NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GLORY LTD. and consolidated subsidiaries
Year ended March 31, 2014

01. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which GLORY LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥102.88 to $1, the approximate rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

02. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Consolidation** - The consolidated financial statements as of March 31, 2014, include the accounts of the Company and its 39 significant (46 in 2013) subsidiaries (together, the "Group"). Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Consolidated Subsidiaries

March 31, 2014

Name	Year-End
Hokkaido GLORY Co., Ltd.	March 31
GLORY NASCA Ltd.	March 31
GLORY Products Ltd.	March 31
Glory Global Solutions Inc. *1	March 31
Glory Global Solutions (Singapore) Pte. Ltd. *2	March 31
Sitrade Italia S.p.A.	December 31
GLORY Denshi Kogyo (Suzhou) Ltd.	December 31
Glory Global Solutions (Shanghai) Co., Ltd.	December 31
Glory Global Solutions Ltd.	March 31
Glory Global Solutions (International) Ltd. *3	March 31
Glory Global Solutions (France) S.A.S. *4	March 31

28 other companies

March 31, 2013

Name	Year-End
Hokkaido GLORY Co., Ltd.	March 31
GLORY NASCA Ltd.	March 31
GLORY Products Ltd.	March 31
GLORY (U.S.A.) INC. *1	March 31
GLORY MONEY HANDLING MACHINES PTE LTD *2	March 31
GLORY Europe GmbH *5	December 31
Sitrade Italia S.p.A.	December 31
GLORY Denshi Kogyo (Suzhou) Ltd.	December 31
GLORY International Trading (Shanghai) Co., Ltd.	December 31
Glory Global Solutions Ltd.	March 31
Talaris Limited *3	March 31
Talaris Investment (France) S.A.S. *4	March 31
Talaris Inc. *1	March 31

33 other companies

Notes: *1 Talaris Inc., which was a consolidated subsidiary, transferred its business and assets to GLORY (U.S.A.) INC. on April 1, 2013 and dissolved on January 21, 2014. GLORY (U.S.A.) INC. changed its trade name to Glory Global Solutions Inc. on April 1, 2013.
*2 Glory Global Solutions (Singapore) Pte. Ltd. changed its trade name from GLORY MONEY HANDLING MACHINES PTE LTD on April 1, 2013.
*3 Glory Global Solutions (International) Ltd. changed its trade name from Talaris Limited on April 1, 2013.
*4 Glory Global Solutions (France) S.A.S. changed its trade name from Talaris Investment (France) S.A.S. on April 1, 2013.
*5 GLORY Europe GmbH and Lutzwolf Systems GmbH, which were consolidated subsidiaries, merged into Glory Global Solutions (Germany) GmbH and dissolved on April 1, 2013.

GLORY Denshi Kogyo (Suzhou) Ltd.; Glory Global Solutions (Shanghai) Co., Ltd.; Sitrade Italia S.p.A.; Glory Global Solutions (Brasil) Maquinas e Equipamentos Ltda., and four other companies were consolidated using the financial statements as of December 31 because the difference between the closing date of the subsidiaries and that of the Company did not exceed three months. Significant transactions have been adjusted on consolidation.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in all unconsolidated subsidiaries and associated company are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition, which is presented as goodwill on the consolidated balance sheet, is being amortized over a reasonable estimated period.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements - In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements; however, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

c. Business Combinations - In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

d. Cash Equivalents - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, all of which mature or become due within three months of the date of acquisition.

e. Inventories - Inventories are stated at the lower of cost, determined by the periodic average method for finished products and work in process, and by the moving average method for merchandise and raw materials and supplies, or net selling value.

f. Short-Term Investments and Investment Securities - Short-term investments and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, for which there is positive intent and ability to hold to maturity are reported at amortized cost and ii) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

g. Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries other than buildings acquired on or after April 1, 1998 is computed by the declining-balance method, while depreciation of its consolidated foreign subsidiaries is mainly computed by the straight-line method at rates based on estimated useful lives of the assets. Buildings of the Company and its consolidated domestic subsidiaries acquired on or after April 1, 1998 are depreciated by the straight-line method. The useful lives for lease assets are the terms of the respective leases.

h. Long-Lived Assets - The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Software Costs - Software development costs, incurred through the completion of a beta version of specific software for sale to the market, are charged to income when incurred. Such costs incurred subsequent to the completion of the beta version are deferred and amortized at the higher of either the amount to be amortized in proportion to the actual sales volume of the software during the current year to the estimated total sales volume over the estimated salable years of the software or the amount to be amortized by the straight-line method over three years. The costs of software for internal use are amortized based on the straight-line method over the estimated useful lives of five years.

j. Other Assets - Customer relationships are carried at cost less accumulated amortization, which is calculated by the straight-line method over 20 years.

k. Allowance for Doubtful Accounts - The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the accounts outstanding.

l. Retirement and Pension Plans - The liability (asset) for retirement benefits of employees are accounted for based on projected benefit obligations and plan assets at the balance sheet date. The actuarial differences are mainly amortized from the next year using the declining-balance method over 15 years, which is within the average remaining service period. The prior service costs are mainly amortized on declining-balance method over 15 years, which is within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, liability for retirement benefits of ¥4,020 million ($39,075 thousand) was recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥100 million ($972 thousand).

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

n. Research and Development Costs - Research and development costs are charged to income as incurred.

o. Leases (Lessee) - In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993.

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

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

Leases (Lessor) - In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and that all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as investments in lease.

p. Bonuses to Directors - Bonuses to directors are accrued at the year-end to which such bonuses are attributable.

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

The Group files a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the Company and its wholly owned domestic subsidiaries.

r. Foreign Currency Transactions - Both short-term and long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of each balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts and currency swaps.

However, receivables denominated in a foreign currency that are covered by forward exchange contracts are translated at the contract rate. Long-term debt denominated in a foreign currency that is covered by a currency swap is translated at the contract rate. The difference resulting from receivables and long-term debt translated at the historical rate and the contract rate is credited (charged) to income as an interest adjustment.

s. Foreign Currency Financial Statements - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate, as of the balance sheet date, except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the current exchange rate.

t. Derivatives and Hedging Activities - The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign currency forward contracts, currency swaps and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income; and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are utilized to hedge foreign currency exposures for export sales. Trade receivables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Long-term debt denominated in foreign currencies for which currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the currency swaps qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

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

Diluted net income per share is not disclosed because there are no potentially dilutive securities outstanding.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

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

w. New Accounting Pronouncements

Accounting Standard for Retirement Benefits - On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard for (a) and (b) above effective March 31, 2014, and expects to apply (c) above from April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard for (c) above in future applicable periods.

Accounting Standards for Business Combinations and Consolidated Financial Statements - On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements."

Major accounting changes are as follows:

Transactions with noncontrolling interest

A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

Presentation of the consolidated balance sheet

In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

Presentation of the consolidated statement of income

In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

Provisional accounting treatments for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisioned amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

Acquisition-related costs

Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for "transactions with noncontrolling interest," "acquisition-related costs" and "presentation changes in the consolidated financial statements" are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for the presentation changes in the consolidated financial statements. In case of earlier application, all accounting standards and guidance above, except for the presentation changes, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" is permitted. In retrospective application of the revised standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs," accumulated effects of retrospective adjustments for all "transactions with noncontrolling interest" and "acquisition-related costs" which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application.

In prospective application, the new standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" shall be applied prospectively from the beginning of the year of the first-time application. The changes in presentation shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for "provisional accounting treatments for a business combination" are effective for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

03. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Short-term investments:			
Time deposits other than cash equivalents	¥ 1,089	¥ 766	$ 10,585
Government, corporate, and other bonds	2,497	1,101	24,271
Total	¥ 3,586	¥ 1,867	$ 34,856
Investment securities:			
Marketable equity securities	¥ 4,017	¥ 3,852	$ 39,045
Nonmarketable equity securities	691	689	6,717
Government, corporate, and other bonds	7,320	9,755	71,151
Other	361	375	3,509
Total	¥12,389	¥14,671	$120,422

Book value and fair value information on held-to-maturity debt securities as of March 31, 2014 and 2013, are summarized as follows:

	Millions of Yen					
	2014			2013		
	Book Value per Consolidated Balance Sheet	Fair Value	Difference	Book Value per Consolidated Balance Sheet	Fair Value	Difference
Securities whose fair values exceed their book value:						
Government bonds	¥1,000	¥1,058	¥ 58	¥ 1,000	¥ 1,063	¥ 63
Corporate bonds	4,318	4,402	84	5,128	5,221	93
Securities whose fair values do not exceed their book value:						
Government bonds	329	329		254	254	
Corporate bonds	3,670	3,628	(42)	3,974	3,897	(77)
Other	500	498	(2)	500	496	(4)
Total	¥9,817	¥9,915	¥ 98	¥10,856	¥10,931	¥ 75

	Thousands of U.S. Dollars		
	2014		
	Book Value per Consolidated Balance Sheet	Fair Value	Difference
Securities whose fair values exceed their book value:			
Government bonds	$ 9,720	$10,284	$ 564
Corporate bonds	41,971	42,787	816
Securities whose fair values do not exceed their book value:			
Government bonds	3,198	3,198	
Corporate bonds	35,673	35,265	(408)
Other	4,860	4,841	(19)
Total	$95,422	$96,375	$ 953

Book value and acquisition cost information on available-for-sale securities as of March 31, 2014 and 2013, are summarized as follows:

	Millions of Yen					
	2014			2013		
	Acquisition Costs	Book Value per Consolidated Balance Sheet	Difference	Acquisition Costs	Book Value per Consolidated Balance Sheet	Difference
Securities whose book values exceed their acquisition costs:						
Equity securities	¥2,083	¥2,821	¥ 738	¥1,361	¥2,012	¥ 651
Other	335	361	26	351	375	24
Securities whose book values do not exceed their acquisition costs:						
Equity securities	1,341	1,196	(145)	2,228	1,840	(388)
Total	¥3,759	¥4,378	¥ 619	¥3,940	¥4,227	¥ 287

	Thousands of U.S. Dollars		
	2014		
	Acquisition Costs	Book Value per Consolidated Balance Sheet	Difference
Securities whose book values exceed their acquisition costs:			
Equity securities	$20,247	$27,420	$ 7,173
Other	3,256	3,509	253
Securities whose book values do not exceed their acquisition costs:			
Equity securities	13,035	11,625	(1,410)
Total	$36,538	$42,554	$ 6,016

Available-for-sale securities sold during the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Proceeds from sales	¥352	¥1	$3,421
Loss on sales	148	0	1,439

As for available-for-sale securities, if their fair market value has declined more than 50% of their book value, such securities are measured at their fair market value, and if their fair market value has declined between 30% and 50% of their book value, such securities are measured at an amount deemed necessary in consideration of recoverability and other factors, and any decreases in the carrying amounts are charged to income as loss on valuation of short-term investments or investment securities.

As for available-for-sale securities, which are not marketable, if fair value of the securities declines significantly due to deterioration of the financial condition of the issuing companies, such securities are impaired accordingly.

04. INVENTORIES

Inventories as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Finished products and merchandise	¥24,069	¥17,459	$233,952
Work in process	6,772	6,313	65,824
Raw materials and supplies	9,992	8,301	97,123
Total	¥40,833	¥32,073	$396,899

05.
SHORT-TERM BORROWINGS AND LONG-TERM DEBT

(a) Short-term borrowings as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Loans from banks and an insurance company	¥28,271	¥35,831	$274,796

The annual average interest rates applicable to short-term borrowings at March 31, 2014 and 2013, were 0.7%.

(b) Long-term debt and lease obligations as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Loans from banks and other	¥44,794	¥48,154	$435,400
Obligations under finance leases	2,623	2,313	25,496
Total	47,417	50,467	460,896
Less current portion	(9,423)	(7,133)	(91,592)
Long-term debt and lease obligations, less current portion	¥37,994	¥43,334	$369,304

The annual average interest rate applicable to long-term debt at March 31, 2014 and 2013, was 1.2%.

(c) Annual maturities of long-term debt as of March 31, 2014, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 9,423	$ 91,592
2016	9,176	89,191
2017	8,785	85,391
2018	8,122	78,946
2019 and thereafter	11,911	115,776
Total	¥47,417	$460,896

06.
RETIREMENT AND PENSION PLANS

Employees of the Company and its domestic consolidated subsidiaries are covered by non-contributory and contributory funded defined benefit pension plans, and severance lump-sum payment plans. Certain foreign consolidated subsidiaries have a contribution plan and/or a defined benefit plan.

Year Ended March 31, 2014

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥44,943	$436,849
Current service cost	2,094	20,354
Interest cost	629	6,114
Actuarial gains	(262)	(2,547)
Benefits paid	(1,536)	(14,930)
Past service cost	453	4,403
Others	1,082	10,517
Balance at end of year	¥47,403	$460,760

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥41,308	$401,516
Expected return on plan assets	571	5,550
Actuarial gains	1,901	18,478
Contributions from the employer	3,063	29,773
Benefits paid	(1,505)	(14,629)
Others	920	8,943
Balance at end of year	¥46,258	$449,631

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥ 46,791	$ 454,812
Plan assets	(46,258)	(449,631)
	533	5,181
Unfunded defined benefit obligation	611	5,939
Net liability for defined benefit obligation	¥ 1,144	$ 11,120

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥ 4,020	$ 39,075
Asset for retirement benefits	(2,876)	(27,955)
Net liability for defined benefit obligation	¥ 1,144	$ 11,120

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥2,094	$20,354
Interest cost	629	6,114
Expected return on plan assets	(571)	(5,550)
Recognized actuarial (gains) losses	483	4,695
Amortization of prior service cost	(165)	(1,604)
Net periodic benefit costs	¥2,470	$24,009

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥ 322	$ 3,130
Unrecognized actuarial (gains) losses	(489)	(4,753)
Total	¥(167)	$(1,623)

(6) Plan assets as of March 31, 2014

a. Components of plan assets

Plan assets consisted of the following:

Debt investments	44%
Equity investments	25
Cash and cash equivalents	10
General account assets of life insurance	12
Others	9
Total	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	Mainly 1.3%
Expected rate of return on plan assets	Mainly 1.3%

(8) Defined contribution pension plan

Contributions to the defined contribution pension plan of the Company and its consolidated subsidiaries were ¥95 million ($923 thousand).

Year Ended March 31, 2013

The liability (asset) for employees' retirement benefits as of March 31, 2013 consisted of the following:

	Millions of Yen
Projected benefit obligation	¥ 44,944
Fair value of plan assets (including a pension trust)	(41,308)
Unrecognized actuarial loss	(3,138)
Unrecognized prior service cost	1,395
Net liability	1,893
Prepaid pension cost	(1,529)
Net liability for retirement benefits	¥ 3,422

The components of net periodic benefit costs for the year ended March 31, 2013, are as follows:

	Millions of Yen
Service cost	¥1,793
Interest cost	715
Recognized actuarial loss	554
Amortization of prior service cost	(231)
Net periodic benefit costs	2,831
Contribution to defined contribution pension plan	279
Total	¥3,110

Service cost is attributed based on years of service and does not include employees' contributions to the contributory funded benefit pension plan.

Assumptions used for the year ended March 31, 2013, are set forth as follows:	
Discount rate	Mainly 1.3%
Expected rate of return on plan assets	Mainly 0.0%
Allocation method of the retirement benefits expected to be paid at the retirement date	Mainly straight-line method based on years of service
Recognition period of actuarial gain/loss	Mainly 15 years
Amortization period of prior service cost	15 years

07. EQUITY

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (1) having a board of directors, (2) having independent auditors, (3) having an board of corporate auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

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

(b) Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

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

(c) Treasury Stock and Treasury Stock Acquisition Rights

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

08. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38% for the years ended March 31, 2014 and 2013, respectively. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred tax assets and liabilities as of March 31, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets due to:			
Liability for retirement benefits	¥ 1,997	¥ 2,266	$ 19,411
Unrealized profit eliminated	1,894	1,003	18,410
Accrued bonuses	1,980	1,702	19,246
Research and development expenditures	1,133	880	11,013
Depreciation and amortization	468	527	4,549
Inventories	444	507	4,316
Loss on valuation of investment securities	186	185	1,808
Allowance for doubtful accounts	59	90	573
Loss on valuation of investments in capital of subsidiaries and affiliates		357	
Asset adjustment account		119	
Other	2,199	3,190	21,374
Gross deferred tax assets	10,360	10,826	100,700
Less valuation allowance	(979)	(1,491)	(9,516)
Total gross deferred tax assets	**¥ 9,381**	**¥ 9,335**	**$ 91,184**
Deferred tax liabilities due to:			
Intangibles assets	(8,434)	(7,028)	(81,979)
Net unrealized gain on securities	(273)	(240)	(2,654)
Other	(455)	(353)	(4,423)
Total gross deferred tax liabilities	**(9,162)**	**(7,621)**	**(89,056)**
Net deferred tax assets	**¥ 219**	**¥ 1,714**	**$ 2,128**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2014 and 2013, is as follows:

	2014	2013
Normal effective statutory tax rate	38.0%	38.0%
Expenses not deductible for income tax purposes, such as entertainment expenses	4.4	3.2
Income not taxable for income tax purposes	(3.2)	(2.4)
Tax credit related to research expenses	(7.7)	(6.2)
Amortization of goodwill	10.8	12.0
Tax rate differences with consolidated subsidiaries	(2.7)	(1.2)
Valuation allowance	(2.8)	0.9
Effect of tax rate reduction	1.4	
Equalization tax	0.8	1.1
Loss on valuation of investments in capital of subsidiaries and affiliates		(2.8)
Other—net	1.6	(0.4)
Actual effective tax rate	**40.6%**	**42.2%**

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38% to 35.6%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥249 million ($2,420 thousand) and to increase income taxes - deferred in the consolidated statement of income for the year then ended by ¥249 million ($2,420 thousand).

09. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses in the accompanying consolidated statements of income for the years ended March 31, 2014 and 2013, mainly consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Employees' salaries and bonuses	¥24,072	¥20,701	$233,981
Amortization of goodwill	5,137	3,878	49,932
Depreciation expense	5,148	4,319	50,039
Rent expense	4,660	4,230	45,295

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to administrative expense and manufacturing cost for the years ended March 31, 2014 and 2013, were ¥13,175 million ($128,062 thousand) and ¥12,092 million, respectively.

11. LEASES

(a) Lessee

As discussed in Note 2.o, the Company and certain domestic subsidiaries account for leases, which existed at the transition date and which do not transfer ownership of the leased property to the lessee, as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense, and other information, on an "as if capitalized" basis for the years ended March 31, 2014 and 2013, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Acquisition cost	¥ 29	¥ 72	$ 282
Accumulated depreciation	(24)	(56)	(233)
Net leased property	¥ 5	¥ 16	$ 49

Obligations under finance leases as of March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Due within one year	¥ 4	¥12	$39
Due after one year	2	6	19
Total	¥ 6	¥18	$58
Allowance for impairment loss on leased property	¥—	¥—	$—

Depreciation expense, interest expense and other information under finance leases as of March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Depreciation expense	¥ 5	¥105	$49
Interest expense	0	2	0
Total	¥ 5	¥107	$49
Lease payments	¥ 6	¥114	$58
Reversal of allowance for impairment loss on leased property	¥—	¥ —	$—

Depreciation expense and interest expense are not reflected in the consolidated statement of income. Depreciation expense is computed by the straight-line method over the terms of the related leases. Interest expense is computed by the interest method.

The minimum rental commitments under noncancelable operating leases as of March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Due within one year	¥ 57	¥49	$ 554
Due after one year	701	46	6,814
Total	¥758	¥95	$7,368

(b) Lessor

The net investments in lease as of March 31, 2014 and 2013, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Gross lease receivables	¥3,817	¥3,037	$37,101
Unearned interest income	819	497	7,960
Investments in leases, current	¥2,998	¥2,540	$29,141

Maturities of investment in lease for finance leases that deem not to transfer ownership of the leased property to the lessee as of March 31, 2014, are as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥1,072	$10,420
2016	863	8,388
2017	729	7,086
2018	498	4,841
2019	262	2,546
2020 and thereafter	393	3,820
Total	¥3,817	$37,101

As discussed in Note 2.o, the Company and certain domestic subsidiaries account for leases, which existed at the transition date and which do not transfer ownership of the leased property to the lessee, as operating lease transactions. Aggregate future lease receivables for sublease as of March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Due within one year	¥3	¥ 6	$29
Due after one year	1	4	10
Total	¥4	¥10	$39

Sublease payables by lessee are almost the same amount as sublease receivables, which are included in the future lease payments as a lessee (see (a) above).

12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments
The Group invests cash surpluses in low-risk financial assets and uses financial instruments, such as short-term bank loans. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments and risk management for financial instruments
Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. The Group manages its credit risk from receivables on the basis of internal policies, which include monitoring of payment terms and balances of each counterparty. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, they are hedged partially by using foreign currency forward contracts on the basis of internal policies.

Short-term investments and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Such instruments are managed by monitoring market values and the financial position of issuers on a regular basis.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Bank loans are aimed at financing acquisitions. Although a part of such bank loans are exposed to foreign exchange rate fluctuations and interest rate fluctuations, those risks are mitigated by using derivatives. As this method of hedging meets the requirements of the special treatment of interest rate swaps, we have not assessed the effectiveness of the method.

Derivatives include foreign currency forward contracts, interest rate swap agreements and currency swap agreements. Please see Note 13 for more detail about derivatives.

(3) Fair values of financial instruments
Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Also, please see Note 13 for the details of fair value for derivatives.

(a) Fair value of financial instruments

The carrying amounts, fair values, and unrealized gain/loss as of March 31, 2014 and 2013, were as follows. Note that financial instruments whose fair value cannot be reliably determined are not included (see (b)).

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥ 61,029	¥ 61,029	¥ —
Receivables:			
Trade notes	3,859		
Trade accounts	44,209		
Unconsolidated subsidiaries and associated company	173		
Subtotal	48,241		
Allowance for doubtful accounts *1	(585)		
Receivables—net	47,656	47,647	(9)
Investments in leases	2,998		
Allowance for doubtful accounts *1	(7)		
Investments in leases—net	2,991	2,939	(52)
Short-term investments and investment securities	15,284	15,382	98
Total	**¥126,960**	**¥126,997**	**¥ 37**
Payables:			
Trade notes	¥ 3,084	¥ 3,084	¥ —
Trade accounts	17,880	17,880	
Unconsolidated subsidiaries and associated company	1,280	1,280	
Short-term borrowings	28,271	28,271	
Long-term debt	44,794	44,600	(194)
Income taxes payable	4,293	4,293	
Long-term lease obligations	1,752	1,695	(57)
Total	¥101,354	¥101,103	¥(251)
Derivative financial instruments:			
Hedge accounting—Not applied	¥ —	¥ —	¥ —
Hedge accounting—Applied			
Total	¥ —	¥ —	¥ —

March 31, 2013	Millions of Yen Carrying Amount	Fair Value	Difference
Cash and cash equivalents	¥ 63,314	¥ 63,314	¥ —
Receivables:			
Trade notes	4,619		
Trade accounts	39,986		
Unconsolidated subsidiaries and associated company	25		
Subtotal	44,630		
Allowance for doubtful accounts *1	(415)		
Receivables—net	44,215	44,205	(10)
Investments in leases	2,540		
Allowance for doubtful accounts *1	(28)		
Investments in leases—net	2,512	2,464	(48)
Short-term investments and investment securities	15,850	15,925	75
Total	¥125,891	¥125,908	¥ 17
Payables:			
Trade notes	¥ 8,557	¥ 8,557	¥ —
Trade accounts	11,076	11,076	
Unconsolidated subsidiaries and associated company	463	463	
Short-term borrowings	35,831	35,831	
Long-term debt	48,154	48,289	135
Income taxes payable	3,023	3,023	
Long-term lease obligations	1,332	1,290	(42)
Total	¥108,436	¥108,529	¥ 93
Derivative financial instruments: *2			
Hedge accounting—Not applied	¥ 4	¥ 4	¥ —
Hedge accounting—Applied			
Total	¥ 4	¥ 4	¥ —

March 31, 2014	Thousands of U.S. Dollars Carrying Amount	Fair Value	Difference
Cash and cash equivalents	$ 593,206	$ 593,206	$ —
Receivables:			
Trade notes	37,510		
Trade accounts	429,714		
Unconsolidated subsidiaries and associated company	1,682		
Subtotal	468,906		
Allowance for doubtful accounts *1	(5,687)		
Receivables—net	463,219	463,132	(87)
Investments in leases	29,141		
Allowance for doubtful accounts *1	(68)		
Investments in leases—net	29,073	28,567	(506)
Short-term investments and investment securities	148,561	149,514	953
Total	$1,234,059	$1,234,419	$ 360
Payables:			
Trade notes	$ 29,977	$ 29,977	$ —
Trade accounts	173,795	173,795	
Unconsolidated subsidiaries and associated company	12,442	12,442	
Short-term borrowings	274,796	274,796	
Long-term debt	435,400	433,514	(1,886)
Income taxes payable	41,728	41,728	
Long-term lease obligations	17,030	16,476	(554)
Total	$ 985,168	$ 982,728	$(2,440)
Derivative financial instruments:			
Hedge accounting—Not applied	$ —	$ —	$ —
Hedge accounting—Applied			
Total	$ —	$ —	$ —

Notes: *1 Allowances for doubtful accounts taken for receivables and investments in leases are subtracted.
*2 Figures are net of debits and credits arising from derivative financial instruments.

Cash and Cash Equivalents

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

Receivables

The carrying values are used for short-term receivables as they approximate fair value. The fair values of long-term receivables, such as installment receivables, are measured at present values discounted by the swap interest rate.

Investments in Leases

The fair values of investments in leases are measured at present values discounted by the swap interest rate.

Short-Term Investments and Investment Securities

The fair values of short-term investments and investment securities are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Debt securities for which the quoted price cannot be obtained are measured at present values discounted by the swap interest rate. Information on the fair value of marketable and investment securities by classification is included in Note 3.

Payables, Short-Term Borrowings, and Income Taxes Payable

The carrying values of payables, short-term and current portion of long-term borrowings, and income taxes payable approximate fair value because of their short maturities.

Long-Term Debt and Long-Term Lease Obligations

The fair values of long-term debt and long-term lease obligations are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate. The specific matching criteria of interest rate and currency swaps are applicable to some long-term debts. The fair values of these items are determined by discounting the combined total of interest and principal, with which the interest rate and currency swaps have been accounted for, at the Group's assumed corporate borrowing rate. The carrying values of floating-rate long-term debt approximate fair values because the floating rates reflect the short-term market rate.

Derivatives

Fair value information for derivatives is included in Note 13.

(b) Financial instruments whose fair value cannot be reliably determined as of March 31, 2014 and 2013, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Investments in equity instruments that do not have a quoted market price in an active market	¥1,739	¥1,725	$16,903

The above financial instruments are not included in short-term investments and investment securities described in table (a) because they do not have market values, and it is difficult to estimate future cash flows.

The carrying amount of investments in unconsolidated subsidiaries and associated company included in the above table for the years ended March 31, 2014 and 2013, were ¥1,048 million ($10,186 thousand) and ¥1,036 million, respectively.

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

	Millions of Yen			
March 31, 2014	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 61,029	¥ —	¥ —	¥—
Receivables	46,736	1,505		
Investments in leases	862	1,932	204	
Short-term investments and investment securities	3,588	3,239	4,028	4
Total	¥112,215	¥6,676	¥4,232	¥ 4

	Millions of Yen			
March 31, 2013	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 63,314	¥ —	¥ —	¥—
Receivables	43,141	1,489		
Investments in leases	1,029	1,479	32	
Short-term investments and investment securities	1,765	5,672	4,023	7
Total	¥109,249	¥8,640	¥4,055	¥ 7

	Thousands of U.S. Dollars			
March 31, 2014	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$ 593,206	$ —	$ —	$—
Receivables	454,277	14,629		
Investments in leases	8,379	18,779	1,983	
Short-term investments and investment securities	34,875	31,483	39,152	39
Total	$1,090,737	$64,891	$41,135	$39

Please see Note 5 for annual maturities of long-term debt and long-term lease obligations.

13. DERIVATIVES

The Group enters into foreign currency forward contracts, interest rate swap agreements and currency swap agreements. The foreign currency forward contracts and currency swap agreements are designed to hedge certain exposures to foreign exchange rate fluctuations on monetary assets and liabilities denominated in foreign currencies and to manage stabilization of income. The interest rate swap agreements are designed to hedge certain exposures to interest rate fluctuations on long-term debt. The Group does not hold or issue any financial instruments for trading or speculative purposes. Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk. Derivative transactions entered into by the Group have been made in accordance with internal policies, which regulate the authorization.

Derivative transactions to which hedge accounting is not applied

	Millions of Yen			
At March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling Brazil Real	¥—	¥—	¥—	¥—

	Millions of Yen			
At March 31, 2013	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling Brazil Real	¥222	¥—	¥4	¥4

	Thousands of U.S. Dollars			
At March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling Brazil Real	$—	$—	$—	$—

Derivative transactions to which hedge accounting is applied

	Millions of Yen			
At March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling Euro	Receivables	¥ —	¥ —	
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	23,830	19,497	*2
Interest rate and currency swaps (fixed-rate and Japanese yen payment, floating-rate and U.S.$ receipt)	Long-term debt	8,406	6,878	*2
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and U.S.$ receipt)	Long-term debt	6,073	4,969	*2

At March 31, 2013	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling Euro	Receivables	¥ 754	¥ —	*1
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	24,500	21,934	*2
Interest rate and currency swaps (fixed-rate and Japanese yen payment, floating-rate and U.S.$ receipt)	Long-term debt	9,935	8,406	*2
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and U.S.$ receipt)	Long-term debt	5,647	5,176	*2

At March 31, 2014	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling Euro	Receivables	$ —	$ —	
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	231,629	189,512	*2
Interest rate and currency swaps (fixed-rate and Japanese yen payment, floating-rate and U.S.$ receipt)	Long-term debt	81,707	66,855	*2
Interest rate and currency swaps (fixed-rate and Euro payment, floating-rate and U.S.$ receipt)	Long-term debt	59,030	48,299	*2

Notes: *1 Fair value of the foreign currency forward contract assigned for receivables is included in the fair value of receivables disclosed in Note 12.
*2 Fair value of interest rate swaps and interest rate and currency swaps, for which special treatment is applied, is included in fair value of the corresponding long-term debt for which hedge accounting is applied disclosed in Note 12.

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts of derivatives, which are shown in the above table, do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

14. CONTINGENT LIABILITIES

At March 31, 2014 and 2013, the Group had the following contingent liabilities:

	Millions of Yen 2014	2013	Thousands of U.S. Dollars 2014
Guarantees for bank loans drawn by its employees	¥ 45	¥ 52	$ 437
Guarantees for lease obligations owed by its customers	1,088	1,362	10,575

15. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unrealized loss on available-for-sale securities:			
Gains arising during the year	¥ 248	¥ 607	$ 2,411
Reclassification adjustments to profit or loss	85	0	826
Amount before income tax effect	333	607	3,237
Income tax effect	(121)	(215)	(1,176)
Total	¥ 212	¥ 392	$ 2,061
Foreign currency translation adjustments:			
Adjustments arising during the year	¥14,528	¥10,347	$141,213
Reclassification adjustments to profit or loss	345		3,353
Amount before income tax effect	14,873	10,347	144,566
Income tax effect			
Total	¥14,873	¥10,347	$144,566
Total other comprehensive income	¥15,085	¥10,739	$146,627

16. SUBSEQUENT EVENTS

(a) Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2014, was approved at the Company's shareholders' meeting held on June 27, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥27 ($0.26) per share	¥1,774	$17,243

17. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

   The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of the following segments: Financial market, Retail and Transportation market, Amusement market and Overseas market. Financial market consists of sales and maintenance services to domestic financial institutions, Japan Post Bank, OEM clients, and others. Retail and Transportation market consists of sales and maintenance services to domestic supermarkets, department stores, cash-in-transit companies, railroad companies, and others. Amusement market consists of sales and maintenance services to domestic amusement halls. Overseas market consists of sales and maintenance services to overseas financial institutions, cash-in-transit companies, retail stores, casinos, OEM clients, and others.

2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

   The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies." Income by reportable segment is operating income.

3. Information about sales, profit (loss), assets, liabilities, and other items is as follows.

	Millions of Yen								
	2014								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥45,655	¥31,007	¥24,811	¥103,002	¥204,475	¥14,157	¥218,632	¥ —	¥218,632
Intersegment sales or transfers									
Total	45,655	31,007	24,811	103,002	204,475	14,157	218,632		218,632
Segment profit	4,031	3,517	1,948	7,464	16,960	(241)	16,719		16,719
Segment assets *1	35,051	25,700	24,075	182,019	266,845	14,330	281,175	59,768	340,943
Other:									
Depreciation	1,666	1,068	1,810	4,043	8,587	694	9,281		9,281
Amortization of goodwill			214	4,923	5,137		5,137		5,137
Increase in property, plant and equipment and intangible assets	¥ 1,750	¥ 1,115	¥ 1,309	¥ 2,314	¥ 6,488	¥ 747	¥ 7,235	¥ —	¥ 7,235

	Millions of Yen								
	2013								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥44,679	¥29,670	¥25,846	¥ 75,688	¥175,883	¥15,056	¥190,939	¥ —	¥190,939
Intersegment sales or transfers									
Total	44,679	29,670	25,846	75,688	175,883	15,056	190,939		190,939
Segment profit	4,417	3,137	1,728	5,085	14,367	91	14,458		14,458
Segment assets *1	38,776	26,564	25,383	151,734	242,457	16,042	258,499	60,579	319,078
Other:									
Depreciation	1,648	1,052	1,929	3,518	8,147	750	8,897		8,897
Amortization of goodwill *2			658	3,361	4,019		4,019		4,019
Increase in property, plant and equipment and intangible assets	¥ 1,691	¥ 1,105	¥ 2,211	¥106,396	¥111,403	¥ 802	¥112,205	¥ —	¥112,205

	Thousands of U.S. Dollars								
	2014								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	$443,769	$301,391	$241,164	$1,001,186	$1,987,510	$137,607	$2,125,117	$ —	$2,125,117
Intersegment sales or transfers									
Total	443,769	301,391	241,164	1,001,186	1,987,510	137,607	2,125,117		2,125,117
Segment profit	39,182	34,185	18,934	72,551	164,852	(2,342)	162,510		162,510
Segment assets *1	340,698	249,806	234,010	1,769,236	2,593,750	139,288	2,733,038	580,949	3,313,987
Other:									
Depreciation	16,194	10,381	17,593	39,298	83,466	6,746	90,212		90,212
Amortization of goodwill			2,080	47,852	49,932		49,932		49,932
Increase in property, plant and equipment and intangible assets	$ 17,010	$ 10,838	$ 12,724	$ 22,492	$ 63,064	$ 7,261	$ 70,325	$ —	$ 70,325

Notes: *1 Reconciliations of segment assets are corporate assets of ¥59,768 million ($580,949 thousand) and ¥60,579 million for the years ended March 31, 2014 and 2013, respectively, consisting principally of surplus funds of the Group.

*2 Amortization of goodwill in the tables above includes the loss on write-down of the unamortized balance of goodwill recorded as other expenses in the consolidated statement of income.

4. Information about products and services

	Millions of Yen			
	2014			
	Money Handling Machines and Cash Management Systems	Vending Machines and Automatic Service Equipment	Other Goods and Products	Total
Sales to external customers	¥163,995	¥36,972	¥17,665	¥218,632

	Millions of Yen			
	2013			
	Money Handling Machines and Cash Management Systems	Vending Machines and Automatic Service Equipment	Other Goods and Products	Total
Sales to external customers	¥136,047	¥36,282	¥18,610	¥190,939

	Thousands of U.S. Dollars			
	2014			
	Money Handling Machines and Cash Management Systems	Vending Machines and Automatic Service Equipment	Other Goods and Products	Total
Sales to external customers	$1,594,042	$359,370	$171,705	$2,125,117

5. Information about geographical areas

(a) Sales

Millions of Yen					
2014					
Japan	Asia/Oceania	United States of America	Americas Excluding United States of America	Europe	Total
¥115,630	¥25,009	¥27,224	¥5,217	¥45,552	¥218,632

Millions of Yen					
2013					
Japan	Asia/Oceania	United States of America	Americas Excluding United States of America	Europe	Total
¥115,251	¥17,899	¥17,606	¥6,894	¥33,289	¥190,939

Thousands of U.S. Dollars					
2014					
Japan	Asia/Oceania	United States of America	Americas Excluding United States of America	Europe	Total
$1,123,931	$243,089	$264,619	$50,710	$442,768	$2,125,117

Note: Sales are classified by country or region based on the location of customers.

(b) Property, plant and equipment

Millions of Yen				
2014				
Japan	Asia/Oceania	Americas	Europe	Total
¥30,997	¥1,511	¥882	¥1,656	¥35,046

Millions of Yen				
2013				
Japan	Asia/Oceania	Americas	Europe	Total
¥31,724	¥1,304	¥650	¥1,263	¥34,941

Thousands of U.S. Dollars				
2014				
Japan	Asia/Oceania	Americas	Europe	Total
$301,293	$14,687	$8,573	$16,096	$340,649

6. Information about major customers

Information about major customers is not shown since outside sales for major customers accounted for less than 10% of operating revenue on the consolidated statements of income.

7. Information about impairment losses of assets by reportable segment

	Millions of Yen								
	2014								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Impairment losses of assets								¥3	¥3

	Millions of Yen								
	2013								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Impairment losses of assets								¥62	¥62

	Thousands of U.S. Dollars								
	2014								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Impairment losses of assets								$29	$29

Note: The impairment losses relating to idle assets and not allocated to any reportable segment for the years ended March 31, 2014 and 2013 were ¥3 million ($29 thousand) and ¥62 million, respectively.

8. Information about amortization of goodwill and unamortized balance by reportable segment

	Millions of Yen								
	2014								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Amortization of goodwill			¥215	¥ 4,922	¥ 5,137		¥ 5,137		¥ 5,137
Goodwill at March 31, 2014				77,781	77,781		77,781		77,781

	Millions of Yen								
	2013								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Amortization of goodwill			¥658	¥ 3,361	¥ 4,019		¥ 4,019		¥ 4,019
Goodwill at March 31, 2013			215	68,866	69,081		69,081		69,081

	Thousands of U.S. Dollars								
	2014								
	Reportable Segment								
	Financial Market	Retail and Transportation Market	Amusement Market	Overseas Market	Total	Other	Total	Reconciliations	Consolidated
Amortization of goodwill			$2,090	$ 47,842	$ 49,932		$ 49,932		$ 49,932
Goodwill at March 31, 2014				756,036	756,036		756,036		756,036

Note: Amortization of goodwill in the tables above includes the loss on write-down of the unamortized balance of goodwill recorded as other expenses in the consolidated statement of income.