing activities increased by 134 million yen to 481 million yen owing to the dividend payment which amounted to 452 million yen.

(d) Free cash flows

Due to the aforementioned operating and investing activities, free cash flows amounted to a cash inflow of 1,499 million yen.

3. Qualitative Information on Forecast of the Consolidated Financial Results

While the economy appears to be heading towards recovery, it remains to be seen whether this will lead to sustainable growth. As a result, the effect that economic conditions will have on the Group's performance going forward is almost impossible to predict, and therefore, we make no changes to our business results forecast announced on April 23, 2009.

4. Others

- (1) Significant changes in subsidiaries during the period (transfer of specified subsidiaries resulting in a change in the scope of consolidation)

There is no related information.

- (2) Application of the simplified accounting method and/or the special accounting method for quarterly consolidated financial statements

There is no related information.

- (3) Changes in accounting principles and procedures or format of quarterly consolidated financial statements

- (a) Changes to accounting methods for completed contract sales and completed contract costs

We modified our accounting method from the first quarter, moved away from the booking of sales using the completed contract method and instead adopted the Accounting Standard for Construction Contracts (ASBJ Statement No.15, released on December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No.18, released on December 27, 2007). In line with this change, the percentage of completion method (on a cost-ratio basis) was applied in the projects commenced in the first quarter and thereafter and for which the certainty of results of activity prior to the end of the second quarter was critical, and the completed contract method was applied in other projects.

As a result thereof, net sales increased by 403 million yen, and operating income, ordinary income, and income before income taxes and minority interests each increased by 94 million yen.

- (b) Changes in format

- (Net sales and cost of sales)

In the previous first half ended September 30, 2008, net sales and cost of sales were each presented as totals; however, in the interests of providing more useful information, each is broken down into three values –

namely, for System Services, System Solutions, and System and Communication Equipment Business – from the first half ended September 30, 2009.

In System Services, System Solutions, and System and Communication Equipment Business, net sales (cost of sales) amounted to 11,946 million yen (9,556 million yen), 3,590 million yen (2,795 million yen), and 2,891 million yen (2,459 million yen), respectively in the previous first half ended September 30, 2008.

In System Services, System Solutions and System and Communication Equipment Business, net sales (cost of sales) amounted to 5,916 million yen (4,610 million yen), 2,550 million yen (2,098 million yen) and 1,683 million yen (1,407 million yen) respectively in the previous second quarter ended September 30, 2008.

(Dividends income)

In the previous first half ended September 30, 2008, “Dividends income” was included within “Other” of non-operating income; however, given the increasing significance thereof, it has been classified separately from the first quarter of the year ending March 2010.

It should be noted that the “Dividends income” included within “Other” of non-operating income in the previous first half ended September 30, 2008 was 1 million yen.

Matters other than the above that do not differ from those disclosed in the most recent Securities Report (June 18, 2009) are omitted here.