2014 Annual Report

For the Year Ended March 31, 2014

TOSHIBA TEC CORPORATION

Financial Highlights

Years ended March 31

Consolidated	Millions of yen 2010	2011	2012	2013	2014	Thousands of U.S.dollars 2014
Net sales	¥364,578	¥362,302	¥350,604	¥403,694	¥498,871	$4,847,173
Operating income	9,725	13,997	10,830	15,886	23,086	224,310
Net income	4,144	6,510	2,566	6,212	7,134	69,316
Total assets	289,518	288,592	276,436	388,513	393,965	3,827,876
Net assets	142,692	140,519	139,732	176,558	185,430	1,801,691
	Yen					U.S.dollars
Per share data:						
Net income -						
Basic	¥15.06	¥23.71	¥9.35	¥22.64	¥25.99	$0.253
Net assets	474.85	473.44	472.36	549.42	576.50	5.601

Non-Consolidated	Millions of yen 2010	2011	2012	2013	2014	Thousands of U.S.dollars 2014
Net sales	¥211,345	¥221,674	¥224,933	¥233,686	¥261,268	$2,538,554
Operating income	2,544	2,906	3,226	2,557	7,548	73,339
Net income	5,476	4,476	2,421	3,901	2,227	21,638
Capital stock	39,971	39,971	39,971	39,971	39,971	388,370
Total assets	210,729	221,925	226,188	244,368	257,510	2,502,040
Net assets	122,704	124,888	125,273	127,428	127,684	1,240,614
	Yen					U.S.dollars
Per share data:						
Net income -						
Basic	¥19.89	¥16.30	¥8.82	¥14.22	¥8.11	$0.079
Cash dividends	5.00	7.00	7.00	8.00	8.00	0.078
Net assets	445.75	455.03	456.27	463.99	464.76	4.516

The dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥102.92=US$1.00, the exchange rate prevailing on March 31, 2014.

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Business Review

Business Overview in the Consolidated Fiscal Year 2013

Regarding the global economy in the consolidated fiscal year 2013 ended March 31, 2014, signs of an economic turnaround emerged in Europe while the US continued to experience a gradual economic recovery and Asia enjoyed solid growth rates despite some slowing. The Japanese economy improved moderately owing to a recovery in exports and the effects of economic and fiscal policies, among other factors.

Under such circumstances, the Toshiba Tec Group has been diligently working to become “a global one-stop solutions company” under the three pillars of our business strategy, namely “acceleration of globalization,” “expansion of solutions and services,” and “corporate structural reform to stabilize profitability.”

As for the consolidated business operations, the retail store solution (RSS) business acquired from International Business Machines Corporation (IBM) as of August 1, 2012 contributed to business performance throughout the year, and as a result of this and other factors, net sales increased 24% compared to the previous consolidated fiscal year to ¥498,871 million, operating income increased 45% year-on-year to ¥23,086 million, and net income increased 15% year-on-year to ¥7,134 million.

Business Highlights for each Report Segment

The business highlights for each report segment in the consolidated fiscal year 2013 are described below.

System Solutions Business

The system solutions business, which deals with POS systems for the Japanese market, MFPs, Automatic Identification systems and related products, was committed to developing new products appropriate to market needs, expanding sales of core products, and promoting area marketing, along with reinforcing cost competitiveness to improve the profit structure, in a severe business environment where the overall retail industry as a major market became increasingly polarized and intense competition with rivals continued.

The retail solutions business enjoyed increased sales owing in part to growing sales of POS systems for mass merchandisers, specialty stores and restaurants.

The office solutions business continued to face strong competition, but sales increased thanks to bigger sales volumes for color MFPs and other factors.

As a result, net sales from the system solutions business rose 8% over the previous consolidated fiscal year to ¥195,307 million, and operating income advanced 12% over the previous consolidated fiscal year to ¥9,740 million.

Global Solutions Business

The global solutions business, which deals with MFPs, POS systems, Automatic Identification systems, printers and related products as well as inkjets for markets outside Japan, focused efforts on releasing and expanding sales of strategic products, while expanding sales by pioneering new business fields, new sales channels and new customers, and promoting an alliance strategy, against a difficult business background marked by tough competition.

The retail solutions business saw larger sales in each region as a result of acquiring the RSS business from IBM and other factors.

In the printing solutions business, sales of MFPs and Automatic Identification systems increased in the wake of policies such as the expansion of sales of strategic new products and the impact of exchange rates.

Sales from the inkjet business grew in both domestic and overseas markets.

As a result, net sales from the global solutions business advanced 35% over the previous consolidated fiscal year to ¥317,488 million, and operating income rose 86% over the previous consolidated fiscal year to ¥13,346 million.

Note: Automatic Identification (AI) system refers to systems that contain hardware and software to automatically retrieve, identify and manage data from barcodes and IC tags.

Key Achievements for Fiscal Year 2013

Accelerated globalization

(1) Retail store solution business, which was transferred to us from IBM the year before the last, contributed to our performance throughout the year.

(2) In the overseas printing solution business, sales growth occurred as a result of the increased sales of strategic new products (MFPs and auto ID systems), etc.

Expanded solutions & services

(1) World's first Object Recognition Scanner "IS-910T" released in Japan

(2) 1st Experimental demo of Smart Receipt® with the combination of smartphone and digital receipt done in Japan

(3) Released omni-channel enabled solutions connecting shops and customers "One on One"

(4) MFP lineup added and expansion of sales area other than office market

(5) Document Transmission System "e-BRIDGE Hybrid Document" released

Forecasts for Fiscal Year 2014

With regard to the global economy, the US economy is expected to continue its gradual recovery while Europe will continue to see low growth rates. The Asian economy however is expected to generally enjoy solid growth. Despite temporary slowing caused by the increase in the consumption tax rate, the Japanese economy is expected to advance moderately owing to the recovery in exports, the effect of economic and fiscal policies, and other factors.

Under such circumstances, the Toshiba Tec Group is diligently working to become "a global one-stop solutions company" under the three pillars of our business strategy, namely "acceleration of globalization," "expansion of solutions and services," and "corporate structural reform to stabilize profitability."

Main measures on a segment basis for fiscal year 2014 ending March 31, 2015 are as follows:

System Solutions Business

The system solutions business strives to promote area marketing, develop new products appropriate to market needs, and enhance service and supply businesses, toward expanding sales of POS systems, MFPs, Automatic Identification systems and related products in the Japanese market as well as providing total solutions. The system solutions business is also committed to further streamlining sales and service systems domestically to improve the profit structure.

Global Solutions Business

The global solutions business aims to develop and release strategic new products, as well as expand sales and marketing in response to the region, optimize sales and service channels, toward expanding sales of MFPs, POS systems, Automatic Identification systems, related products and inkjet heads in markets outside Japan as well as providing total solutions, which capitalize on a wide range of products and markets. The global solutions business is also committed to expanding business by enhancing operations in emerging countries and areas.

Consolidated forecasts for fiscal year 2014 have been made as follows based on the aforementioned measures:

Forecasts for fiscal year 2014

Net sales	¥520,000 million
Operating income	¥28,000 million
Net income	¥12,000 million

Expected forecasts per report segment for fiscal year 2014

Parenthesis: Relative to fiscal year 2013

	Net sales	Operating income
System Solutions Business	¥195,000 million (100%)	¥11,000 million (113%)
Global Solutions Business	¥340,000 million (107%)	¥17,000 million (127%)
Eliminations	¥(15,000) million	
Total	¥520,000 million (104%)	¥28,000 million (121%)

For the above-mentioned forecasts, the exchange rates for fiscal year 2014 are 100 yen per dollar and 138 yen per euro.

Note: Forecasts are based on the Toshiba Tec Group's currently available data and certain assumptions considered rational, and are not intended as assurances from the Group that they will be achieved. Actual results are subject to change due to various factors.

Mid-term Business Plan

Basic Strategy

(1) Business Strategies

- Retail Business

  Expand solution business based on our global top share customer base.

- Printing Business

  Retain our existing customers and expand our market by “Differentiation” mainly with solutions.

- Auto ID Business

  Expand sales of our differentiating solutions (sensing and RFID technology applied) to supply chain areas in wider industries starting from our existing retail customer base.

- Inkjet Business

  Provide our inkjet product lineups as printing solutions for industrial printing in which the adaption to small lot & various types of printing is more and more required.

(2) Structural Reform

Reduce cost by higher operational productivity/ Cultivate solution specialists.

Achievement of Goals

(100 millions of yen)

	FY2013 (Result)	FY2016 (Target)
Net Sales	4,989	5,800
Operating Income	231	350
ROS	4.6%	6.0%

Consolidated Balance Sheet

March 31, 2014

ASSETS	Millions of yen 2014	Millions of yen 2013	Thousands of U.S.dollars (Note 1) 2014
Current assets			
Cash and cash equivalents	¥47,409	¥72,032	$460,639
Notes and accounts receivable-trade	88,528	83,882	860,163
Inventories	42,035	37,720	408,424
Deferred tax assets (Note 10)	7,553	6,222	73,387
Prepaid expenses and other current assets	38,008	31,568	369,297
Allowance for doubtful accounts	(1,317)	(1,252)	(12,796)
Total current assets	222,216	230,172	2,159,114
Noncurrent assets			
Property, plant and equipment:			
Buildings and structures	30,393	28,999	295,307
Machinery, equipment and vehicles	40,500	38,722	393,510
Tools, furniture and fixtures	51,578	49,538	501,147
Land	2,581	2,546	25,078
Lease assets	11,677	9,138	113,457
Accumulated depreciation	(104,908)	(99,123)	(1,019,317)
Construction in progress	1,495	2,026	14,526
	33,316	31,846	323,708
Intangible assets:			
Goodwill	39,601	75,223	384,775
Customer relationships	32,456	–	315,352
Other	26,608	19,312	258,530
	98,665	94,535	958,657
Investments and other assets:			
Investment securities: (Note 14)			
Unconsolidated subsidiaries and affiliates	44	43	428
Other	4,342	4,074	42,188
Deferred tax assets (Note 10)	21,001	19,672	204,052
Other	14,388	8,291	139,797
Allowance for doubtful accounts	(154)	(312)	(1,496)
	39,621	31,768	384,969
Total noncurrent assets	171,602	158,149	1,667,334
Deferred assets	147	192	1,428
Total assets	¥393,965	¥388,513	$3,827,876

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2014	2013	Thousands of U.S.dollars (Note 1) 2014
Current liabilities			
Notes and accounts payable-trade	¥75,673	¥71,764	$735,260
Short-term loans payable (Note 3)	1,054	3,093	10,241
Accounts payable - other	17,526	38,058	170,288
Lease obligations (Note 3)	3,427	2,602	33,298
Income taxes payable	3,769	3,417	36,621
Provision for directors' bonuses	51	59	496
Other	53,941	43,561	524,105
Total current liabilities	155,441	162,554	1,510,309
Noncurrent liabilities			
Lease obligations (Note 3)	4,261	2,922	41,401
Provision for retirement benefits (Note 4)	–	39,683	–
Provision for directors' retirement benefits	149	143	1,448
Net defined benefit liability (Note 4)	41,358	–	401,846
Other	7,326	6,653	71,181
Total noncurrent liabilities	53,094	49,401	515,876
Total liabilities	208,535	211,955	2,026,185
Net assets			
Shareholders' equity			
Capital stock			
Authorized-1,000,000 thousand shares			
Issued- 288,146 thousand shares	39,971	39,971	388,370
Capital surplus	52,971	52,984	514,681
Retained earnings	65,422	60,484	635,659
Treasury stock, at cost:			
13,670 thousand shares in 2014	(5,585)	–	(54,266)
13,827 thousand shares in 2013	–	(5,624)	–
Total shareholders' equity	152,779	147,815	1,484,444
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	988	764	9,600
Deferred gains or losses on hedges	(4)	–	(39)
Foreign currency translation adjustment	6,692	2,213	65,021
Minimum pension liability adjustment	(55)	(74)	(534)
Remeasurements of defined benefit plans	(2,179)	–	(21,172)
Total accumulated other comprehensive income	5,442	2,903	52,876
Subscription rights to shares	130	145	1,263
Minority interests	27,079	25,695	263,108
Total net assets	185,430	176,558	1,801,691
Total liabilities and net assets	¥393,965	¥388,513	$3,827,876

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Income

Year ended March 31, 2014

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2014	2013	2014
Net sales	¥498,871	¥403,694	$4,847,173
Cost of sales (Notes 4 and 8)	283,748	224,362	2,756,977
Gross profit	215,123	179,332	2,090,196
Selling, general and administrative expenses (Notes 4, 6, 8 and 17)	192,037	163,446	1,865,886
Operating income	23,086	15,886	224,310
Non-operating income and expenses:			
Interest and dividends income	384	382	3,731
Interest expenses	(646)	(526)	(6,277)
Restructuring cost (Note 9)	(5,696)	(1,987)	(55,344)
Gain on sales of investment securities	4	33	39
Gain on valuation of derivatives	143	214	1,389
Loss on sales and retirement of noncurrent assets	(663)	(110)	(6,442)
Foreign exchange gains (losses)	(26)	316	(253)
Reversal of allowance for doubtful accounts	294	–	2,857
Other, net	(2,516)	(1,328)	(24,445)
Income before income taxes and minority interests	14,364	12,880	139,565
Income taxes (Note 10):			
Current	6,149	6,171	59,745
Deferred	1,258	458	12,224
Income before minority interests	6,957	6,251	67,596
Minority interests in income (loss)	(177)	39	(1,720)
Net income	¥7,134	¥6,212	$69,316

	Yen		U.S.dollars
Per share data (Note 22)	2014	2013	2014
Net income-Basic	¥25.99	¥22.64	$0.253
Cash dividends	¥8.00	¥8.00	$0.078

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Comprehensive Income

Year ended March 31, 2014

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2014	2013	2014
Income before minority interests	¥6,957	¥6,251	$67,596
Other comprehensive income			
Valuation difference on available-for-sale securities	225	423	2,186
Deferred gains or losses on hedges	(4)	-	(39)
Foreign currency translation adjustment	6,666	20,350	64,770
Minimum pension liability adjustment	30	(21)	291
Total other comprehensive income (Note 7)	6,917	20,752	67,208
Comprehensive income	¥13,874	¥27,003	$134,804
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	11,851	23,336	115,148
Comprehensive income attributable to minority interests	2,023	3,667	19,656

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2014

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2013	¥39,971	¥52,984	¥60,484	¥(5,624)	¥147,815
Cash Dividends (Note 21)	–	–	(2,196)	–	(2,196)
Net income	–	–	7,134	–	7,134
Purchase of treasury stock	–	–	–	(38)	(38)
Disposal of treasury stock	–	(13)	–	77	64
Net changes of items other than shareholders' equity	–	–	–	–	–
Balance at March 31, 2014	¥39,971	¥52,971	¥65,422	¥(5,585)	¥152,779

Millions of yen

	Accumulated other comprehensive income						Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Minimum pension liability adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at April 1, 2013	¥764	–	¥ 2,213	¥(74)	–	¥ 2,903	¥145	¥25,695	¥176,558
Cash Dividends (Note 21)	–	–	–	–	–	–	–	–	(2,196)
Net income	–	–	–	–	–	–	–	–	7,134
Purchase of treasury stock	–	–	–	–	–	–	–	–	(38)
Disposal of treasury stock	–	–	–	–	–	–	–	–	64
Net changes of items other than shareholders' equity	224	(4)	4,479	19	(2,179)	2,539	(15)	1,384	3,908
Balance at March 31, 2014	¥988	¥(4)	¥6,692	¥(55)	¥(2,179)	¥5,442	¥130	¥27,079	¥185,430

Thousands of U.S. dollars

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2013	$388,370	$514,808	$587,680	$(54,644)	$1,436,214
Cash Dividends (Note 21)	–	–	(21,337)	–	(21,337)
Net income	–	–	69,316	–	69,316
Purchase of treasury stock	–	–	–	(369)	(369)
Disposal of treasury stock	–	(127)	–	747	620
Net changes of items other than shareholders' equity	–	–	–	–	–
Balance at March 31, 2014	$388,370	$514,681	$635,659	$(54,266)	$1,484,444

Millions of yen

	Accumulated other comprehensive income						Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Minimum pension liability adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at April 1, 2013	$7,423	–	¥ 21,502	$(719)	$–	$28,206	$1,409	$249,660	$1,715,488
Cash Dividends (Note 21)	–	–	–	–	–	–	–	–	(21,337)
Net income	–	–	–	–	–	–	–	–	69,316
Purchase of treasury stock	–	–	–	–	–	–	–	–	(369)
Disposal of treasury stock	–	–	–	–	–	–	–	–	622
Net changes of items other than shareholders' equity	2,177	(39)	43,519	185	(21,172)	24,670	(146)	13,448	37,971
Balance at March 31, 2014	$9,600	$(39)	$65,021	$(534)	$(21,172)	$52,876	$1,263	$263,108	$1,801,691

Millions of yen

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2012	¥39,971	¥52,986	¥56,466	¥(5,629)	¥143,794
Cash Dividends (Note 21)	–	–	(2,194)	–	(2,194)
Net income	–	–	6,212	–	6,212
Purchase of treasury stock	–	–	–	(10)	(10)
Disposal of treasury stock	–	(2)	–	15	13
Net changes of items other than shareholders' equity	–	–	–	–	–
Balance at March 31, 2013	¥39,971	¥52,984	¥60,484	¥(5,624)	¥147,815

Millions of yen

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Minimum pension liability adjustment	Total accumulated other comprehensive income			
Balance at April 1, 2012	¥341	¥(14,499)	¥(63)	¥(14,221)	¥113	¥10,046	¥139,732
Cash Dividends (Note 21)	–	–	–	–	–	–	(2,194)
Net income	–	–	–	–	–	–	6,212
Purchase of treasury stock	–	–	–	–	–	–	(10)
Disposal of treasury stock	–	–	–	–	–	–	13
Net changes of items other than shareholders' equity	423	16,712	(11)	17,124	32	15,649	32,805
Balance at March 31, 2013	¥764	¥ 2,213	¥(74)	¥ 2,903	¥145	¥25,695	¥176,558

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.
Numbers of shares in issue: 288,146 thousand shares in the fiscal year ended March 31, 2014.

Consolidated Statement of Cash Flows

Year ended March 31, 2014

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2014	2013	2014
Cash flows from operating activities			
Income before income taxes and minority interests	¥14,364	¥12,880	$139,565
Depreciation and amortization	21,216	16,856	206,141
Decrease in allowance for doubtful accounts	(88)	(65)	(855)
Increase (decrease) in provision for retirement benefits	(39,824)	3,015	(386,941)
Increase in net defined benefit liability	37,974	–	368,966
Interest and dividends income	(384)	(382)	(3,731)
Interest expenses	646	526	6,277
Loss on sales and retirement of property, plant and equipment	663	110	6,442
Gain on sales of investment securities	(4)	(32)	(39)
Loss on valuation of investment securities	101	8	981
Restructuring cost	5,696	1,987	55,344
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable-trade	3,621	(17,486)	35,183
Increase in inventories	(1,493)	(1,835)	(14,506)
Increase (decrease) in notes and accounts payable-trade	(4,026)	16,435	(39,118)
Other, net	(11,340)	(718)	(110,184)
Subtotal	27,122	31,299	263,525
Interest and dividends income received	405	390	3,935
Interest expenses paid	(622)	(504)	(6,044)
Income taxes paid	(6,018)	(4,674)	(58,472)
Net cash provided by operating activities	20,887	26,511	202,944
Cash flows from investing activities			
Purchase of property, plant and equipment	(7,403)	(8,298)	(71,930)
Proceeds from sales of property, plant and equipment	243	971	2,361
Purchase of intangible assets	(7,458)	(2,013)	(72,464)
Purchase of investment securities	(14)	(114)	(136)
Proceeds from sales of investment securities	144	60	1,399
Net increase in short-term loans receivable	(6,102)	(294)	(59,289)
Payments of long-term loans receivable	(18)	(12)	(175)
Collection of long-term loans receivable	15	19	146
Payments for transfer of business	(21,764)	(33,510)	(211,465)
Other, net	(198)	(571)	(1,923)
Net cash used in investing activities	(42,555)	(43,762)	(413,476)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(2,662)	701	(25,865)
Repayments of long-term loans payable	–	(2)	–
Repayments of finance lease obligations	(2,801)	(2,404)	(27,215)
Purchase of treasury stock	(38)	(135)	(369)
Cash dividends paid	(2,198)	(2,191)	(21,356)
Cash dividends paid to minority shareholders	(518)	(96)	(5,033)
Other, net	76	13	738
Net cash used in financing activities	(8,141)	(4,114)	(79,100)
Effect of exchange rate change on cash and cash equivalents	5,186	7,438	50,389
Net decrease in cash and cash equivalents	(24,623)	(13,927)	(239,243)
Cash and cash equivalents at beginning of period	72,032	85,959	699,882
Cash and cash equivalents at end of period	¥47,409	¥72,032	$460,639

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

The consolidated financial statements of TOSHIBA TEC CORPORATION (the "Company") have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain reclassifications have been made to present the consolidated financial statements in a format which is more familiar to the readers outside Japan.

Solely for the convenience of the readers, the consolidated financial statements have been presented in U.S. dollars by translating Japanese yen amounts at the exchange rate of ¥102.92 = US$1.00 prevailing as of March 31, 2014. The translation should not be construed as a representation that the Japanese yen could be converted into U.S. dollar at the above or any other rate of exchange.

2. Summary of Significant Accounting Policies

(A) Basis of Consolidation and Accounting of Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries (together the "Companies"). For the years ended March 31, 2014 and 2013, the accounts of 89 and 88 subsidiaries are consolidated, respectively. All significant inter-company transactions and accounts are eliminated in consolidation.

All assets and liabilities of the consolidated subsidiaries are revaluated on acquisitions, if applicable. The difference between the cost of investments in subsidiaries and the equity in their assets and liabilities at the dates of acquisition is recognized as goodwill in the consolidated balance sheet and principally amortized by the straight-line method over 5 to 17 years.

The Company has no unconsolidated subsidiary for which the equity method of accounting has been applied for the years ended March 31, 2014 and 2013.

From the perspective of immateriality, the investments in the remaining unconsolidated subsidiaries and the affiliated companies are stated at cost.

Certain subsidiaries have the yearend which differs from that of the Company. As a result, adjustments have been made for any significant transactions as needed in consolidation that took place during the period between the year end of the subsidiaries and the year end of the Company.

(B) Foreign Currency Translation

Revenue and expense accounts of foreign consolidated subsidiaries are translated into yen using the annual average rate during each of the fiscal years. The balance sheet accounts, except for the components of net assets, are translated at the rate in effect at each of the balance sheet dates. The components of net assets are translated at their historical rates. Translation adjustments are presented as a component of "Accumulated other comprehensive income" under Net Assets in the consolidated balance sheet.

Foreign currency transactions are measured at the applicable rates of exchange prevailing at the transaction dates, unless hedged by foreign exchange contracts. Assets and liabilities denominated in foreign currencies at the balance sheet date are re-measured at the applicable rates of exchange prevailing at that date, unless hedged by foreign exchange contracts. Exchange differences are charged or credited to income.

(C) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturates of three months or less.

(D) Investment Securities

Marketable securities classified as "Other securities" are reported at fair value with unrealized holding gains or losses, net of taxes, presented as a component of "Accumulated other comprehensive income" under Net Assets in the consolidated balance sheet. Cost of securities sold is determined by the moving average method.

Non-marketable securities classified as "Other securities" are carried at cost, which is determined by the moving average method.

(E) Inventories

Finished goods, merchandises and semi-finished components are principally stated at the lower of cost, determined by the first-in, first-out method, or net realizable value. Work-in-process and raw materials are principally stated at the lower of cost, determined by the moving average method, or net realizable value. Supplies are principally stated at the latest purchase cost method.

(F) Property, Plant and Equipment and Depreciation

Property, plant and equipment are depreciated by the straight-line method over their estimated useful lives.

The useful lives of principal property, plant and equipment are summarized as follows:

Buildings and structures 15 to 38 years
Machinery and equipment 5 to 13 years
Tools, furniture and fixtures 2 to 7 years

(G) Intangible Assets and Amortization

Intangible assets are amortized by the straight-line method over their estimated useful lives.

(H) Leases

The Companies lease certain equipment under non-cancelable lease agreements referred to as finance leases. Depreciation at lease assets is calculated by the straight-line method over the lease period with no residual value.

(I) Deferred Assets

Deferred organization expenses are amortized over a period of five years.

(J) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided in the amount sufficient to cover probable losses on collection. It consists of individually estimated uncollectible amounts and an amount calculated using the rate of actual losses on collection in the past.

(K) Accrued Retirement Benefits to Directors

The retirement benefits to directors are determined based on the internal rule and accounted for as an expense of the accounting period in which such retirement benefits were accrued.

(L) Accrued Bonuses to Directors and Corporate Auditors

The bonuses to directors and corporate auditors are determined based on the internal rule and accounted for as an expense of the accounting period in which such bonuses were accrued.

(M) Retirement Benefits

The retirement benefit obligation for employees is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

Prior service cost is being amortized as incurred by the straight-line method over periods (mainly 10 years), which are shorter than the average remaining years of service of the employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (mainly 10 years), which are shorter than the average remaining years of service of the employees.

A part of subsidiaries use a simplified method for the calculation of the defined benefit liability and retirement benefit cost of their defined benefit plans and lump-sum payment plans.

(N) Income Taxes, Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the temporary differences are expected to reverse.

The Company and its wholly owned domestic subsidiaries file their consolidated tax return in Japan for the Corporation Tax purpose.

(O) Consumption Taxes

Consumption taxes withheld from sales and paid upon purchasing goods and services by the Companies are not included in revenues and expenses.

(P) Derivative Financial Instruments

The Company and certain subsidiaries have entered into forward exchange contracts to hedge the risk of fluctuation in exchange rate in the foreign currency transactions related to accounts receivable and payable denominated in foreign currency.

Derivative financial instruments are reported at fair value with unrealized gain or loss, charged or credited to income, except for those which meet the criteria for the deferral hedge accounting under which unrealized gains or losses is deferred as assets or liabilities. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

(Q) Research and Development Expenses

Research and development costs are charged to income as incurred.

(R) Impairment of Noncurrent Assets

According to the accounting standard, noncurrent assets are reviewed for impairment at least once a year and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(S) Changes in Accounting Policies (Adoption of Accounting Standard for Retirement Benefits)

The Company adopted “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No.26 of May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25 of May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) effective at the end of the fiscal year ended March 31, 2014. These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as a liability for retirement benefits. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a liability for retirement benefits. Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Clause 37 of the standard, the effects of such changes in the current fiscal year have been recorded in retirement benefits liability adjustments through accumulated other comprehensive income. As a result of this change, a liability for retirement benefits was recognized in the amount of ¥41,358 million ($401,846 thousand) and accumulated other comprehensive income decreased by ¥2,179 million ($21,172 thousand) as of March 31, 2014.

The effect on per share information is stated in Note 22 Per share Information.

(T) Changes in Accounting Policies Which are Difficult to Distinguish from Changes in Accounting Estimates (Change in Depreciation Method of Property, Plant and Equipment)

Effective at the end of the fiscal year ended March 31, 2014, the Company and its domestic subsidiaries changed depreciation method from the declining-balance method to the straight-line method.

The Companies are reorganizing their global manufacturing bases to optimize them for the rapid change of business environment in recent years and business acquisition of RSS business from IBM in the fiscal year ended March 31, 2013. In the “2013 Mid-term Management Plan”, the Companies in Japan plan to establish the production efficiency and focus the investing area in order to stabilize the Companies’ profit. In addition, the Companies also have been establishing their production structures among mainly Asian countries to enhance their global cost competitiveness.

As a result of these reorganizations, it is expected for production activities in Japan to specialize in high-value-added areas, such as the productions with customization and the set-up system for the customer, which will provide a stable profit to them.

In order to better allocation of cost and revenue, the Companies decided that it is more appropriate to apply the straight-line method to property, plant and equipment of the Company and its domestic subsidiaries.

As a result of this change, depreciation expense decreased by ¥1,281 million ($12,447 thousand), operating income and income before income taxes and minority interests increased each comparatively by ¥1,251 million ($12,155 thousand) for the year ended March 31, 2014, from the corresponding amounts which would have been recorded under the previous depreciation method.

(U) Changes in Accounting Estimates (Changes in Estimated Useful Lives)

Following the change in depreciation method of property, plant and equipment, the Company reviewed estimated useful lives taking into consideration the actual status of the usage of the asset. As a result of this review, the Company determined to change the estimated useful lives of property, plant and equipment. In addition, the residual value has been changed to a memorandum value in the Company and its domestic subsidiaries.

As a result of these changes, depreciation increased by ¥215 million ($2,089 thousand), operating income and income before income taxes and minority interests decreased each comparatively by ¥213 million ($2,070 thousand) for the year ended March 31, 2014, from the corresponding amounts which would have been recorded under the previous depreciation method.

(V) Accounting Standards Issued but Not Yet Effective

- Accounting Standard for Retirement Benefits (ASBJ Statement, No.26 of May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 of May 17, 2012)

1. Overview

   The standard provides guidance for the accounting for unrecognized actuarial differences and unrecognized prior service costs, the calculation methods for retirement benefit obligation and service costs, and enhancement of disclosures taking into consideration improvements to financial reporting and international trends.

2. Scheduled date of adoption

   Revisions to the calculation method for the retirement benefit obligation and the service cost, they are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015.

3. Impact of adopting revised accounting standard and guidance

   As a result of this change, the beginning balance of retained earnings as at April 1, 2014 will increase by ¥3,623 million ($35,202 thousand) in the Consolidated Balance Sheet. In addition, the effect of this change on the Consolidated Statement of Income is immaterial.

- Revised Accounting Standard for Business Combinations (ASBJ Statement, No.21 of September 13, 2013)
- Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22 of September 13, 2013)
- Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7 of September 13, 2013)
- Revised Accounting Standard for Earnings Per Share (ASBJ Statement No.2 of September 13, 2013)
- Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 of September 13, 2013)
- Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No.4 of September 13, 2013)

1. Overview

   Under these revised accounting standards, (i) the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary (ii) the treatment of acquisition-related costs, (iii) the change of the presentation method of net income, and to non-controlling interest from the minority interests, (iv) the treatment of the transitional provisions for these accounting standards were also defined.

2. Scheduled date of adoption

   These accounting standards are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2016.

   In addition, in terms of the transitional provisions for these accounting standards, they are scheduled to be adopted applicably from a business combination that will take place after the beginning of the year ended March 31, 2016.

3. Impact of adopting revised accounting standards and guidance

   The impact on the consolidated financial statements as a result of the adoption of these accounting standards is currently being evaluated.

(W) Changes in Presentation (Consolidated Statement of Cash Flows)

In the Consolidated Statement of Cash Flows, “Net increase in short-term loans receivable”, which was included in “Other, net” in the fiscal year ended March 31, 2013, is separately disclosed due to the increase in materiality.

As result of this change, the Consolidated Statement of Cash Flows of the fiscal year ended March 31, 2013 was reclassified. It was presented in “Other, net” was reclassified ¥(294) million as “Net decrease (increase) in short-term loans receivable”, and “Other, net” was reclassified ¥(571) million.

(X) Additional Information

Not applicable

3. Short-Term Loans Payable and Long-Term Debt

The short-term loans payable and long-term debt (including lease obligations) at March 31, 2014 and 2013, consist of the following :

	Millions of yen		Thousands of U.S.dollars
	2014	2013	2014
Short-term loans payable	¥1,054	¥3,093	$10,241
Lease obligations	7,688	5,524	74,699
Less current portion	3,427	2,602	33,298
	¥4,261	¥2,922	$41,401

The average interest rate for short-term loans outstanding at March 31, 2014 and 2013 is 0.44 % and 0.43 %, respectively.

The average interest rate for lease obligations, a statement is omitted because the Companies recorded the amount of lease payments before deducting interest in the Consolidated Balance Sheet.

The aggregate annual maturities of lease obligations (excluding the current portion) outstanding at March 31, 2014 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S.dollars
2016	¥1,065	$10,348
2017	1,065	10,348
2018 and thereafter	2,131	20,705
	¥4,261	$41,401

4. Retirement Benefits

For the year ended March 31, 2014

1. Summary of Retirement Benefit Plans

The Company and its consolidated subsidiaries have either funded or unfunded defined benefit plans and defined contribution plans.

In defined benefit plans which are funded pension plans, the amounts of which are determined by reference to qualification and length of service.

In defined benefit plans which are unfunded and lump-sum payment plans, the amount of which are determined by reference to assessment and qualification.

In addition, a part of subsidiaries use a simplified method for the calculation of defined benefit liability and retirement benefit cost of their defined benefit plans and lump-sum payment plans.

2. Defined Benefit Plans

1) The changes in the retirement benefit obligation during the year ended March 31, 2014

	Millions of yen	Thousands of U.S.dollars
	2014	2014
Retirement benefit obligation at April 1, 2013	¥92,668	$900,389
Service cost	3,602	34,998
Interest cost	1,118	10,863
Actuarial gain	(2,737)	(26,593)
Retirement benefit paid	(5,750)	(55,869)
Other	760	7,384
Retirement benefit obligation at March 31, 2014	¥89,661	$871,172

2) The changes in plan assets during the year ended March 31, 2014

	Millions of yen	Thousands of U.S.dollars
	2014	2014
Plan assets at April 1, 2013	¥44,123	$428,712
Expected return on plan assets	998	9,697
Actuarial gain	1,059	10,290
Contributions by the Company	4,049	39,341
Retirement benefits paid	(2,252)	(21,881)
Other	326	3,167
Plan assets at March 31, 2014	¥48,303	$469,326

3) The funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2014 for the Company's and the consolidated subsidiaries' defined benefit plans

	Millions of yen	Thousands of U.S.dollars
	2014	2014
Funded retirement benefit obligation	¥51,962	$504,878
Plan assets at fair value	(48,303)	(469,326)
	¥3,659	$35,552
Unfunded retirement benefit obligation	¥37,699	$366,294
Net liability for retirement benefits in the balance sheet	¥41,358	$401,846
Liability for retirement benefits	¥41,358	$401,846
Net liability for retirement benefits in the balance sheet	¥41,358	$401,846

4) The components of retirement benefit expense for the year ended March 31, 2014

	Millions of yen	Thousands of U.S.dollars
	2014	2014
Service cost	¥3,602	$34,998
Interest cost	1,118	10,863
Expected return on plan assets	(998)	(9,697)
Amortization of actuarial loss	706	6,860
Amortization of prior service cost	914	8,880
Retirement benefit expenses	¥5,342	$51,904

5) Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2014

	Millions of yen	Thousands of U.S.dollars
	2014	2014
Unrecognized prior service cost	¥2,157	$20,958
Unrecognized actuarial loss	1,227	11,922
	¥3,384	$32,880

6)-1. The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014

	2014
Bonds	40%
Stocks	25%
Alternative	24%
Life insurance company general accounts	10%
Other	1%
Total	100%

6)-2. How to set the expected long-term rate of return on plan assets
The Companies set the expected long-term rate of return in consideration of target portfolio of plan assets by expected long-term rate of return and past performance.

7) The assumptions used in accounting for the above plans

	2014
Discount rates	Mainly 1.2%
Expected rates of long return on plan assets	Mainly 2.5%

3. Defined Contribution Plans
Amounts which consolidated subsidiaries contributed to their defined contribution plans for this fiscal year are ¥424 million ($ 4,120 thousand).

For the year ended March 31, 2013

1. Summary of retirement benefit plans
The Company and its consolidated subsidiaries have either funded or unfunded defined benefit plans and defined contribution plans.
In defined benefit plans which are funded pension plans, the amounts of which are determined by reference to qualification and length of service.
In defined benefit plans which are unfunded and lump-sum payment plans, the amount of which are determined by reference to assessment and qualification.

	Millions of yen
	2013
Retirement benefit obligation	¥(92,667)
Plan assets	44,123
Unfunded retirement benefit obligation	(48,544)
Unrecognized actuarial gain	5,791
Unrecognized prior service cost	3,070
Net amount recognized in the consolidated balance sheet	(39,683)
Accrued retirement benefit obligation	¥(39,683)

Note: Certain subsidiaries adopted a simplified method in the calculation of their retirement benefit obligation.

The components of retirement benefit expenses for the years ended March 31, 2013 are as follows:

	Millions of yen
	2013
Service cost	¥3,475
Interest cost	1,110
Expected return on plan assets	(835)
Amortization of actuarial loss	1,605
Amortization of prior service cost	1,018
Total	¥6,373

Note: 1 Apart from the retirement benefit expenses above, additional retirement benefit payments are included in Non-operating expenses.
The additional retirement benefit payments for the years ended March 31, 2013 are ¥62 million.

2 Retirement benefit expenses of subsidiaries which adopt simplified method are recorded as "Service cost".
The assumption used in accounting for the above plans for the years ended March 31, 2013 are as follows:

	2013
Discount rates	Mainly 1.2%
Expected return on assets	Mainly 2.5%
Amortization period of past service cost	Mainly 10 years Straight-line method
Amortization period of actuarial gain or loss	Mainly 10 years Straight-line method

5. Contingent liabilities

Contingent liabilities at March 31, 2014 and 2013 are as follows :

	Millions of yen		Thousands of U.S.dollars
	2014	2013	2014
Trade notes receivable discounted or endorsed	¥115	¥250	$1,117
Guarantees on employees' bank loans	261	360	2,536

6. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended at March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2014	2013	2014
Personnel expenses	¥93,489	¥83,071	$908,366
Retirement benefit expenses	3,980	4,804	38,671
Research and development expenses	21,802	18,833	211,834

7. Other Comprehensive Income

Other Comprehensive Income for the year ended March 31, 2014 and 2013 are follows:

	Millions of yen		Thousands of U.S.dollars
	2014	2013	2014
Other comprehensive income			
Unrealized holding gain(loss) on securities			
Amount of accrual	¥352	¥689	$3,420
Amount of recycling	(4)	(31)	(39)
Amount before tax effect adjustment	348	658	3,381
Tax effect adjustments	(123)	(235)	(1,195)
Valuation difference on available-for-sale securities	¥225	¥423	$2,186
Deferred gains or losses on hedges			
Amount of accrual	¥(6)	–	$(58)
Tax effect adjustments	2	–	19
Deferred gains or losses on hedges	¥(4)	–	$(39)
Foreign currency translation adjustment			
Amount of accrual	¥6,666	¥20,350	$64,769
Amount of recycling	–	–	–
Amount before tax effect adjustment	6,666	20,350	64,769
Tax effect adjustments	–	–	–
Foreign currency translation adjustment	¥6,666	¥20,350	$64,769
Minimum pension liability adjustment			
Amount of accrual	¥50	¥(36)	$486
Tax effect adjustments	(20)	14	(194)
Minimum pension liability adjustment	¥30	¥(22)	$292
Total other comprehensive income	¥6,917	¥20,751	$67,208

8. Research and Development Expenses

Research and development costs charged to income for the years ended March 31, 2014 and 2013 are as follows:

Millions of yen		Thousands of U.S.dollars
2014	2013	2014
¥25,112	¥22,147	$243,995

9. Restructuring Cost

The contents of Restructuring Cost for the year ended March 31, 2014 are extra retirement benefit payments and costs of disposal and consolidation of sales bases overseas.

10. Income Taxes and Deferred Tax Assets and Liabilities

1. Significant components of the Companies' deferred tax assets and liabilities for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2014	2013	2014
Deferred tax assets:			
Provision for retirement benefits	¥ –	¥13,813	$ –
Net defined benefit liability	14,376	–	139,681
Intangible assets	5,516	5,867	53,595
Provision for bonuses	2,811	2,554	27,312
Elimination of consolidated unrealized gains	1,796	1,355	17,450
Other	4,887	3,805	47,485
Total gross deferred tax assets	29,386	27,394	285,523
Valuation allowance	(833)	(1,500)	(8,094)
Total deferred tax assets	28,553	25,894	277,429
Deferred tax liabilities:			
Reserve for advanced depreciation of noncurrent assets	(427)	(441)	(4,149)
Valuation difference on available-for-sale securities	(528)	(407)	(5,130)
Other	(1,763)	(896)	(17,130)
Total deferred tax liabilities	(2,718)	(1,744)	(26,409)
Net deferred tax assets	¥25,835	¥24,150	$251,020

Net deferred tax assets are included as below on consolidated balance sheet for the years ended March 31, 2014 and 2013.

	Millions of yen		Thousands of U.S.dollars
	2014	2013	2014
Current assets - Deferred tax assets	¥7,553	¥6,222	$73,387
Noncurrent assets - Deferred tax assets	21,001	19,672	204,052
Current liabilities - Other	(253)	(115)	(2,458)
Noncurrent liabilities - Other	(2,466)	(1,630)	(23,960)

2. Difference between statutory tax rate and Company's effective tax rate

The following table summarizes the difference between the statutory tax rate and the Company's effective tax rate for the years ended March 31, 2014 and 2013.

	2014	2013
Statutory tax rate	38.0%	38.0%
Effect of :		
Different tax rates applied to income of foreign subsidiaries	(9.6)	(5.7)
Expenses permanently not deductible for income tax purposes	1.4	1.1
Income permanently not included as revenue	(4.6)	(4.3)
Corporation tax special credit for research expenditures	(4.7)	(3.2)
Changes in valuation allowance	0.2	1.7
Downward revision of deferred tax asset by change in statutory tax rate	6.1	–
Amortization of goodwill of foreign subsidiaries	24.6	23.1
Other, net	0.2	0.8
Effective tax rates	51.6%	51.5%

3. Effect of a change in the corporate income tax rate

The "Act for Partial Amendment of the Income Tax Act" (Act No.10, 2014) was promulgated on March 31, 2014 and as a result, the Company is no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014.

As a result, the statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 38.0% to 35.6% for the temporary differences expected to be realized or settled from fiscal years beginning April 1, 2014.

The effect of the announced reduction of the statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥729 million ($ 7,083 thousand) as of March 31, 2014 and increase deferred income tax by ¥729 million ($7,083 thousand) for the year ended March 31, 2014.

11. Leases

(A) Finance Lease as a lessee

Finance Lease transactions, except for those which meet the conditions that the ownership of the leased assets was transferred to the lessee.

1. The content of Lease assets: Machinery and equipment
2. Depreciation method of lease assets:
   Please refer to Note 2 Summary of Significant Accounting Policies (H) Leases.

(B) Operating Lease as a lessee

Future minimum lease payments for noncancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2014	2013	2014
Due within one year	¥541	¥463	$5,257
Due after one year	632	463	6,140
	¥1,173	¥926	$11,397

(C) Finance Lease as a lessor

1. Details of investment lease

1) Investment lease - current assets	Millions of yen		Thousands of U.S.dollars
	2014	2013	2014
Lease revenues receivable	¥133	¥131	$1,292
Interests receivable	(7)	(7)	(68)
	¥126	¥124	$1,224
2) Investment lease - others			
Lease revenues receivable	¥966	¥1,271	$9,386
Interests receivable	(53)	(72)	(515)
	¥913	¥1,199	$8,871

2. Expected collect amounts of lease revenues receivable are as follows :

	Millions of yen		Thousands of U.S.dollars
	2014	2013	2014
Within one year	¥133	¥131	$1,292
Between 1 to 2 years	674	620	6,549
Between 2 to 3 years	187	439	1,817
Between 3 to 4 years	83	110	806
Between 4 to 5 years	21	21	204
More than 5 years	0	81	0
	¥1,098	¥1,402	$10,668

(D) Operating Lease as a lessor

Future minimum lease payments for noncancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2014	2013	2014
Due within one year	¥752	¥646	$7,307
Due after one year	1,410	799	13,700
	¥2,162	¥1,445	$21,007

(E) Other related information

Future minimum lease payments for noncancelable operating sub-leases are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
Investment lease	2014	2013	2014
Current assets	¥470	¥414	$4,567
Others	869	372	8,443
	¥1,339	¥786	$13,010
Lease expenses payable			
Current liabilities	¥470	¥414	$4,567
Fixed liabilities	869	372	8,443
	¥1,339	¥786	$13,010

12. Consolidated Statement of Cash Flows

The content of important non-cash transactions

The impact of non-cash transactions on assets and liabilities under finance lease is ¥3,608 million ($35,056 thousand) and ¥3,608 million ($35,056 thousand) for the year ended March 31, 2014 and ¥2,797 million and ¥2,841 million for the year ended March 31, 2013, respectively.

13. Financial Instruments

Overview

1. Policy for financial instruments

The Companies raise funds mainly using Toshiba Group Finance program. Essentially the Companies use the program for temporarily excess funds.

The Companies use derivatives for the purpose of reducing risks (described below) and do not enter into derivatives for speculative or trading purposes.

2. Types of financial instruments and related risks

Trade receivables (Notes and accounts receivable-trade) are exposed to credit risk in relation to customers. In addition, the Companies are exposed to foreign currency exchange rate fluctuation risk arising from receivables denominated in foreign currencies. In principle, the foreign currency exchange rate fluctuation risk deriving from the trade receivables denominated in foreign currencies, net of trade payables denominated in the same currencies, are hedged by forward foreign exchange contracts.

Investment securities are exposed to market risk. These are the equity securities of certain enterprises with which the Companies have business relationships.

Substantially all trade payables (Notes and accounts payable-trade) are due within one year. Although the Companies are exposed to foreign currency exchange rate fluctuation risk arising from those payables denominated in foreign currencies. But the volume of account payable is in the range of accounts receivable of the same currency.

A debt is a short-term used working capital which is mainly raised using the Toshiba Group Finance program.

Regarding derivatives, the Companies enter into forward foreign exchange contracts and options to reduce the foreign currency exchange rate fluctuation risk arising from the receivables and payables denominated in foreign currencies.

With regard to instrumentals, targets, policies and methods of evaluating the effectiveness of the hedge, please refer to Note 2 Summary of Significant Accounting Policies (P) Derivative Financial Instruments.

3. Risk management for financial instruments

1) Monitoring of credit risk (the risks that related to breach of contract with client)

In accordance with the internal policies, the Credit Managing division monitors credit worthiness of their customers periodically, and monitors due dates and outstanding balances by individual customer.

In addition, the Companies are making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

2) Monitoring of market risks (the risks arising from fluctuations in foreign exchanges rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Companies identify the foreign currency exchange rate fluctuation risk for each currency on a monthly basis and enter into forward foreign exchange contracts to hedge such risk.

The Financial Division manages risks on derivative transaction, in accordance with the internal policies.

Monthly reports including actual transactions data are submitted to top management for their review.

For marketable and investment securities, the Companies periodically review the fair values of such financial instruments and the financial position of the issuers. In addition, the Companies continuously evaluate whether securities should be maintained taking into account their fair values and relationships with the issuers.

3) Monitoring of liquidity risk (the risk that the Companies may not be able to meet its obligations on scheduled due dates)

Based on the report from each division, the Companies prepare and update their cash flow plans on a timely basis to manage liquidity risk.

4. Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, the fair value is determined based on reasonable estimates.

Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 15 Derivative Transactions are not indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

For the year ended March 31, 2014

The carrying value of financial instruments in the consolidated balance sheet as of March 31, 2014, and their estimated fair value are as follows:

		Millions of yen		
		Consolidated balance sheet	Estimated fair value	Difference
(a)	Cash and cash equivalents	¥47,409	¥47,409	–
(b)	Notes and accounts receivable-trade	88,528		
	Allowance for doubtful accounts *1	(1,191)		
		87,337	87,337	–
(c)	Marketable and investment securities	2,611	2,611	–
(d)	Notes and accounts payable-trade	(75,673)	(75,673)	–
(e)	Short- term loans payable	(1,054)	(1,054)	–
(f)	Derivative transactions *2	(6)	(6)	–

		Thousands of U.S. dollars		
		Consolidated balance sheet	Estimated fair value	Difference
(a)	Cash and cash equivalents	$460,639	$460,639	–
(b)	Notes and accounts receivable-trade	860,163		
	Allowance for doubtful accounts *1	(11,572)		
		848,591	848,591	–
(c)	Marketable and investment securities	25,369	25,369	–
(d)	Notes and accounts payable-trade	(735,260)	(735,260)	–
(e)	Short- term loans payable	(10,241)	(10,241)	–
(f)	Derivative transactions *2	(58)	(58)	–

***1 Allowance for doubtful accounts provided for individual customers are deducted.**
***2 The value of assets and liabilities arising from derivatives is shown at net value.**

Note: 1. Method to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

(a) Cash and cash equivalents, (b) Notes and accounts receivable-trade
Since these items are settled in a short period of time, their carrying value approximates the fair value.

(c) Marketable and investment securities
The fair value of marketable and investment securities is based on the quoted market price. For information on securities by each holding purpose, please refer to Note 14 Securities.

(d) Notes and accounts payable-trade, (e) Short-term loans payable
Since these items are settled in a short period of time, their carrying value approximates the fair value.

(f) Derivatives transactions
Please refer to Note 15 Derivative Transactions.

2. Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen	Thousands of U.S. dollars
Unlisted stocks	¥1,774	$17,237

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the above table.

3. Redemption schedule for receivables and marketable securities with maturities at March 31,2014

	Millions of yen			
	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 cash equivalents	¥47,409	–	–	–
Notes and accounts receivable-trade	88,528	–	–	–
Marketable and investment securities				
Held-to-maturity debt securities				
National and local government bonds	–	–	–	–
Corporate bonds	–	–	–	–
Other marketable securities with maturities				
Corporate bonds	–	–	–	–
Other	–	–	–	–
Total	¥135,937	–	–	–

	Thousands of U.S. dollars			
	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 cash equivalents	$460,639	–	–	–
Notes and accounts receivable-trade	860,163	–	–	–
Marketable and investment securities				
Held-to-maturity debt securities				
National and local government bonds	–	–	–	–
Corporate bonds	–	–	–	–
Other marketable securities with maturities				
Corporate bonds	–	–	–	–
Other	–	–	–	–
Total	$1,320,802	–	–	–

For the year ended March 31, 2013

The carrying value of financial instruments in the consolidated balance sheet as of March 31, 2013, and their estimated fair value are as follows:

		Millions of yen		
		Consolidated balance sheet	Estimated fair value	Difference
(a)	Cash and cash equivalents	¥72,032	¥72,032	–
(b)	Notes and accounts receivable-trade	83,882		
	Allowance for doubtful accounts *1	(1,126)		
		82,756	82,756	–
(c)	Marketable and investment securities	2,268	2,268	–
(d)	Notes and accounts payable-trade	(71,764)	(71,764)	–
(e)	Short- term loans payable	(3,093)	(3,093)	–
(f)	Derivative transactions *2	(150)	(150)	–

*1 Allowance for doubtful accounts provided for individual customers are deducted.
*2 The value of assets and liabilities arising from derivatives is shown at net value.

Note: 1. Method to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

(a) Cash and cash equivalents, (b) Notes and accounts receivable-trade
Since these items are settled in a short period of time, their carrying value approximates the fair value.

(c) Marketable and investment securities
The fair value of marketable and investment securities is based on the quoted market price. For information on securities by each holding purpose, please refer to Note 14 Securities.

(d) Notes and accounts payable-trade, (e) Short-term loans payable
Since these items are settled in a short period of time, their carrying value approximates the fair value.

(f) Derivatives transactions
Please refer to Note 15 Derivative Transactions.

2. Financial instruments for which is extremely difficult to determine the fair value

	Millions of yen
Unlisted stocks	¥1,849

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the above table.

3. Redemption schedule for receivables and marketable securities with maturities at March 31, 2013

	Millions of yen			
	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 cash equivalents	¥72,032	–	–	–
Notes and accounts receivable-trade	83,882	–	–	–
Marketable and investment securities				
Held-to-maturity debt securities				
National and local government bonds	–	–	–	–
Corporate bonds	–	–	–	–
Other marketable securities with maturities				
Corporate bonds	–	–	–	–
Other	–	–	–	–
Total	¥155,914	–	–	–

14. Securities

1. Information regarding marketable other securities as of March 31, 2014 and 2013 are as follows:

	Millions of yen					
	2014			2013		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stocks	¥2,490	¥1,009	¥1,481	¥2,005	¥892	¥1,113
Securities whose acquisition cost exceeds their carrying value:						
Stocks	121	141	(20)	263	306	(43)
Total	¥2,611	¥1,150	¥1,461	¥2,268	¥1,198	¥1,070

	Thousands of U.S.dollars		
	2014		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	$24,194	$9,804	$14,390
Securities whose acquisition cost exceeds their carrying value:			
Stocks	1,175	1,370	(195)
Total	$25,369	$11,174	$14,195

2. The proceeds from sales of securities, except those of the affiliated companies, for the years ended March 31, 2014 and 2013 were ¥7 million ($ 68 thousand) and ¥57 million, respectively. The realized gains on those sales for the years ended March 31, 2014 and 2013 were ¥4 million ($39 thousand) and ¥33 million, respectively.

3. Information regarding non-marketable securities as of March 31, 2014 and 2013 is as follows.

	Millions of yen		Thousands of U.S.dollars
	2014	2013	2014
	Carrying value		Carrying value
Other securities			
Unlisted stocks	¥1,774	¥1,849	$17,237
Others	–	–	–
Total	¥1,774	¥1,849	$17,237

15. Derivative Transactions

1. Summarized below are the amount of contract and the estimated fair value of the derivative instruments outstanding at March 31, 2014 and 2013, for which the hedge accounting is not applied.

Transaction outside the market

Currency-related transactions

	Millions of yen							
	2014				2013			
	Contract amount		Fair value	Unrealized gain (loss)	Contract amount		Fair value	Unrealized gain (loss)
	Maturing within one year	Maturing after one year			Maturing within one year	Maturing after one year		
Forward foreign exchange contracts								
Sell:								
EUR	¥6,938	¥ –	¥(0)	¥(0)	¥6,005	¥ –	¥(149)	¥(149)
CAD	–	–	–	–	5	–	(1)	(1)
AUD	9	–	(0)	(0)	–	–	–	–
Buy:								
USD	2,299	–	(6)	(6)	–	–	–	–
Total	¥9,246	¥ –	¥(6)	¥(6)	¥6,010	¥ –	¥(150)	¥(150)

***Calculation of the fair value is based on the value from financial institutions.**

	Thousands of U.S. dollars			
	2014			
	Contract amount		Fair value	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
Forward foreign exchange contracts				
Sell:				
EUR	$67,412	$ –	$(0)	$(0)
CAD	–	–	–	–
AUD	87	–	(0)	(0)
Buy:				
USD	22,338	–	(58)	(58)
Total	$89,837	$ –	$(58)	$(58)

***Calculation of the fair value is based on the value from financial institutions.**

2. Summarized below are the amount of contract and the estimated fair value of the derivative instruments outstanding at March 31, 2014 and 2013, for which hedge accounting is applied.

Currency-related transactions

1) Net deferred profits on hedges, accounted for as a part of accounts receivable

	Millions of yen					
	2014			2013		
	Contract amount		Fair value	Contract amount		Fair value
	Maturing within one year	Maturing after one year		Maturing within one year	Maturing after one year	
Forward foreign exchange contracts						
Sell:						
AUD	¥19	¥ –	¥(0)	¥ –	¥ –	¥ –
Sell:						
USD	2,241	–	(6)	–	–	–
Total	¥2,260	¥ –	¥(6)	¥ –	¥ –	¥ –

***Calculation of the fair value is based on the value from financial institutions.**

	Thousands of U.S. dollars		
	2014		
	Contract amount		Fair value
	Maturing within one year	Maturing after one year	
Forward foreign exchange contracts			
Sell:			
AUD	$185	$ –	$(1)
Buy:			
USD	21,774	–	(58)
Total	$21,959	$ –	$(59)

***Calculation of the fair value is based on the value from financial institutions.**

2) Forward foreign exchange contracts, accounted for as a part of accounts receivable

	Millions of yen					
	2014			2013		
	Contract amount		Fair value	Contract amount		Fair value
	Maturing within one year	Maturing after one year		Maturing within one year	Maturing after one year	
Forward foreign exchange contracts						
Sell:						
CAD	¥703	¥ –	¥24	¥317	¥ –	¥(47)
AUD	1,046	–	(32)	169	–	(26)
Sell:						
USD	206	–	(2)	–	–	–
Total	¥1,955	¥ –	¥(10)	¥486	¥ –	¥(73)

***Calculation of the fair value is based on the value from financial institutions.**

	Thousands of U.S. dollars		
	2014		
	Contract amount		Fair value
	Maturing within one year	Maturing after one year	
Forward foreign exchange contracts			
Sell:			
CAD	$6,831	$ –	$233
AUD	10,163	–	(311)
Sell:			
USD	2,001	–	(19)
Total	$18,995	$ –	$(97)

***Calculation of the fair value is based on the value from financial institutions.**

16. Segment Information

(A) Business Segments

1. Summary of reportable segments

The reportable segments of the Companies are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess the performance.

Aiming to become "a global one-stop solutions company", the Companies create comprehensive strategies per market and develop business activities under a framework for business operation by each market segment.

Therefore, the Companies report on "System Solutions Business Group" and "Global Solutions Business Group" as a reportable segments.

2.The calculation method for amounts of sales, income, assets and other items per reportable segments

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 2 Summary of Significant Accounting Policies.

Intersegment sales and transfers are calculated at the prevailing market prices.

As discussed in Note 2 Summary of Significant Accounting Policies (T) Changes in Accounting Policies Which are Difficult to Distinguish from Changes in Accounting Estimates (Change in Depreciation Method of Property, Plant and Equipment), (U) Changes in Accounting Estimates (Changes in Estimated Useful Lives), the Company and domestic subsidiaries changed the depreciation method and the estimated useful lives of property, plant and equipment as of the end of the fiscal year ended March 31, 2014.

As a result of this change, compared to the previous method, segment profit for the year ended March 31, 2014, was increased by ¥278 million ($2,701 thousand) in System Solutions Business Group, ¥760 million ($7,384 thousand) in Global Solutions Business Group.

	Millions of yen		Thousands of U.S.dollars
	2014	2013	2014
Net Sales			
System Solutions Business Group			
Unaffiliated customers	¥193,054	¥179,008	$1,875,768
Intersegment	2,253	1,769	21,890
Total	195,307	180,777	1,897,658
Global Solutions Business Group			
Unaffiliated customers	305,817	224,686	2,971,405
Intersegment	11,671	10,756	113,399
Total	317,488	235,442	3,084,804
Adjustments	(13,924)	(12,525)	(135,289)
Consolidated	¥498,871	¥403,694	$4,847,173
Segment Income			
System Solutions Business Group	¥9,740	¥8,708	$94,636
Global Solutions Business Group	13,346	7,178	129,674
Consolidated	¥23,086	¥15,886	$224,310
Segment Assets			
System Solutions Business Group	¥79,724	¥74,546	$774,621
Global Solutions Business Group	294,661	302,062	2,863,010
Adjustments	19,580	11,905	190,245
Consolidated	¥393,965	¥388,513	$3,827,876
Depreciation			
System Solutions Business Group	¥1,985	¥2,475	$19,287
Global Solutions Business Group	14,761	9,587	143,422
Consolidated	¥16,746	¥12,062	$162,709
Amortization			
System Solutions Business Group	¥164	¥164	$1,593
Global Solutions Business Group	4,306	4,630	41,839
Consolidated	¥4,470	¥4,794	$43,432
Capital Expenditures			
System Solutions Business Group	¥2,363	¥2,673	$22,960
Global Solutions Business Group	15,911	81,064	154,595
Consolidated	¥18,274	¥83,737	$177,555

Note:1. Adjustments of segment assets are corporate assets, and consist of cash and cash equivalents and investment securities in the amount of ¥19,580 million ($190,245 thousand) and ¥11,905 million in March 31,2014 and 2013, respectively.

2. Segment income corresponds to operating income of Consolidated Statement of Income.

The main products of each business segment
System Solutions Business Group
POS Systems, MFPs, Auto ID systems and related products, in Japan
Global Solutions Business Group
MFPs, POS Systems, Auto ID systems, Printers and related products, abroad

(B) Relative Information

1. Products and service information

	Millions of yen		Thousands of U.S.dollars
	2014	2013	2014
Net sales of Retail	¥300,124	¥238,110	$2,916,091
Net sales of MFP	198,747	165,584	1,931,082
	¥498,871	¥403,694	$4,847,173

Retail : POS systems, Auto ID systems and related products, etc.
MFP : Multi Function Peripherals, Facsimiles, Office Printers, Multi-function peripheral devices, scanner function and document management, etc. which enables realized in one piece

2. Information by geographical area

	Millions of yen		Thousands of U.S.dollars
	2014	2013	2014
Net Sales			
Japan	¥204,581	¥190,086	$1,987,767
American States	142,847	103,326	1,387,942
Europe	105,169	76,211	1,021,852
Asia and others	46,274	34,071	449,612
Net sales	¥498,871	¥403,694	$4,847,173
Tangible Fixed Assets			
Japan	¥13,328	¥13,425	$129,499
American States	6,467	7,173	62,835
Europe	9,139	7,058	88,797
Asia and others	4,382	4,190	42,577
Net sales	¥33,316	¥31,846	$323,708

Criteria of geographical segmentation and the name of countries or areas mainly included in each segment except for Japan are as follows:

1) Criteria: geographical closeness
2) Countries & Areas
   2)-1. American States
   U.S.A., Canada, Mexico, Puerto Rico, Panama, Venezuela, Brazil, Chile
   2)-2. Europe
   U.K., France, Germany, Spain, Switzerland, Belgium, Italy, Netherlands, Sweden, Norway, Denmark, Finland, Poland
   2)-3. Asia and Others
   Singapore, Malaysia, Indonesia, China, Australia, Korea

3. Information by major customer
   There are no customers whom the Companies sell it to more than 10% of total sales for the years ended in March 31, 2014 and 2013.

4. Information on impairment loss in noncurrent assets be business segment
   There are no events to be noted for this purpose for the years ended in March 31, 2014 and 2013.

5. Information on amortization of goodwill and unamortized balance by business segment

	Millions of yen		Thousands of U.S.dollars
	2014	2013	2014
	Balance at end of period		Balance at end of period
System Solutions Business Group	¥328	¥492	$3,187
Global Solutions Business Group	39,272	74,731	381,578
Consolidated	¥39,600	¥75,223	$384,765

For the amount of amortization of goodwill, it is omitted as it is disclosed in “Segment Information”

6. Information on negative goodwill by business segment
   For the year ended in March 31, 2014
   The importance of the amount of money is scarce, so a statement is omitted.

   For the year ended in March 31, 2013
   The importance of the amount of money is scarce, so a statement is omitted.

17. Stock Option Plan

The stock options outstanding as of March 31,2014 are as follows:

1. The amount and the accounting subject in relation to the stock options existing for the year ended March 31, 2014.
   Selling, General and Administrative Expenses for the years ended March 31, 2014 and 2013 are ¥49 million ($476 thousands) and ¥45 million, respectively.

2. The size of stock option and its circumstances

1) General information

	The first new share subscription rights as share-reward type stock option
Qualified beneficiaries	18 of the Company directors and corporate officers
Type of shares for which new subscription rights offered (Note 1)	83,000 shares of Common stock
Date of issuance	August 1, 2008
Condition of exercising	(Note 2)
Vesting period	No conditional period required
Subscription rights exercise period	From August 2, 2008 to August 1, 2038

	The second new share subscription rights as share-reward type stock option
Qualified beneficiaries	17 of the Company directors and corporate officers
Type of shares for which new subscription rights offered (Note 1)	169,000 shares of Common stock
Date of issuance	July 31, 2009
Condition of exercising	(Note 2)
Vesting period	No conditional period required
Subscription rights exercise period	From August 1, 2009 to July 31, 2039

	The third new share subscription rights as share-reward type stock option
Qualified beneficiaries	17 of the Company directors and corporate officers
Type of shares for which new subscription rights offered (Note 1)	134,000 shares of Common stock
Date of issuance	July 30, 2010
Condition of exercising	(Note 2)
Vesting period	No conditional period required
Subscription rights exercise period	From July 31, 2010 to July 30, 2040

	The fourth new share subscription rights as share-reward type stock option
Qualified beneficiaries	17 of the Company directors and corporate officers
Type of shares for which new subscription rights offered (Note 1)	128,000 shares of Common stock
Date of issuance	August 2 , 2011
Condition of exercising	(Note 2)
Vesting period	No conditional period required
Subscription rights exercise period	From August 3, 2011 to August 2, 2041

	The fifth new share subscription rights as share-reward type stock option
Qualified beneficiaries	17 of the Company directors and corporate officers
Type of shares for which new subscription rights offered (Note 1)	156,000 shares of Common stock
Date of issuance	August 2 , 2012
Condition of exercising	(Note 2)
Vesting period	No conditional period required
Subscription rights exercise period	From August 3, 2012 to August 2, 2042

	The sixth new share subscription rights as share-reward type stock option
Qualified beneficiaries	17 of the Company directors and corporate officers
Type of shares for which new subscription rights offered (Note 1)	89,000 shares of Common stock
Date of issuance	July 31, 2013
Condition of exercising	(Note 2)
Vesting period	No conditional period required
Subscription rights exercise period	From August 1, 2013 to July 31, 2043

Note: 1 The amount is converted into the number of shares.
2 Fixed term of the right is not given.
Subscription rights may be exercised in a lump sum within expiration cycle and 10 days after a beneficiary resigns from directors or corporate officers.

2) The size of stock option and movement

Addressed is the amount of stock options existing as of March 31, 2014.

As for the number of stock options, it is converted into the number of shares.

2)-1. The number of stock options

	The first new share subscription rights as share-reward type stock option	The second new share subscription rights as share-reward type stock option	The third new share subscription rights as share-reward type stock option
Before the resolution			
End of the preceding term	–	–	–
Offered	–	–	–
Cancelled	–	–	–
Vested	–	–	–
Outstanding	–	–	–
After the resolution			
End of the preceding term	28,000	68,000	69,000
Vested	–	–	–
Exercised	12,000	32,000	41,000
Cancelled	–	–	–
Outstanding	16,000	36,000	28,000

	The fourth new share subscription rights as share-reward type stock option	The fifth new share subscription rights as share-reward type stock option	The sixth new share subscription rights as share-reward type stock option
Before the resolution			
End of the preceding term	–	–	–
Offered	–	–	89,000
Cancelled	–	–	–
Vested	–	–	89,000
Outstanding	–	–	–
After the resolution			
End of the preceding term	114,000	156,000	–
Vested	–	–	89,000
Exercised	48,000	57,000	–
Cancelled	–	–	–
Outstanding	66,000	99,000	89,000

2)-2. Per share data

	The first new share subscription rights as share-reward type stock option	The second new share subscription rights as share-reward type stock option	The third new share subscription rights as share-reward type stock option
Exercised price	¥1 ($0.010)	¥1 ($0.010)	¥1 ($0.010)
The average price at the time of exercising	¥556 ($5.402)	¥554 ($5.383)	¥555 ($5.393)
Official price at the date of offered	¥560 ($5.441)	¥393 ($3.818)	¥307 ($2.983)

	The fourth new share subscription rights as share-reward type stock option	The fifth new share subscription rights as share-reward type stock option	The sixth new share subscription rights as share-reward type stock option
Exercised price	¥1 ($0.010)	¥1 ($0.010)	¥1 ($0.010)
The average price at the time of exercising	¥559 ($5.431)	¥558 ($5.422)	–
Official price at the date of offered	¥316 ($3.070)	¥291 ($2.827)	¥550 ($5.344)

3. The evaluation of fair price of stock option

1) The evaluation method used: Black–Scholes method

2) General information and the method of estimation

	The sixth new share subscription rights as share-reward type stock option
Stock market volatility (Note 1)	32.8%
Estimated residual period (Note 2)	1.8 years
Estimated dividends (Note 3)	¥8 ($0.078) per share
Risk-free rate (Note 4)	0.12%

Note: 1 The figure is calculated based on actual share data from October 3, 2011 up to the week of offered.

2 The calculation is based on the condition that the Company's directors or corporate officers are resigned and the exercised exactly after the day of resignation. For tenure of directors and executive officers, the Company has calculated the average tenure remaining term at the date of grant based on the average tenure.

3 The estimated figure is based on the actual dividend amount for the year ended March 31, 2013.

4 Estimated capitalization cycle of government bond is in accordance with estimated residual period

4. The method of estimating the number of stock option vested

Fundamentally, only the actual number of cancelled is shown as it is difficult to estimate possible number of cancelled.

18. Business Combination

Business combinations of acquisition

Acquiring IBM's RSS business

1. Nature and amounts of material adjustments to the initial allocation of acquisition cost

The allocation of acquisition cost of IBM's RSS business, which the Company acquired in the fiscal year ended March 31, 2013, had not been completed because the Company applied provisional accounting treatment based on reasonable information available to management for the fiscal year ended March 31, 2013.

Since the allocation of acquisition cost has been completed for the fiscal year ended March 31, 2014, the Company adjusted the amount of goodwill at the time of the acquisition.

The amount of goodwill was ¥52,523 million ($510,328 thousand) at the time of acquisition, out of which ¥31,349 million ($304,595 thousand) has been allocated to certain intangible assets.

As a result of this adjustment, the Company revised the amount of goodwill to ¥21,174 million ($205,733 thousand).

2. Amortization method and amortization period

Goodwill	Straight-line in 17 years
Intangible assets	Straight-line in 15 to 20 years

19. Asset Retirement Obligation

The importance of the amount of money is scarce, so a statement is omitted.

20. Transactions with Related Parties

1.Transactions with Related Parties

(A) Transactions with related parties for the year ended March 31, 2014.

(¥=Million, US$=Thousand)

Status	Name	Address	Capital	Business	Percentage of voting rights held (%)
Parent company	Toshiba Corporation	Minato-ku, Tokyo	¥439,901 ($4,274,203)	Manufacturing and sales of digital products and electronic devices and home appliances	Direct: 52.8% Indirect: 0.1%

Relationship		Transaction	Transaction amount	Account item	Balance at fiscal year end
Dispatch of executive officers, etc.	Business relationship				
Interlocking of directors	Sales of our products, deposits of funds and purchase of Toshiba products	Deposits of funds	(Note)	Cash and cash equivalents	¥18,749 ($182,171)
		Interest income	¥7 ($68)	Accrued interest	¥0 ($0)

With regard to the amounts above, transaction amount and balance at fiscal year end don't include consumption taxes.

Note: Concerning deposits of funds, it's difficult to figure out transaction amount because fund settlement is performed whenever needed.
Therefore, only balance at fiscal year end is stated.

Policy for determining trade terms and conditions and other related matters
(1) Depositing funds are determined from market rates and offers from third party interests rates.
(2) For sales of the products, it is determined as general transaction over negotiation with offering our price, considering market price and total cost.

(¥=Million, US$=Thousand, S$=Thousand)

Status	Name	Address	Capital	Business	Percentage of voting rights held (%)
Subsidiary of the parent company	Toshiba Asia Pacific Pte., Ltd.	Singapore	S$6,784	The regional representative company in Asia and Pacific	None

Relationship		Transaction	Transaction amount	Account item	Balance at fiscal year end
Dispatch of executive officers, etc.	Business relationship				
None	Deposits of funds	Deposits of funds	(Note)	Cash and cash equivalents	¥2,309 ($22,435)
		Interest income	¥3 ($29)		

With regard to the amounts above, transaction amount and balance at fiscal year end don't include consumption taxes.

Note: Concerning deposits of funds, it's difficult to figure out transaction amount because fund settlement is performed whenever needed.
Therefore, only balance at fiscal year end is stated.

Policy for determining trade terms and conditions and other related matters
(1) Depositing funds are determined from market rates and offers from third party interests rates.
(2) For sales of the products, it is determined as general transaction over negotiation with offering our price, considering market price and total cost.

(¥=Million, US$=Thousand, GBP=Thousand)

Status	Name	Address	Capital	Business	Percentage of voting rights held (%)
Subsidiary of the parent company	Toshiba International Finance (UK) Plc.	London, UK	GBP 5,000	Financing of corporate subsidiaries overseas etc.	None

Relationship		Transaction	Transaction amount	Account item	Balance at fiscal year end
Dispatch of executive officers, etc.	Business relationship				
None	Deposits of funds	Deposits of funds	(Note)	Cash and cash equivalents	¥6,593 ($64,059)
		Interest income	¥2 ($19)		

With regard to the amounts above, transaction amount and balance at fiscal year end don't include consumption taxes.

Note: Concerning deposits of funds, it's difficult to figure out transaction amount because fund settlement is performed whenever needed.
Therefore, only balance at fiscal year end is stated.

Policy for determining trade terms and conditions and other related matters
(1) Depositing funds are determined from market rates and offers from third party interests rates.
(2) For sales of the products, it is determined as general transaction over negotiation with offering our price, considering market price and total cost.

(¥=Million, US$=Thousand)

Status	Name	Address	Capital	Business	Percentage of voting rights held (%)
Subsidiary of the parent company	Toshiba America, Ltd.	New York, USA	$1,002,550	The regional representative company in Americas	None

Relationship		Transaction	Transaction amount	Account item	Balance at fiscal year end
Dispatch of executive officers, etc.	Business relationship				
None	Deposits of funds	Deposits of funds	(Note)	Cash and cash equivalents	¥1,184 ($11,504)
		Interest income	¥0 ($0)		

With regard to the amounts above, transaction amount and balance at fiscal year end don't include consumption taxes.

Note: Concerning deposits of funds, it's difficult to figure out transaction amount because fund settlement is performed whenever needed.
Therefore, only balance at fiscal year end is stated.

Policy for determining trade terms and conditions and other related matters
(1) Depositing funds are determined from market rates and offers from third party interests rates.
(2) For sales of the products, it is determined as general transaction over negotiation with offering our price, considering market price and total cost.

(¥=Million, US$=Thousand, CNY=Thousand)

Status	Name	Address	Capital	Business	Percentage of voting rights held (%)
Subsidiary of the parent company	Toshiba China Co., Ltd.	Beijing,China	CNY249,362	The regional representative company in China	None

Relationship		Transaction	Transaction amount	Account item	Balance at fiscal year end
Dispatch of executive officers, etc.	Business relationship				
None	Deposits of funds	Deposits of funds	(Note)	Other	¥6,470 ($62,864)

With regard to the amounts above, transaction amount and balance at fiscal year end don't include consumption taxes.

Note: Concerning deposits of funds, it's difficult to figure out transaction amount because fund settlement is performed whenever needed.
Therefore, only balance at fiscal year end is stated.

Policy for determining trade terms and conditions and other related matters
(1) Depositing funds are determined from market rates and offers from third party interests rates.
(2) For sales of the products, it is determined as general transaction over negotiation with offering our price, considering market price and total cost.

(B) Transactions with related parties for the year ended March 31, 2013.

(¥=Million)

Status	Name	Address	Capital	Business	Percentage of voting rights held (%)
Parent company	Toshiba Corporation	Minato-ku, Tokyo	¥439,901	Manufacturing and sales of digital products and electronic devices and home appliances	Direct: 52.8% Indirect: 0.1%

Relationship		Transaction	Transaction amount	Account item	Balance at fiscal year end
Dispatch of executive officers, etc.	Business relationship				
Interlocking of directors	Sales of our products, deposits of funds and purchase of Toshiba products	Deposits of funds	(Note)	Cash and cash equivalents	¥19,323
		Interest income	¥34	Accrued interest	¥0

With regard to the amounts above, transaction amount and balance at fiscal year end don't include consumption taxes.

Note: Concerning deposits of funds, it's difficult to figure out transaction amount because fund settlement is performed whenever needed.
Therefore, only balance at fiscal year end is stated.

Policy for determining trade terms and conditions and other related matters
(1) Depositing funds are determined from market rates and offers from third party interests rates.
(2) For sales of the products, it is determined as general transaction over negotiation with offering our price, considering market price and total cost.

(¥=Million, S$=Thousand)

Status	Name	Address	Capital	Business	Percentage of voting rights held (%)
Subsidiary of the parent company	Toshiba Singapore Pte., Ltd.	Singapore	S$11,600	Sales and maintenance of audio visual equipment, personal computers, document processing and telecommunication equipment, etc.	None

Relationship		Transaction	Transaction amount	Account item	Balance at fiscal year end
Dispatch of executive officers, etc.	Business relationship				
None	Sales of our products	Sales of document processing and multifunction peripherals, etc.	¥7,552	Accounts receivable	¥3,023

With regard to the amounts above, transaction amount and balance at fiscal year end don't include consumption taxes.

Policy for determining trade terms and conditions and other related matters
(1) Depositing funds are determined from market rates and offers from third party interests rates.
(2) For sales of the products, it is determined as general transaction over negotiation with offering our price, considering market price and total cost.

(¥=Million, S$=Thousand)

Status	Name	Address	Capital	Business	Percentage of voting rights held (%)
Subsidiary of the parent company	Toshiba Capital (Asia), Ltd.	Singapore	S$ 4,000	Financing of corporate subsidiaries overseas etc.	None

Relationship		Transaction	Transaction amount	Account item	Balance at fiscal year end
Dispatch of executive officers, etc.	Business relationship				
None	Deposits of funds	Deposits of funds	(Note)	Cash and cash equivalents	¥8,379
		Interest income	¥7		

With regard to the amounts above, transaction amount and balance at fiscal year end don't include consumption taxes.

Note: Concerning deposits of funds, it's difficult to figure out transaction amount because fund settlement is performed whenever needed.
Therefore, only balance at fiscal year end is stated.

Policy for determining trade terms and conditions and other related matters
(1) Depositing funds are determined from market rates and offers from third party interests rates.
(2) For sales of the products, it is determined as general transaction over negotiation with offering our price, considering market price and total cost.

(¥=Million, GBP=Thousand)

Status	Name	Address	Capital	Business	Percentage of voting rights held (%)
Subsidiary of the parent company	Toshiba International Finance (UK) Plc.	London, UK	GBP 5,000	Financing of corporate subsidiaries overseas etc.	None

Relationship		Transaction	Transaction amount	Account item	Balance at fiscal year end
Dispatch of executive officers, etc.	Business relationship				
None	Deposits of funds	Deposits of funds	(Note)	Cash and cash equivalents	¥4,838

With regard to the amounts above, transaction amount and balance at fiscal year end don't include consumption taxes.

Note: Concerning deposits of funds, it's difficult to figure out transaction amount because fund settlement is performed whenever needed.
Therefore, only balance at fiscal year end is stated.

Policy for determining trade terms and conditions and other related matters
(1) Depositing funds are determined from market rates and offers from third party interests rates.
(2) For sales of the products, it is determined as general transaction over negotiation with offering our price, considering market price and total cost.

(¥=Million, US$=Thousand)

Status	Name	Address	Capital	Business	Percentage of voting rights held (%)
Subsidiary of the parent company	Toshiba America, Ltd.	New York, USA	$1,002,550	The holding company of the U.S. operation supervising company	None

Relationship		Transaction	Transaction amount	Account item	Balance at fiscal year end
Dispatch of executive officers, etc.	Business relationship				
None	Deposits of funds	Deposits of funds	(Note)	Cash and cash equivalents	¥10,450

With regard to the amounts above, transaction amount and balance at fiscal year end don't include consumption taxes.

Note: Concerning deposits of funds, it's difficult to figure out transaction amount because fund settlement is performed whenever needed.
Therefore, only balance at fiscal year end is stated.

Policy for determining trade terms and conditions and other related matters
(1) Depositing funds are determined from market rates and offers from third party interests rates.
(2) For sales of the products, it is determined as general transaction over negotiation with offering our price, considering market price and total cost.

(C) Unconsolidated subsidiaries, affiliates and other related parties of the Company submitting consolidated financial statements

Not applicable

(D) Directors and major shareholders of the Company submitting consolidated financial statements (limited to the case of individual) etc.

Not applicable

2. Notes regarding parent company and material affiliated companies

Information on the parent company
Toshiba Corporation (listed on Tokyo Stock Exchange, Nagoya Stock Exchange)

21. Cash Dividends

(A) Cash dividends for the year ended March 31, 2014

1. Cash dividends paid

(Resolution)	Type of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of directors held on April 26, 2013	Common stock	¥1,097	¥4.0	March 31, 2013	June 3, 2013
Board of directors held on October 28, 2013	Common stock	¥1,098	¥4.0	September 30, 2013	December 2, 2013

(Resolution)	Type of shares	Total amount of dividends (Thousands of US dollars)	Dividends per share (US dollars)	Record date	Effective date
Board of directors held on April 26, 2013	Common stock	$10,659	$0.039	March 31, 2013	June 3, 2013
Board of directors held on October 28, 2013	Common stock	$10,668	$0.039	September 30, 2013	December 2, 2013

2. Year end dividends of the following fiscal year

(Resolution)	Type of shares	Total amount of dividends (Millions of yen)	Dividend resource	Dividends per share (Yen)	Record date	Effective date
Board of directors held on April 28, 2014	Common stock	¥1,098	Retained earnings	¥4.0	March 31, 2014	June 2, 2014

(Resolution)	Type of shares	Total amount of dividends (Thousands of US dollars)	Dividend resource	Dividends per share (US dollars)	Record date	Effective date
Board of directors held on April 28, 2014	Common stock	$10,668	Retained earnings	$0.039	March 31, 2014	June 2, 2014

(B) Cash dividends for the year ended March 31, 2013

1. Cash dividends paid

(Resolution)	Type of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of directors held on April 27, 2012	Common stock	¥1,097	¥4.0	March 31, 2012	June 1, 2012
Board of directors held on November 1, 2012	Common stock	¥1,097	¥4.0	September 30, 2012	December 3, 2012

2. Year end dividends of the following fiscal year

(Resolution)	Type of shares	Total amount of dividends (Millions of yen)	Dividend resource	Dividends per share (yen)	Record date	Effective date
Board of directors held on April 26, 2013	Common stock	¥1,097	Retained earnings	¥4.0	March 31, 2013	June 3, 2013

22. Per share Information

1. Per share information at March 31, 2014 and 2013 is as follows:

	Yen		U.S.dollars
	2014	2013	2014
Net assets per share	¥576.50	¥549.42	$5.601
Net income per share	25.99	22.64	0.253
Net income per share fully diluted	25.94	22.61	0.252

*** Net income per share and net assets per share fully diluted were calculated on the basis of the following data.**

	Millions of yen		Thousands of U.S.dollars
	2014	2013	2014
Net income per share			
Net income	¥7,134	¥6,212	$69,316
Amounts not attributable to common stock	–	–	
Net income attributable to common stock	7,134	6,212	69,316
Average number of shares of common stock during the period (thousand shares)	274,430	274,324	
Net income per share fully diluted			
Adjustment to net income	–	–	
Increase in number of common stocks (thousand shares)	523	389	
(Share subscription rights)	523	389	
Outline of the residual securities excluded from the calculation of the fully diluted net income per share because they have no dilutive effects.	–	–	

2. As stated in “Changes in Accounting Policies”, the Companies have adopted the accounting standard for retirement benefits, and comply with the treatment of transitional provisions defined in Section 37 of Accounting Standard for Retirement Benefits.
As a result, the net assets per share has decreased by ¥7.93 ($0.077) at the end of the fiscal year ended March 31, 2014.

23. Subsequent Event

Not applicable

Building a better
working world

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Independent Auditor's Report

The Board of Directors
TOSHIBA TEC CORPORATION

We have audited the accompanying consolidated financial statements of TOSHIBA TEC CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOSHIBA TEC CORPORATION and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young Shinnihon LLC

June 27, 2014
Tokyo, Japan

TOSHIBA TEC CORPORATION

Corporate Data

1-11-1, Osaki, Shinagawa-ku, Tokyo 141-8562, Japan
Tel: +81-3-6830-9100
Fax: +81-3-6684-4001
http://www.toshibatec.co.jp/
Established: February 21, 1950
Employees: 3,579 <Consolidated: 20,292> (as of March 2014)
Common Stock: ¥39,971 million (as of March 2014)
Stock Listing: Tokyo Stock Exchange (1st Section)

Board of Directors and Audit & Supervisory Board (as of June 27, 2014)

President and Chief Executive Officer
◇Takayuki Ikeda

Directors
Masato Yamamoto
Masayoshi Hirata
Issei Ichihara
Mitsuhiro Taketani
Hiroshi Tangoku
Masatsugu Sakabe
Hidejiro Shimomitsu

◇:Representative Director

Audit & Supervisory Board Members
Hiroyuki Ikeda
Hiroshi Kitano
Takehiko Ouchi
Toshihiko Matsumoto

Main Consolidated Companies (as of March 31, 2014)

- TOSHIBA AMERICA BUSINESS SOLUTIONS, INC.
- TOSHIBA TEC SOLUTION SERVICES CORPORATION
- TOSHIBA GLOBAL COMMERCE SOLUTIONS, INC.
- TOSHIBA TEC GERMANY IMAGING SYSTEMS GmbH
- TOSHIBA TEC FRANCE IMAGING SYSTEMS S.A.
- TOSHIBA TEC EUROPE RETAIL INFORMATION SYSTEMS S.A.
- TOSHIBA GLOBAL COMMERCE SOLUTIONS MEXICO, S. DE R.L. DE C.V.
- TOSHIBA TEC U.K. IMAGING SYSTEMS LTD.
- TOSHIBA TEC INFORMATION SYSTEMS (SHENZHEN) CO., LTD.
- TOSHIBA TEC SINGAPORE PTE LTD
- P.T. TEC INDONESIA
- TEC PRECISION CO., LTD.
- TOSEI CORPORATION
- TEC INFORMATION SYSTEMS CORPORATION
- KOKUSAI CHART CORPORATION
- TOSHIBA TEC (H.K.) LOGISTICS & PROCUREMENT LTD.
- TOSHIBA GLOBAL COMMERCE SOLUTIONS HOLDINGS CORPORATION

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