Nihon Unisys, Ltd.

ANNUAL REPORT 2014

For the Year Ended March 31, 2014

Financial Highlights

Nihon Unisys, Ltd. and Consolidated Subsidiaries

	FY2009	FY2010	FY2011	FY2012	FY2013
For the year (Millions of Yen):					
Net sales	¥271,085	¥252,990	¥255,123	¥269,170	**¥282,691**
Operating income	7,106	6,527	7,311	8,311	**9,575**
Net income (loss)	3,627	2,575	(12,499)	1,251	**6,305**
At the year-end (Millions of Yen):					
Total assets	¥218,067	¥207,282	¥190,084	¥197,780	**¥202,468**
Total equity	76,927	76,770	63,223	67,917	**76,017**
Net interest-bearing debt	56,387	48,507	46,906	40,858	**38,473**
Cash flows (Millions of Yen):					
Cash flows from operating activities	¥ 14,500	¥ 21,708	¥ 13,430	¥ 18,448	**¥ 11,889**
Cash flows from investing activities	(14,701)	(11,168)	(10,642)	(11,443)	**(8,289)**
Free cash flows	(201)	10,540	2,788	7,005	**¥ 3,600**
Cash flows from financing activities	(10,371)	(5,587)	(5,948)	(8,985)	**(151)**
Cash and cash equivalents, end of year	25,461	30,414	27,255	25,275	**28,724**
Per share amounts (Yen):					
Basic net income (loss)	¥ 37.82	¥ 27.12	¥ (132.99)	¥ 13.31	**¥ 67.08**
Net assets	787.12	803.52	658.90	707.57	**795.61**
Cash dividends applicable to the year	10.00	10.00	5.00	10.00	**15.00**
Ratio:					
Operating income to net sales	2.6%	2.6%	2.9%	3.1%	**3.4%**
Return on equity	4.9%	3.4%	(18.2)%	1.9%	**8.9%**
Net debt / equity ratio (Times)	0.75	0.64	0.76	0.61	**0.51**
Equity ratio	34.6%	36.4%	32.6%	33.6%	**36.9%**
Price earnings ratio (Times)	16.6	20.1	—	61.7	**15.0**

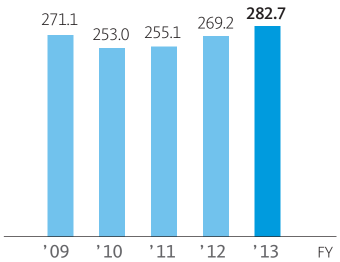
Contents

In this annual report, fiscal year refers to the period beginning April 1 and ending March 31. Fiscal 2013 refers to the year ended March 31, 2014.

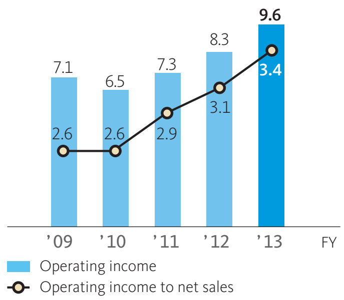
Financial and Non-Financial Data

Nihon Unisys, Ltd. and Consolidated Subsidiaries

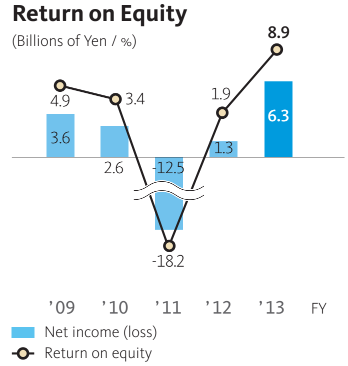
Net Sales
(Billions of Yen)



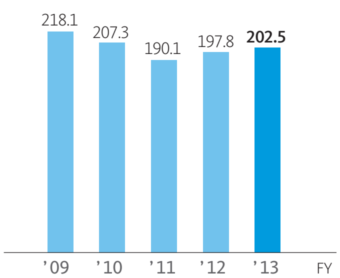
Operating Income / Operating Income to Net Sales
(Billions of Yen / %)



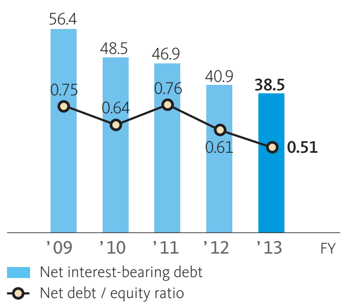
Net Income (Loss) / Return on Equity
(Billions of Yen / %)



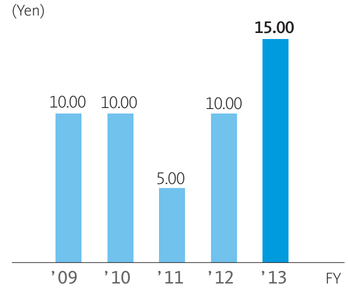
Total Assets
(Billions of Yen)



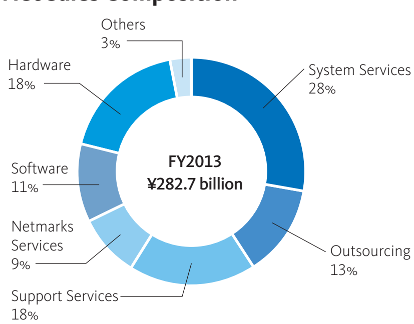
Net Interest-Bearing Debt / Net Debt / Equity Ratio
(Billions of Yen / Times)



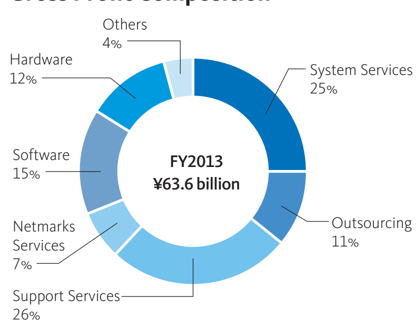
Cash Dividends Applicable to the Year
(Yen)



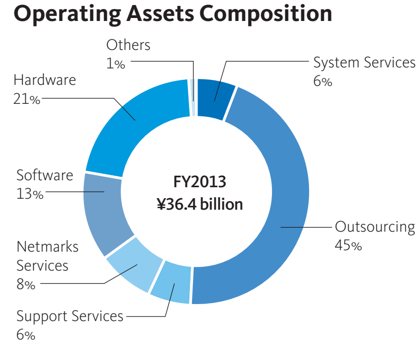
Net Sales Composition



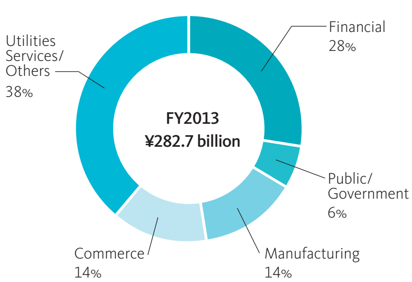
Gross Profit Composition



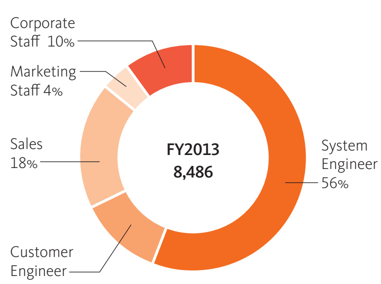
Operating Assets Composition



Net Sales by Market



Workforce Composition



We will work to achieve sustainable growth by utilizing ICT to contribute to the realization of a better society.

Shigeru Kurokawa
President & CEO

Review of Performance in Fiscal 2013

In the year ended March 31, 2014 (fiscal 2013), the Japanese economy steadily recovered as a whole, due to the effects of various economic measures implemented by the government. A wide range of companies saw improved performance, and capital investment picked up mainly in non-manufacturing industries, which stimulated an increase in software investment in the domestic information services market.

In this environment, we saw our third consecutive year of higher net sales and operating income, with net sales increasing 5.0% year on year, to ¥282.7 billion, and operating income rising 15.2%, to ¥9.6 billion. In addition, net income improved from ¥1.3 billion in fiscal 2012 to ¥6.3 billion in fiscal 2013 and annual dividend payments were raised ¥5.00 per share, to ¥15.00 per share.

In fiscal 2014, the final year of Mid-Term Management Plan (2012→2014), we project net sales of ¥285.0 billion, operating income of ¥12.0 billion, and annual dividend payments of ¥20.00 per share, an increase of ¥5.00 per share from fiscal 2013.

Progress of the Mid-Term Management Plan (2012→2014)

The Mid-Term Management Plan (2012→2014), announced in 2011, identifies the fundamental policies for further business growth—strengthening our income base through the expansion of core businesses and taking on the new challenges of co-creation and business process outsourcing (BPO) business models and social infrastructure businesses to create new revenue sources. Under another fundamental policy, reinforcement of our management base toward sustainable growth, we are advancing the basic policies of reforming personnel systems and cost structures.

One area of focus in the expansion of core businesses is BankVision®, a next-generation, core banking system that was the first open system in the world to fully incorporate Windows® technology. In January 2014, this system went into operation at its 8th bank, SURUGA bank Ltd. In addition, plans were established for this system to be introduced into its 10th bank in fiscal 2013. We also offer SBI21, a core banking system for credit associations that realizes substantial productivity improvements in relation to development and maintenance. In fiscal 2013, we were able to acquire a new large-scale contract for this system.

In addition, Group companies UNIADEX, Ltd., and NETMARKS INC. were merged in March 2014 with the aim of further strengthening our information and communications (ICT) infrastructure business. The resulting company, still named UNIADEX, Ltd., is now more capable of efficiently providing comprehensive infrastructure services. With its extensive network of overseas bases, we expect this reinvented company to play a key role in aiding the global expansion of the Nihon Unisys Group.

In taking on the challenge of new businesses, we are developing co-creation businesses through cross-industry coordination with other companies and energy management businesses, and these businesses are growing smoothly. The overall scale of sales from new businesses is also expanding favorably.

Another example of cross-industry coordination can be seen in our business alliance with Dai Nippon Printing Co., Ltd. (DNP), which was announced on August 9, 2012. In regard to this alliance, we are currently accelerating initiatives toward creating new businesses and services with DNP through such means as expanding products and services in a joint manner and building marketing platforms and other foundations.

In new businesses, we are beginning to broaden the scope of individual businesses to spread across fields and create synergies with other businesses. An example of this would be collaborative ventures between businesses in the medical, food, and agricultural fields. Going forward, we will work to provide services based on the user's perspective in order to leverage these synergies to create further value.

As for the reinforcement of our management base, we have started to see some of the benefits of the workforce optimization and cost structural reform initiatives implemented to date. In addition, we continue working to further strengthen risk management, particularly with regard to avoiding unprofitable businesses.

Contributions to Communities and Society

The Nihon Unisys Group provides customers from various industries with core systems. These systems must boast impeccable levels of reliability to ensure that they can operate non-stop 24 hours a day, 365 days a year. We are able to realize systems with this type of reliability by calling on our superior technological prowess. Another strength of the Group is the robust customer base that it has built over its years of engagement with customers in various industries.

In this manner, the Group is able to collaborate with a wide range of customers regardless of their industry or business. Leveraging this strength, we have been pursuing coordination with diversified entities from outside of our industry, including government agencies as well as other companies, particularly those situated in regions where we operate. By forming such connections, we plan to develop cross-industry coordination businesses that effectively incorporate the perspective of users and consumers as they merge various services and provide the resulting unified services.

Development of ICT services and infrastructure is advancing in preparation for the 2020 Summer Olympic and Paralympic Games in Tokyo. However, the Nihon Unisys Group is looking further down the road, and developing ICT services and infrastructure to continue improving the convenience of urban transportation systems even after the 2020 Olympics. In the future, we aim to introduce these innovations into Tokyo and throughout the rest of Japan.

The revitalization and invigoration of the prefectural cities will be crucial to the future of the entire Japanese economy. To aid in this effort, we hope to advance co-creation businesses together with the prefectural companies and banks that usually serve as our customers. Together with these entities, we aim to develop and provide services that match the characteristics of each particular region. For example, we are considering the possibility of services that utilize ICT to facilitate collaborative ventures between the medical, food, and agricultural fields. Other possible developments include a framework that will allow information about individuals, such as their payment of bills, to communicate their safety to family members living separately.

Furthermore, the Nihon Unisys Group is endeavoring to utilize big data in resolving social issues. In this quest, we will employ the information security technologies we have developed while providing core systems to numerous financial institutions. As our most significant undertaking in this area, we are participating in such medical fields as preemptive medicine. The preemptive medicine field entails analyzing the genetic information of an individual to determine what illness they are likely to contract and then taking preemptive steps to prevent these ailments from occurring. Of all the types of personal information, genetic information is the one that must be handled with the most care. Institutions researching preemptive medicine sometimes must utilize genetic data on more than a million individuals. Accordingly, these institutions need to have advanced ICT systems that boast the highest levels of security. The Nihon Unisys Group is able to aid these research efforts by taking charge of the building of such ICT systems and realizing this stringent level of security.

Going forward, the Nihon Unisys Group will continue to strengthen its income base. In this pursuit, we will steadily expand our core businesses while growing new business into an additional pillar supporting operations. In this manner, the Nihon Unisys Group will evolve into a corporate group that can support its customers' businesses in a wide range of fields while also contributing to local communities as well as society as a whole.

At the Nihon Unisys Group, we will work to achieve sustainable growth by utilizing ICT to contribute to the realization of a better society.

I would like to ask for the ongoing understanding and support of our shareholders and other investors in the years ahead.

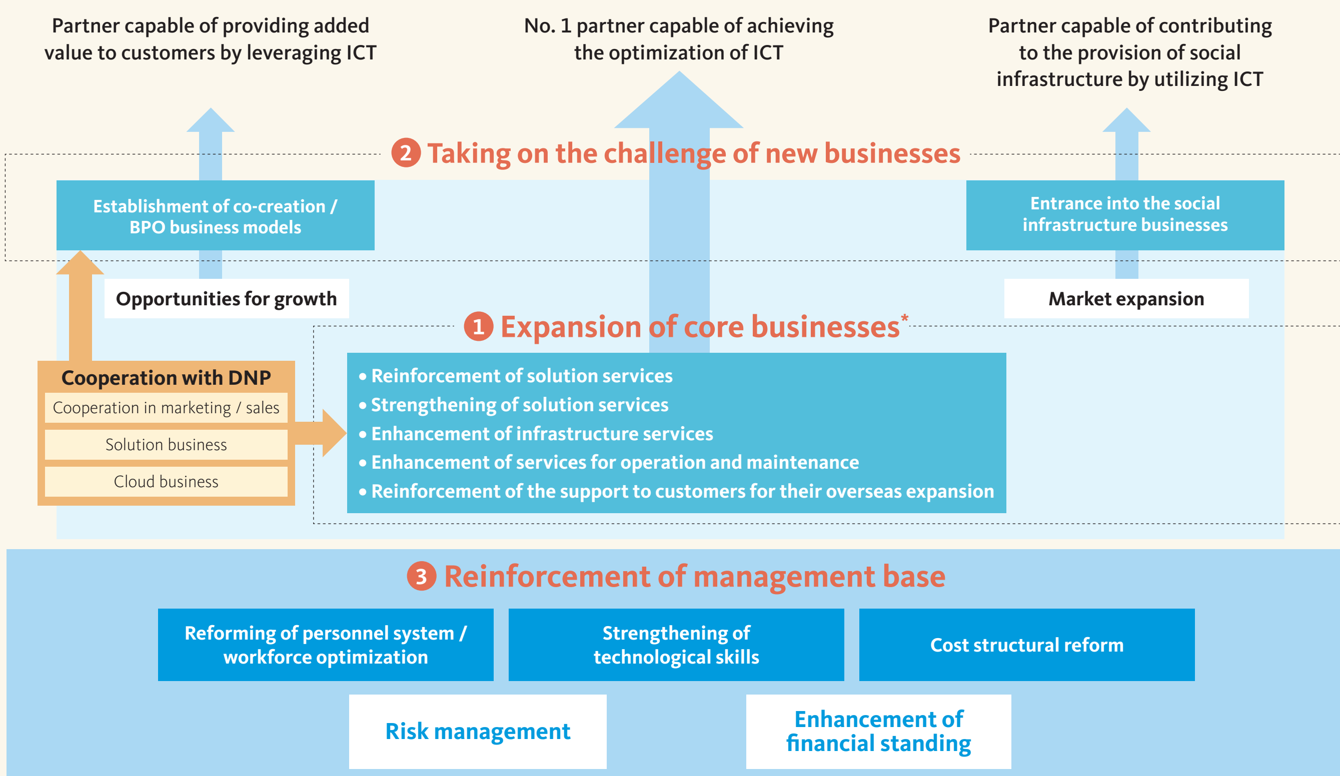
September 2014

S. Kurokawa

Shigeru Kurokawa
President & CEO

Mid-Term Management Plan (2012→2014) Progress in Fiscal 2013

The Nihon Unisys Group began advancing its Mid-Term Management Plan (2012→2014) in April 2012.

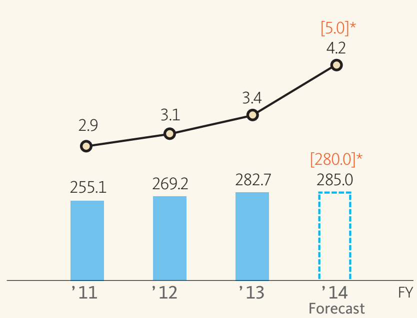


* Existing business domains, such as system & network integration and operation / maintenance services

Quantitative Indicators—Performance and Targets

Net Sales / Operating Income to Net Sales

(Billions of Yen / %)

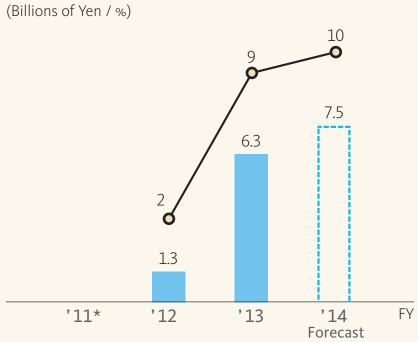


Net sales Operating income to net sales

* Targets of the Mid-Term Management Plan (2012→2014)

Net Income / Return on Equity

(Billions of Yen / %)

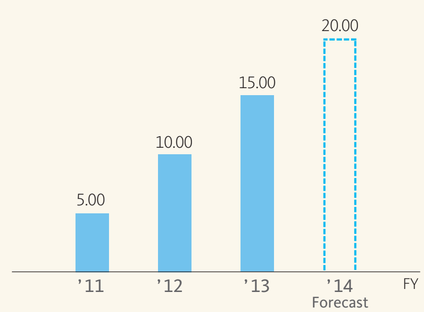


Net income Return on equity

* A loss was posted in fiscal 2011 due to posting a reversal of deferred tax assets.

Cash Dividends Applicable to the Year

(Yen)



Dividend payout ratio	–	75%	22%	25%

Results of Core Strategies

1 Expansion of core businesses

Net sales target accomplished one year in advance, elimination of unprofitable businesses crucial to improving operating income to net sales ratio

Net sales*

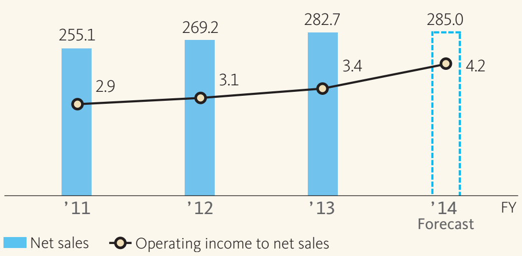
5% higher than target

* Including new businesses' sales

(Fiscal 2013)

Net Sales / Operating Income to Net Sales

(Billions of Yen / %)



- Promoted sales of BankVision® next-generation, open, core banking system
  Introduced at 8th bank (SURUGA bank Ltd.) in January 2014
  Introduction at 10th bank decided (fiscal 2014)

- Expanded market share of SBI21 core banking system for credit associations
  Acquired a new large-scale contract (currently possess 70% market share for independently owned credit associations)

- Stably operated AirCore® domestic travel IT system provided to All Nippon Airways Co., Ltd.
  Created the world's first open system for serving domestic travelers; this large-scale, mission-critical system is operating stably

- The new UNIADEX, Ltd.
  Merged UNIADEX, Ltd., and NETMARKS INC. in March 2014; surviving entity (UNIADEX, Ltd.) now capable of efficiently providing comprehensive ICT infrastructure services

2 Taking on the challenge of new businesses

Number of businesses increased, profitability achieved on a full-year basis

New businesses' sales total

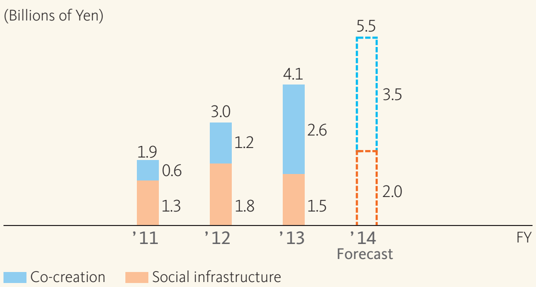
¥4.1 billion

(+37% year on year)

(Fiscal 2013)

Net Sales from New Businesses

(Billions of Yen)

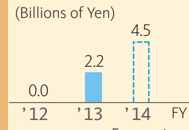


Business alliance with DNP

- Commencement of operations at DNP Kashiwa Data Center in December 2013
- Promotion of cross-selling initiatives to capture 500 orders

Net Sales from Business Alliance with DNP

(Billions of Yen)



3 Reinforcement of management base

Benefits felt from personnel system and cost structure reforms, upfront investments for future business growth to commence

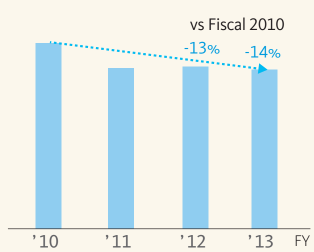
Total cost reductions of

14% from fiscal 2010

(Fiscal 2013)

Cost Structural Reform

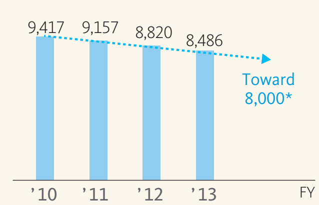
Total Costs



Workforce Optimization

Consolidated Employee Numbers

(People)



* Excludes figures for USOL VIETNAM Co., Ltd.

Risk Management

- Quick detection and resolution of issues with project progress
  Bolster project management teams that inspect medium-sized projects

Corporate Governance

The revision to the Japan Revitalization Strategy announced in June 2014 draws attention to the importance of corporate governance as a matter crucial to growth strategies.

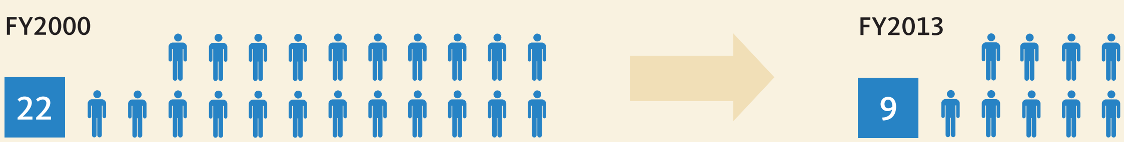
In agreement with the sentiment of this revision, the Nihon Unisys Group believes that building relationships of trust with all stakeholders is of the highest importance and includes "striving to increase corporate value through listening sincerely to stakeholders" as part of its corporate philosophy. As such, we are working to bolster corporate governance and reinforce the transparency and soundness of management.

Corporate Governance Measures

The Company is instituting a number of measures to improve corporate governance. For example, it has taken steps to separate management supervision functions from business execution functions and to expand the independence of outside managing directors and outside Audit & Supervisory Board members.

Separated management supervision functions from business execution functions, reduced number of managing directors by 60%

● Managing directors

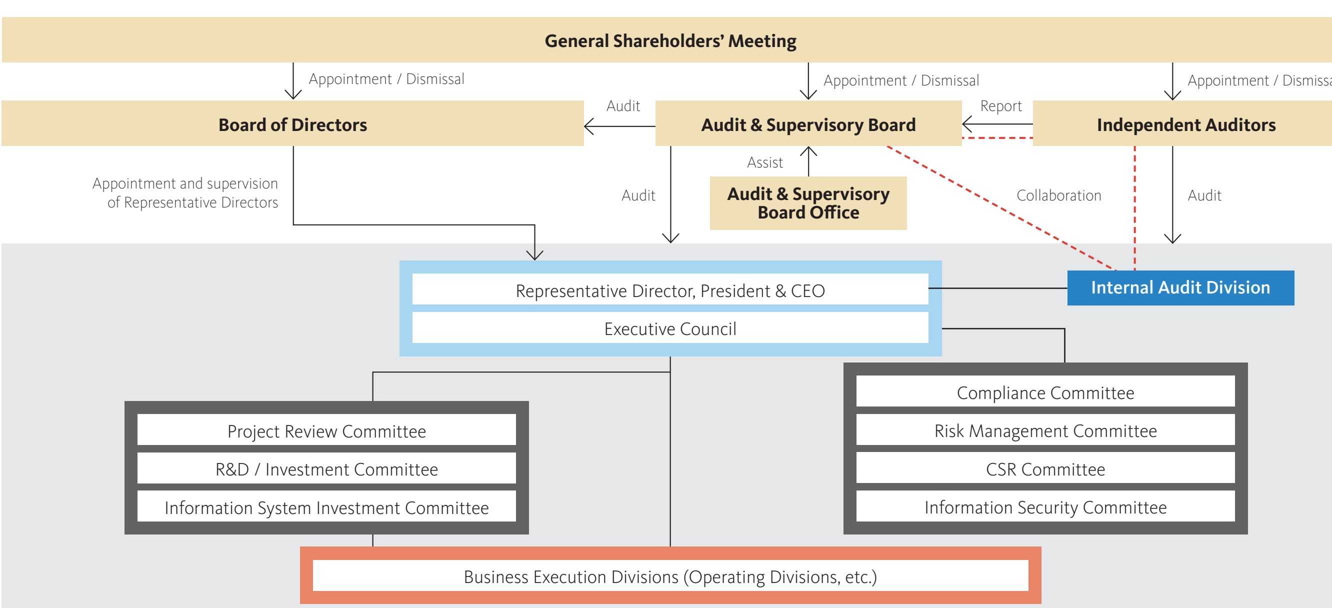


Introduced Corporate Officer System in fiscal 2001

Appointed outside managing directors and outside Audit & Supervisory Board members, further increased independence

● Outside Audit & Supervisory Board members
● Outside managing directors
● Outside managing directors (independent)

Corporate Governance Structure (As of June 27, 2014)



Compensation of Managing Directors and Audit & Supervisory Board Members

Compensation for managing directors includes basic compensation (monthly salaries), bonuses, and stock options.

Monthly salaries for managing directors emphasize a link with performance, and are determined by the Board of Directors based on the responsibilities of each individual managing director with consideration taken for generally accepted payment levels and the balance with employee salaries.

Bonuses are calculated based on the Company's consolidated net income for the given fiscal year. In fiscal 2012, stock options for managing directors (excluding outside managing directors) were introduced as part of systems for linking compensation to performance with the aim of increasing the motivation of managing directors to pursue ongoing improvements in the Company's performance and corporate value.

For Audit & Supervisory Board members, compensation is not linked to performance, but rather paid as a fixed monthly salary determined through discussion with Audit & Supervisory Board members. This system is employed to ensure that Audit & Supervisory Board members are able to effectively conduct their auditing duties from an independent standpoint.

Total Compensation Paid to Managing Directors and Audit & Supervisory Board Members and Number of Recipients (Fiscal 2013)

Classification	Total Compensation Paid (Millions of Yen)	Compensation Paid by Type (Millions of Yen)			Recipients (People)
		Basic Compensation	Stock Options	Bonuses	
Managing directors (Excluding outside managing directors)	282	260	22	—	6
Audit & Supervisory Board members (Excluding outside Audit & Supervisory Board members)	28	28	N/A	N/A	1
Outside managing directors and Audit & Supervisory Board members	74	74	N/A	N/A	9

There are no managing directors or Audit & Supervisory Board members that receive total compensation of more than ¥100 million.
The following measures will be instituted in fiscal 2014 as part of systems for linking compensation to performance.
1. A portion of compensation for each applicable individual (10% regardless of position) will be provided in the form of subscription rights to shares, rather than in the form of monetary payments.
2. The number of exercisable subscription rights to shares will be determined based on the Company's consolidated net income for fiscal 2014 as well as other factors. Performance exactly in line with initial forecasts and fulfilling other conditions will be indexed to 100%, and the number of exercisable subscription rights to shares will be adjusted within a range from 0% to 200% based on actual performance.

Internal Control System

The Nihon Unisys Group has identified the goals of internal control systems as improving operational effectiveness and efficiency, ensuring the reliability of financial reports, guaranteeing stringent legal compliance in business activities, and maintaining asset portfolios. To accomplish these goals, the Group has instituted internal control systems, and operates these systems while reviewing them as necessary. In addition, these activities are constantly monitored by full-time managing directors, and related reports are periodically submitted to the Board of Directors.

In regard to the internal control reporting system (J-SOX) requirements of the Financial Instruments and Exchange Act of Japan, the Company has developed frameworks for the direct evaluation of systems by management, and the results of these evaluations are communicated to the Board of Directors.

Board of Directors
The Board decides and reports on key corporate issues.

The term of office of managing directors is one year. This term was decided with the goal of securing a flexible management structure that can promptly respond to the changing business environment and clarifying the responsibilities of the managing directors.

Audit & Supervisory Board
Audit & Supervisory Board members attend meetings of the Board of Directors and other important meetings, and also review the status of both operations and assets, there by monitoring the business execution of the managing directors.

We have also established the Audit & Supervisory Board Office, which provides Audit & Supervisory Board members with assistance in conducting auditing to ensure they can perform their duties in an effective and smooth manner.

Independent Auditors
The Company is audited by the independent public accounting firm Deloitte Touche Tohmatsu LLC.

Business Execution Structure

• Executive Council
The Executive Council, composed of representative directors and directors that concurrently serve as corporate officers, is a body created to make efficient decisions regarding important business execution-related matters.

• Committees
To bring a practical perspective to the deliberation of specific management issues related to the business execution of the managing directors, we have established various committees.

• Corporate Officer System
The Company has adopted the corporate officer system to separate management oversight from business execution with the aim of achieving prompt performance of operations.

• Collective Decision-Making System
To deal with issues that require decisions, we have developed a system of approval in which either corporate officers responsible for the division in question, decision-making bodies (committees), or members of the Executive Council collectively make decisions while considering expert opinion presented by corporate staff managers from related divisions.

• Internal Audit Division
The Internal Audit Division was established as an internal body under the direct control of the President & CEO to assess the effectiveness and efficiency of internal controls across the Group.

Meetings of the Board of Directors and Audit & Supervisory Board and Attendance by Outside Managing Directors and Audit & Supervisory Board Members (Fiscal 2013)

		Board of Directors	Audit & Supervisory Board
Number of meetings		13	13
Attendance	Outside managing directors	94%	—
	Outside Audit & Supervisory Board members	100%	98%

Directors, Audit & Supervisory Board Members, and Corporate Officers

As of September 30, 2014

Directors

Shigeru Kurokawa
Representative Director,
President & CEO

Ryuji Tatsuno
Representative Director

Osamu Takahashi
Representative Director,
Superior Executive Corporate Officer

Akiyoshi Hiraoka
Representative Director,
Executive Corporate Officer

Susumu Mukai
Representative Director,
Senior Corporate Officer

Toshio Mukai
Managing Director,
Senior Corporate Officer

Tatsuo Komaki
Outside Managing Director

Consultant, Dai Nippon Printing Co., Ltd.
Posing questions and offering opinions from a wide-ranging perspective leveraging a wealth of business experience

Go Kawada
Outside Managing Director (Independent)

Chairman, Yamada & Partners Certified Public Tax Accountants' Co.
Posing questions and offering opinions by leveraging a wealth of experience and specialized insight regarding taxation and accounting

Yoshiaki Baba
Outside Managing Director

General Manager, IT Solutions Business Division, Innovation & Corporate Development Business Unit, Mitsui & Co., Ltd.
Posing questions and offering opinions from a wide-ranging perspective leveraging a wealth of business experience

Message from an Outside Managing Director (Independent)

Go Kawada
Outside Managing Director (Independent)

One Year Since Appointment

I assumed the position of outside managing director at Nihon Unisys in June 2013. My first impression was that the Company was a very "diligent" company. One year later, my opinion remains the same. The Company is currently pursuing increased managerial efficiency through such means as integrating Group companies. At the same time, I believe that the corporate governance systems at the Company are functioning quite soundly.

I can think of three points that will be of particular importance as the Nihon Unisys Group works to raise its corporate value in the future. The first point is the degree to which the Group is able to utilize the benefits created through the integration of Group companies, one recent example of which would be the merger that formed the new UNIADEX, Ltd. The second point will be the Group's ability to conduct stringent risk management, particularly with regard to limiting involvement in unprofitable businesses. As for the third point, the Group will need to foster the development of the young employees that will become central to its growth in the near future.

I have nearly 50 years of experience in the fields of taxation and accounting. In my position as an independent outside managing director, I utilize this experience to provide opinions from an outside perspective that I believe serve to invigorate discussions at meetings of the Board of Directors.

Going forward, I plan to work to my fullest with the hopes of contributing to the further development of the Nihon Unisys Group.

Audit & Supervisory Board Members

Kazuhiro Hara*
Audit & Supervisory Board Member

Akihiro Imura*
Outside Audit & Supervisory Board Member

Posing questions and offering opinions by leveraging a wealth of business experience and insight regarding internal audits

Etsuo Uchiyama*
Outside Audit & Supervisory Board Member

Posing questions and offering opinions based on past managerial experience and insight regarding taxation and accounting

Shigemi Furuya
Outside Audit & Supervisory Board Member

Senior Corporate Officer, Dai Nippon Printing Co., Ltd.
Posing questions and offering opinions from the perspective of an expert with experience primarily pertaining to finance and accounting

Masao Noda
Outside Audit & Supervisory Board Member

Representative Partner, Noda Law Office
Posing questions and offering opinions from the perspective of an expert with experience primarily pertaining to law

* Full-Time

Corporate Officers

Superior Senior Corporate Officer

Makoto Akiyama Kansai Regional Headquarters

Senior Corporate Officers

Yoshinori Ijichi Division Manager, Social & Public Services Division
Regional Headquarters & Regional Office

Kazuhiro Iwata Division Manager, Financial Division

Ryoichi Yamashita Legal

Corporate Officers

Minoru Tasaki DXN Business Operations

Masayuki Okada Deputy Division Manager, Manufacturing & Commerce Division

Katsuhiro Ohtomo Deputy Division Manager, Financial Division

Kouichi Ishiyama Assistant Division Manager, Social & Public Services Division
General Manager, Social & Public System Services

Hirokazu Konishi Assistant Division Manager, Social & Public Services Division
General Manager, Public Utility & Social Services

Hiroki Hyodo Corporate Planning
Business Operations
Deputy Division Manager, Business Innovation Division
General Manager, Business Aggregation

Keiji Matsuo Human Resources & General Affairs
General Manager, Human Resources & General Affairs

Noboru Saito Division Manager, Manufacturing & Commerce Division

Michihiko Tsunoda Business Innovation Division

Shinobu Sasao Quality Management & Assurance
General Manager, Quality Management & Assurance

Kazuo Nagai General Manager, Transportation & Logistics Business

Yasuhide Hatta Deputy Division Manager, Business Innovation Division
General Manager, Social Platform

Koji Katsuya General Manager, Corporate Planning

Hirofumi Hashimoto Deputy Division Manager, Financial Division
General Manager, Financial System Services 1

Analysis of Results of Operations, Financial Condition, and Cash Flows

Financial Highlights

- Net sales rose 5.0% year on year, to **¥282,691 million,** as higher services sales offset the sales decline that was a result of the rebound from large-scale product sales recorded in the previous fiscal year.
- Operating income rose 15.2% year on year, to **¥9,575 million,** due to higher net sales and reduced costs.
- Net income increased 404.0%, to **¥6,305 million,** following higher operating income as well as lower loss on valuation of investment securities.

Analysis of Results of Operations

During fiscal 2013, the domestic economy showed a firm overall trend toward recovery due to the effects of various economic measures implemented by the government. Performance improved for a wide range of companies, and capital investment picked up mainly in non-manufacturing industries. As a result, there was an increase in software investment in the domestic information services market. Looking ahead, we expect IT investment to continue rising among domestic corporate users. Factors contributing to this rise will include the recovery trend in the Japanese economy as well as the increase in demand expected to be stimulated by the holding of the 2020 Summer Olympic and Paralympic Games in Tokyo. The global economy, meanwhile, remains wrought with uncertainty due to worsening relations between the United States and Russia as well as the deteriorating relationships between Japan, China, and Korea, in addition to the economic deceleration seen in China. Other causes for concern can be seen in the projected decline in demand following the domestic consumption tax hike and intensified competition in the industry. As a result, the Company will face a harsh operating environment going forward.

Net Sales

Consolidated net sales rose ¥13,521 million (5.0%) year on year, to ¥282,691 million, due to strong sales of systems services. Financial results for each segment are as follows.

System Services

The System Services segment consists of contracted software development, system-related services, and consulting. Net sales in this segment rose 9.8%, to ¥79,437 million, and segment profit increased 22.9%, to ¥15,935 million.

Support Services

The Support Services segment consists of support services for software, maintenance services for hardware, and installation services. Net sales in this segment fell 4.3%, to ¥49,142 million, and segment profit decreased 6.3%, to ¥16,387 million.

Outsourcing

The Outsourcing segment consists of the contracted administration of information systems and other services. Net sales in this segment rose 9.2%, to ¥35,336 million, and segment profit increased 94.8%, to ¥7,130 million.

Netmarks Services

The Netmarks Services segment consists of network system integration. Net sales in this segment increased 21.7%, to ¥26,487 million, and segment profit grew 14.1%, to ¥4,493 million.

Software

The Software segment consists of the provision of software under a user license agreement. Net sales in this segment rose 1.9%, to ¥31,338 million, and segment profit declined 8.8%, to ¥9,589 million.

Hardware

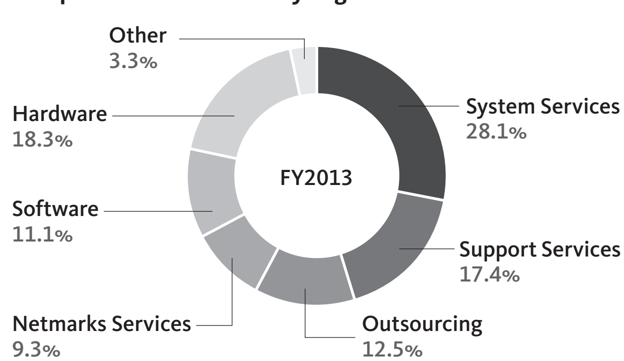
The Hardware segment consists of the provision of hardware under a sales or lease contract. Net sales in this segment declined 0.3%, to ¥51,658 million, and segment profit decreased 33.7%, to ¥7,660 million.

Other

The Other segment comprises businesses such as equipment installation not included in reportable segments. Net sales in this segment rose 5.7%, to ¥9,293 million, and segment profit fell 29.6%, to ¥2,417 million.

Note: Segment profit has been adjusted based on operating income as recorded on the Company's consolidated statement of income. The total of all above segment profit figures is ¥63,611 million. By deducting the reconciliations amount of ¥54,036 million, which includes research and development costs, amortization of goodwill, and selling, general and administrative expenses not allocated to specific segments, the operating income figure of ¥9,575 million will be reached. The figures above do not include consumption tax.

Composition of Net Sales by Segment



Net Sales by Segment (Millions of Yen)

	FY2012	FY2013	Change
System Services	72,335	79,437	+9.8%
Support Services	51,335	49,142	-4.3%
Outsourcing	32,356	35,336	+9.2%
Netmarks Services	21,758	26,487	+21.7%
Software	30,763	31,338	+1.9%
Hardware	51,828	51,658	-0.3%
Others	8,795	9,293	+5.7%
Total	269,170	282,691	+5.0%

Operating Income

Gross profit increased ¥66 million (0.1%) year on year, to ¥63,611 million, due to higher net sales.

Selling, general and administrative expenses fell ¥1,198 million (2.2%), to ¥54,036 million. General and administrative expenses decreased ¥2,548 million following measures to cut costs, such as employee compensation, rent, and office management fees. This decrease offset the rise in selling expenses of ¥1,350 million that followed higher sales support costs incurred as part of efforts to capture new orders.

As a result of the above, operating income increased ¥1,264 million (15.2%), to ¥9,575 million.

Net Income

Net income amounted to ¥6,305 million, up ¥5,054 million (404.0%). Regardless of posting a ¥1,605 million loss on impairment of long-lived assets for outsourcing, net income improved from ¥1,251 million recorded in the previous fiscal year when a ¥4,248 million loss on impairment of investment securities was recorded.

Analysis of Financial Condition

At the end of fiscal 2013, total assets amounted to ¥202,468 million, representing a year-on-year increase of ¥4,688 million. Total current assets were up ¥4,323 million as the ¥1,232 million decrease in accounts receivable–trade was outweighed by increases of ¥3,449 million in cash and cash equivalents and ¥4,952 million in inventories. Total non-current assets increased ¥365 million due to the recording of asset for retirement benefits of ¥7,124 million, which offset a ¥3,112 million decrease in software.

Total liabilities decreased ¥3,412 million, to ¥126,451 million. Despite the issuance of convertible bonds with subscription rights to shares, liabilities decreased following a decline in accounts payable–trade and the redemption of commercial paper.

Total equity increased ¥8,100 million, to ¥76,017 million, following higher retained earnings. The equity ratio improved 3.3 percentage points, to 36.9%.

Analysis of Cash Flows

Cash and cash equivalents at the end of fiscal 2013 increased ¥3,449 million, to ¥28,724 million. Uses of net cash provided by operating activities included investment in computers for sales activities and software for outsourcing purposes.

Cash Flows from Operating Activities

Net cash provided by operating activities in fiscal 2013 totaled ¥11,889 million (a decrease of ¥6,559 million from the previous fiscal year). One factor behind this result was proceeds of ¥8,158 million in the form of income before income taxes and minority interests (up ¥5,520 million from the previous fiscal year). Major factors decreasing cash included increase in inventories of ¥4,952 million (which had the effect of decreasing cash by ¥3,775 million from the previous fiscal year) and decrease in accounts payable–trade of ¥1,083 million (which had the effect of decreasing cash by ¥3,223 million from the previous fiscal year) as well as non-cash deductions such as depreciation and amortization of ¥10,183 million (which had the effect of decreasing cash by ¥185 million from the previous fiscal year). These items offset major factors increasing cash, including decrease in accounts receivable–trade of ¥1,232 million (which had the effect of increasing cash by ¥6,000 million from the previous fiscal year).

Cash Flows from Investing Activities

Net cash used in investing activities was ¥8,289 million (down ¥3,154 million compared with the previous fiscal year). This mainly reflected the fact that the Company used ¥3,031 million (down ¥786 million compared with the previous fiscal year) for payments for purchases property, plant and equipment, such as computers for sales activities, and ¥5,455 million (down ¥2,614 million compared with the previous fiscal year) for payments for purchases of software for outsourcing purposes.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥151 million (down ¥8,834 million from the previous fiscal year). This was largely due to the recording of a cash inflow of ¥15,225 million from the proceeds from issuance of convertible bonds with subscription rights to shares and the fact that outflows for repayments of long-term debt decreased ¥17,883 million, to ¥2,290 million. These factors counterbalanced outflows in the form of net decrease in commercial paper of ¥13,000 million, compared with net increase in commercial paper of ¥1,000 million in the previous fiscal year.

Working Capital Requirements

The Nihon Unisys Group requires sufficient working capital to pay for outsourced systems and support services as well as to procure computers and software for sales purposes and to purchase computers and software for leasing and outsourcing purposes. Working capital is also required to meet operating expenses such as manufacturing costs and selling, general and administrative expenses. Operating costs consist primarily of personnel costs, sales support costs, and research and development costs.
The main components of sales support costs and research and development costs expenditure are personnel costs for system engineers. The Group's policy is to provide the working capital required for these purposes mainly from net cash provided by operating activities.

To ensure reliable, flexible access to funds and to improve our financial efficiency, the Group has established commitment lines with four banks. The unused balance of these commitment lines as of March 31, 2014, stood at ¥17,500 million.

Dividend Policy

In accordance with a basic policy of providing dividends in line with performance, the Company will seek to continue delivering stable shareholder returns based on the understanding that the increase of corporate value is the most important means of repaying shareholders. The Company will target a 20% consolidated dividend payout ratio, with decisions about the specific dividend amount made with due consideration for securing internal reserves for business development and with comprehensive consideration of the business environment.

For fiscal 2013, the Company paid annual dividends of ¥15.00 per share, in line with its original announcement. This consisted of an interim dividend of ¥7.50 per share and a year-end dividend of ¥7.50 per share, an increase in the annual dividend of ¥5.00 per share from the previous fiscal year.

For fiscal 2014, the Company expects to record increased income for the year. As a result, the Company plans to pay increased annual dividends of ¥20.00 per share, consisting of an interim dividend of ¥10.00 per share and a year-end dividend of ¥10.00 per share.

Outlook

Looking ahead to fiscal 2014, there are concerns with regard to the Japanese economy, such as the possibility of a temporary slump in consumption as a result of the consumption tax rate hike or an increase in the prices of imported raw materials attributable to a weakened yen. However, due to various types of economic measures implemented by the government, the Japanese economy is forecast to remain on a recovery track, and companies are anticipated to gradually resume capital investment. In this operating environment, we plan to post consolidated net sales of ¥285,000 million in fiscal 2014, representing a year-on-year increase of 0.8%.

Also, through increased net sales as well as boosted profitability in the System Services segment, we forecast a 25.3% year-on-year increase in operating income, to ¥12,000 million, and an 18.9% increase in net income, to ¥7,500 million.

Consolidated Performance Forecasts for Fiscal 2014 (Millions of Yen)

	FY2013	FY2014 (Forecast)	Change
Net sales	282,691	285,000	+0.8%
Operating income	9,575	12,000	+25.3%
Net income	6,305	7,500	+18.9%

Risks in Business Operations

Major risks related to the Group's businesses and finances that have the possibility of influencing the decisions of investors are as follows. Forward-looking statements are based on the understanding of the Group as of the end of the fiscal year under review.

① Impact from Economic Trends and the Market Environment

The business results and financial conditions of the Group may be affected by a number of factors including reluctance to invest in information systems, unexpectedly intense price competition, and delayed response to technological advancement due to economic trends and shifts in the information service market. They may also be affected by a worsening of the business environment as a result of changes in regulations and systems such as laws, taxation, and accounting systems or changes in social infrastructure such as power and communications.

② Project Management Risks

The Group is engaged in many different system development projects. With intensified competition, however, customers are continually demanding more-sophisticated systems and as a result projects are becoming increasingly complex. Accordingly, if a problem arises in a development project, there is a risk that the problem would require greater-than-expected costs and time to resolve, which could lead to a cost overrun. To avoid such a risk, the Group has instituted a thorough and multifaceted system for assessing risk in the Project Review Committee at both the proposal and implementation stage. It is also working to implement effective measures for preventing cost overruns and detecting problems at an early stage by enhancing the project management system, increasing productivity by systematizing and standardizing the system development method, and implementing the Andon system, which detects problems in a project at an early stage, as well as implementing a cycle of improvement that includes the review of problems to ascertain their true causes and implement fundamental countermeasures.

③ System Failure Risks

The systems and services provided by the Group have a significant effect on important administrative systems of customers and on social infrastructure. In the event of a major failure due to a system malfunctioning, an operational mistake, etc., involving these systems and services, the business results of the Group could be affected by such factors as a decline in society's trust in the Group, a decline in the Group's brand image, and the payment of compensation for damages that have occurred.

Accordingly, the Group determines quality standards, such as categorization of systems in use by their degree of social importance, problem occurrence rates, and the number of days needed to complete the response to a problem, and establishes systems to respond to problems. In addition, in regard to the occurrence of problems, the Group is working to provide information to related in-house departments through a problem reporting system and to rapidly implement responses to problems. In addition, the Group is working to raise the quality of systems in use by implementing evaluation and improvement activities through periodic system maintenance.

④ Risks Associated with Investment Decisions

The Group makes large investments with the aim of providing new products and services to strengthen its competitiveness and expand its businesses. When such investments are made, the Project Review Committee, the R&D/Investment Committee, and above them the Executive Council carefully determine the appropriateness of business plans and other factors. However, there is no guarantee that an adequate return on investment will always be achieved. If the Group is unable to achieve an adequate return, then its business results may be affected.

⑤ Information Control Risks

The Group has many opportunities to access customers' confidential personal and/or corporate information, as well as information on the Group itself, through business activities related to the development and provision of information systems. We therefore place information control as a top priority in order to hold information in strict confidence, and take all possible measures for appropriate management of information as a member of the ICT industry. To cope with the small possibility of an information leak in an emergency case that is beyond conventional imagination, the Group has insurance contracts to address the situation up to a certain extent. However, in the case that damage repair expenses are higher than the overall amount of contract coverage, or in the case that the leak has resulted in severe damage to the Group's reputation, there is the possibility that the business results and financial conditions of the Group would be severely affected.

⑥ Risks Associated with Retention of Skilled Engineers

The shortage of skilled engineers in the information service industry is a significant issue. If we are unable to recruit high-caliber engineers to meet our needs, this could have a material impact on the Group's ability to secure technological advantages. The Company is working to address this issue by creating an environment in which Group personnel can acquire high-level skills. To this end, we have instituted a wide range of personnel development measures, including career planning and other support systems as well as programs to strengthen employee abilities.

⑦ Intellectual Property Rights Risks

The Group applies intellectual property rights to a large number of computer programs for its business operations. Thus, any failure in the acquisition or maintenance of licenses as scheduled could affect the Group's business activities. In addition, there is a possibility that the Group may be one of the parties concerned with intellectual property rights litigation on computer programs and, as a result, any incurred expenses could affect the Group's business results.

⑧ Risks Associated with Key Supplier Relations

We are the sole authorized distributor of Unisys Corporation-made computers and other products. We handle the import, sales, and maintenance services of those computers and other products in Japan, while Unisys Corporation grants us the use of its trademark, technical information, and assistance. The trading relationship with Unisys Corporation has been secure, but if the relationship became unbalanced and could not be sustained, it would have a material impact on the Group's business results.

⑨ Exchange Rate Fluctuation Risks

The Group imports and sells Unisys Corporation-made computers and other foreign-made products. Thus, the Group's procurements in foreign currency denominations could be exposed to fluctuations in foreign exchange rates. To avoid such risks, the Group takes risk-hedging measures through forward exchange contracts. The Group's purchase of foreign-currency denominations totaled ¥16,863 million for the fiscal year under review.

⑩ Lawsuit Risks

The Group makes continuous efforts to fully comply with laws and ordinances in order to perform its business activities in a proper and transparent manner. If any lawsuit or legal action were to be taken against the Company or any Group companies, regardless of whether or not there was a compliance violation, the business results of the Group may be impacted.

⑪ Natural Disaster Risks

The occurrence of a natural disaster, such as an earthquake or infectious disease outbreak, could cause damage to or otherwise result in the loss of social infrastructure of one or more of the Group's major business bases. Such a disaster could also impact many of our suppliers or employees, or result in a situation in which the Group must restrict its business activities to ensure the safety or maintain the well-being of such suppliers or employees. Were such a disaster to occur, then the Group may have to incur significant expenses to respond to the damages, which could greatly impact service provision or other business activities and ultimately affect the Group's business results. Therefore, in preparation for such an occurrence or a situation where such an occurrence is anticipated, the Group is striving to establish a structure on which its operations could be maintained.

Consolidated Balance Sheet

Nihon Unisys, Ltd. and Consolidated Subsidiaries
March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2014**	2013	**2014**
Current Assets:			
Cash and cash equivalents (Notes 3 and 15)	**¥28,724**	¥25,275	**$279,091**
Accounts receivable—trade (Notes 5 and 15)	**67,958**	69,190	**660,299**
Inventories (Note 6)	**13,769**	8,816	**133,784**
Deferred tax assets (Note 9)	**6,291**	6,024	**61,125**
Other	**11,716**	14,879	**113,835**
Allowance for doubtful accounts	**(97)**	(146)	**(942)**
Total current assets	**128,361**	124,038	**1,247,192**
Property, Plant and Equipment:			
Land	**619**	634	**6,014**
Buildings and structures (Note 7)	**12,127**	11,997	**117,829**
Machinery and equipment (Note 7)	**44,934**	51,374	**436,592**
Other	**1,714**	1,821	**16,654**
Total	**59,394**	65,826	**577,089**
Accumulated depreciation	**(47,239)**	(52,301)	**(458,988)**
Net property, plant and equipment	**12,155**	13,525	**118,101**
Investments and Other Assets:			
Investment securities (Notes 4 and 15)	**14,738**	13,157	**143,198**
Investments in associated companies	**1,534**	1,502	**14,905**
Goodwill	**1,935**	2,072	**18,801**
Software (Note 7)	**18,815**	21,927	**182,812**
Lease deposits	**7,889**	7,931	**76,652**
Asset for retirement benefits (Note 10)	**7,124**	1,523	**69,219**
Deferred tax assets (Note 9)	**4,090**	6,807	**39,740**
Other	**5,827**	5,298	**56,617**
Total investments and other assets	**61,952**	60,217	**601,944**
Total	**¥202,468**	¥197,780	**$1,967,237**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2014	2013	Thousands of U.S. Dollars (Note 1) 2014
Current Liabilities:			
Current portion of long-term debt (Notes 8 and 15)	**¥13,940**	¥2,290	**$135,445**
Commercial paper (Notes 8 and 15)		13,000	
Accounts payable—trade (Note 15)	**24,435**	25,518	**237,417**
Accounts payable—other	**1,844**	7,469	**17,917**
Income taxes payable (Note 9)	**541**	754	**5,257**
Accrued expenses	**7,686**	7,324	**74,679**
Advances received	**12,764**	11,228	**124,019**
Allowance for loss on contract development	**3,272**	1,758	**31,792**
Other (Note 14)	**6,786**	7,317	**65,935**
Total current liabilities	**71,268**	76,658	**692,461**
Long-Term Liabilities:			
Long-term debt (Notes 8 and 15)	**36,770**	49,560	**357,268**
Convertible bonds (Notes 8 and 15)	**15,163**		**147,328**
Long-term accounts payable—other	**48**	54	**466**
Liability for retirement benefits (Note 10)	**1,158**	1,082	**11,251**
Deferred tax liabilities (Note 9)	**33**	47	**321**
Asset retirement obligations	**1,308**	1,282	**12,709**
Other (Note 14)	**703**	1,180	**6,831**
Total long-term liabilities	**55,183**	53,205	**536,174**
Commitments and Contingent Liabilities (Notes 14 and 17)			
Equity (Notes 11 and 12):			
Common stock—authorized, 300,000,000 shares; issued, 109,663,524 shares in 2014 and 2013	**5,483**	5,483	**53,274**
Capital surplus	**15,282**	15,282	**148,484**
Stock acquisition rights	**661**	858	**6,423**
Retained earnings	**68,268**	63,141	**663,311**
Treasury stock—at cost 15,651,708 shares in 2014 and 15,672,347 shares in 2013	**(19,318)**	(19,344)	**(187,699)**
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	**3,437**	1,958	**33,395**
Deferred loss on derivatives under hedge accounting	**(21)**	(14)	**(204)**
Defined retirement benefit plans	**1,666**		**16,187**
Total	**75,458**	67,364	**733,171**
Minority interests	**559**	553	**5,431**
Total equity	**76,017**	67,917	**738,602**
Total	**¥202,468**	¥197,780	**$1,967,237**

Consolidated Statement of Income

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2014	2013	**2014**
Net sales	**¥282,691**	¥269,170	**$2,746,706**
Cost of sales (Note 10)	**219,080**	205,625	**2,128,644**
Gross profit	**63,611**	63,545	**618,062**
Selling, general and administrative expenses (Notes 10 and 13)	**54,036**	55,234	**525,029**
Operating income	**9,575**	8,311	**93,033**
Other income (expenses):			
Interest and dividend income	**421**	430	**4,091**
Interest expense	**(518)**	(651)	**(5,033)**
Gain on sales of investment securities (Note 4)	**325**	129	**3,158**
Loss on impairment of investment securities	**(577)**	(4,248)	**(5,606)**
Foreign exchange gain	**262**		**2,546**
Loss on impairment of long-lived assets (Note 7)	**(1,605)**	(1,336)	**(15,595)**
Equity in earnings of associated companies	**44**	43	**428**
Loss on sales and retirement of noncurrent assets	**(95)**	(37)	**(923)**
Gain on reversal of subscription rights to shares	**266**		**2,585**
Other—net	**60**	(3)	**581**
Other expenses—net	**(1,417)**	(5,673)	**(13,768)**
Income before income taxes and minority interests	**8,158**	2,638	**79,265**
Income taxes (Note 9):			
Current	**887**	1,116	**8,618**
Deferred	**942**	153	**9,153**
Total income taxes	**1,829**	1,269	**17,771**
Net income before minority interests	**6,329**	1,369	**61,494**
Minority interests in net gain	**24**	118	**233**
Net income	**¥6,305**	¥1,251	**$61,261**
Per Share Amounts (Notes 2.t and 19):	*Yen*		***U.S. Dollars***
Basic net income	**¥67.08**	¥13.31	**$0.65**
Diluted net income	**59.49**	13.31	**0.58**
Cash dividends applicable to the year	**15.00**	10.00	**0.15**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2014	2013	**2014**
Net income before minority interests	**¥6,329**	¥1,369	**$61,494**
Other comprehensive income (Note 18):			
Unrealized gain on available-for-sale securities	**1,480**	3,826	**14,380**
Deferred loss on derivatives under hedge accounting	**(7)**	(32)	**(68)**
Total other comprehensive income	**1,473**	3,794	**14,312**
Comprehensive income	**¥7,802**	¥5,163	**$75,806**
Total comprehensive income attributable to (Note 18):			
Owners of the parent	**¥7,778**	¥5,045	**$75,573**
Minority interests	**24**	118	**233**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2014

	Thousands	*Millions of Japanese Yen*				
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock -at cost
Balance, April 1, 2012	93,980	¥5,483	¥15,282	¥849	¥62,370	¥(19,361)
Net income					1,251	
Cash dividends					(470)	
Net changes in items	11			9	(10)	17
Net changes during the year	11			9	771	17
Balance, March 31, 2013	93,991	5,483	15,282	858	63,141	(19,344)
Net income					6,305	
Cash dividends					(1,175)	
Purchase of treasury stock	(1)					(1)
Disposal of treasury stock	22				(3)	27
Net changes in items				(197)		
Net changes during the year	21			(197)	5,127	26
Balance, March 31, 2014	94,012	¥5,483	¥15,282	¥661	¥68,268	¥(19,318)

	Millions of Japanese Yen					
	Accumulated other comprehensive income					
	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance, April 1, 2012	¥(1,869)	¥17		¥62,771	¥452	¥63,223
Net income				1,251		1,251
Cash dividends				(470)		(470)
Net changes in items	3,827	(31)		3,812	101	3,913
Net changes during the year	3,827	(31)		4,593	101	4,694
Balance, March 31, 2013	1,958	(14)		67,364	553	67,917
Net income				6,305		6,305
Cash dividends				(1,175)	(18)	(1,193)
Purchase of treasury stock				(1)		(1)
Disposal of treasury stock				24		24
Net changes in items	1,479	(7)	1,666	2,941	24	2,965
Net changes during the year	1,479	(7)	1,666	8,094	6	8,100
Balance, March 31, 2014	¥3,437	¥(21)	¥1,666	¥75,458	¥559	¥76,017

	Thousands	*Thousands of U.S. Dollars (Note 1)*				
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock -at cost
Balance, April 1, 2013	93,991	$53,274	$148,484	$8,338	$613,496	$(187,952)
Net income					61,261	
Cash dividends					(11,417)	
Purchase of treasury stock	(1)					(10)
Disposal of treasury stock	22				(29)	263
Net changes in items				(1,915)		
Net changes during the year	21			(1,915)	49,815	253
Balance, March 31, 2014	94,012	$53,274	$148,484	$6,423	$663,311	$(187,699)

	Thousands of U.S. Dollars (Note 1)					
	Accumulated other comprehensive income					
	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance, April 1, 2013	$19,024	$(136)		$654,528	$5,373	$659,901
Net income				61,261		61,261
Cash dividends				(11,417)	(175)	(11,592)
Purchase of treasury stock				(10)		(10)
Disposal of treasury stock				234		234
Net changes in items	14,371	(68)	16,187	28,575	233	28,808
Net changes during the year	14,371	(68)	16,187	78,643	58	78,701
Balance, March 31, 2014	$33,395	$(204)	$16,187	$733,171	$5,431	$738,602

Consolidated Statement of Cash Flows

Nihon Unisys, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen		*Thousands of U.S. Dollars (Note 1)*
	2014	2013	**2014**
Operating Activities:			
Income before income taxes and minority interests	**¥8,158**	¥2,638	**$79,265**
Adjustments for:			
Income taxes paid	**(555)**	(1,575)	**(5,393)**
Loss on impairment of long-lived assets	**1,605**	1,336	**15,595**
Depreciation and amortization	**10,183**	10,368	**98,941**
Amortization of goodwill	**138**	137	**1,341**
Gain on sales of investment securities	**(237)**	(129)	**(2,303)**
Loss on impairment of investment securities	**577**	4,248	**5,606**
Decrease (increase) in accounts receivable—trade	**1,232**	(4,768)	**11,970**
Increase in inventories	**(4,952)**	(1,177)	**(48,115)**
Decrease in interest and dividends receivable	**1**	7	**10**
(Increase) decrease in asset for retirement benefits	**(5,601)**	83	**(54,421)**
(Decrease) increase in accounts payable—trade	**(1,083)**	2,140	**(10,523)**
Decrease in interest payable	**(64)**	(19)	**(622)**
Increase in accrued expenses	**361**	3,721	**3,508**
(Decrease) increase deposit received	**(551)**	2,309	**(5,354)**
Increase in liability for retirement benefits	**114**	124	**1,108**
Increase (decrease) in allowance for loss on contract development	**1,514**	(1,982)	**14,710**
Decrease in other allowance	**(254)**	(117)	**(2,468)**
Other—net	**1,303**	1,104	**12,662**
Total adjustments	**3,731**	15,810	**36,252**
Net cash provided by operating activities	**11,889**	18,448	**115,517**
Investing Activities:			
Proceeds from sales of property, plant and equipment	**54**	1	**525**
Payments for purchases of property, plant and equipment	**(3,031)**	(3,817)	**(29,450)**
Payments for purchases of software	**(5,455)**	(8,069)	**(53,002)**
Proceeds from sales of investment securities	**780**	500	**7,579**
Payments for purchases of investment securities	**(700)**	(30)	**(6,801)**
Other—net	**63**	(28)	**611**
Net cash used in investing activities	**(8,289)**	(11,443)	**(80,538)**
Financing Activities:			
Net increase in short-term bank loans	**450**	300	**4,372**
Proceeds from long-term debt	**1,150**	10,863	**11,174**
Repayments of long-term debt	**(2,290)**	(20,173)	**(22,250)**
Proceeds from issuance of convertible bonds	**15,225**		**147,930**
Repayments of other debt	**(485)**	(498)	**(4,712)**
Net (decrease) increase in commercial paper	**(13,000)**	1,000	**(126,312)**
Purchase of treasury shares	**(1)**	(0)	**(10)**
Proceeds from sale of treasury stock		7	
Cash dividends	**(1,175)**	(470)	**(11,417)**
Cash dividends to minority interests	**(18)**	(14)	**(175)**
Other—net	**(7)**		**(67)**
Net cash used in financing activities	**(151)**	(8,985)	**(1,467)**
Net increase (decrease) in Cash and Cash Equivalents	**3,449**	(1,980)	**33,512**
Cash and Cash Equivalents, Beginning of Year	**25,275**	27,255	**245,579**
Cash and Cash Equivalents, End of Year	**¥28,724**	¥25,275	**$279,091**

See notes to consolidated financial statements.

1. Basis of presenting 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 from 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 financial statements to conform them to the classifications used in 2014.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nihon Unisys, 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 ¥102.92 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.

2. Summary of significant accounting policies

(a) Consolidation – The consolidated financial statements as of March 31, 2014 include the accounts of the Company and its 18 (20 as of March 31, 2013) significant subsidiaries and one (the same as of March 31, 2013) associated company accounted for by the equity method (collectively, the "Group").

NETMARKS INC., which was a consolidated subsidiary in the previous fiscal year, was merged with UNIADEX, Ltd., a consolidated subsidiary on March 1, 2014, which is the surviving company.
USOL HOLDINGS Co., Ltd., which was a consolidated subsidiary in the previous fiscal year, was dissolved on December 31, 2013 and was excluded from the scope of 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 the remaining six unconsolidated subsidiaries and 9 (10 as of March 31, 2013) associated companies are stated at cost. If the consolidation or 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 cost of an acquisition over the fair value of subsidiaries' net assets acquired is amortized on a straight-line basis over 20 years.

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

(b) Cash equivalents – Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

(c) Inventories – Inventories are stated at the lower of cost determined by the moving-average method or net selling value.

(d) Investment securities – Investment securities are classified and accounted for depending on management's intent. All securities are classified as available-for-sale securities.

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

The cost of securities sold is determined based on the moving-average method.

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

(e) Allowance for doubtful accounts – The allowance for doubtful accounts is stated at amounts considered to be appropriate based on the Group's past credit loss experience and on evaluation of potential losses in the receivables outstanding.

(f) ***Property, plant and equipment*** – Property, plant and equipment are stated at cost. Depreciation of rental and outsourcing computers included in machinery and equipment is mainly computed by the straight-line method over useful life, principally five years with no residual value.

Depreciation of buildings and structures and other machinery and equipment is mainly computed by the straight-line method.

Useful lives range from 6 to 50 years for buildings and structures. The useful lives for lease assets are the periods of the respective leases. Machinery and equipment held for lease are depreciated by the straight-line method over the respective lease periods.

(g) **Software** – Software development costs, incurred through the completion of a Beta version of specific software for sale to the market, are charged to income as incurred. Costs incurred subsequent to the completion of the Beta version are capitalized as software.

Software for sale to the market is amortized at the greater of either the amount to be amortized in proportion of the actual sales of the software during the current year to the estimated total sales over the estimated salable years of the software or the amount to be amortized by the straight-line method over the estimated salable years, principally over three years.

Software for internal use is amortized by the straight-line method over the estimated useful lives, principally over five years. Software held for leasing is depreciated by the straight-line method over the respective lease periods.

(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 is 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) ***Allowance for loss on contract development*** ― The allowance for loss on contract development is provided for an estimated amount of probable losses to be incurred in future years on the software development contracts that cost ¥50 million or more.

(j) ***Retirement and Pension Plans*** – The Company and certain subsidiaries have defined benefit corporate pension plans (cash balance plans) and defined contribution pension plans covering substantially all of their employees. Other consolidated subsidiaries have defined benefit pension plans, defined contribution pension plans, and severance lump-sum payment plans.

Actuarial gains and losses are recognized using the straight-line method over the average of the estimated remaining service period (mainly 10 years for the fiscal years ended March 31, 2014 and 2013) starting in the following year. Prior service cost is amortized in expenses using the straight-line method over the average of the estimated remaining service period (10 years for the fiscal years ended March 31, 2014 and 2013).

The Company and a certain subsidiary participate in the New Career Support Program (the “NCSP”) to assist certain employees in retiring before their mandatory retirement age. The Company and the certain subsidiary provide for the estimated future payments to be paid under the NCSP and include this amount as a liability for retirement benefits.

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.

(1) 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).

(2) 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 (see Note 2.v).

(3) 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 (1) and (2) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (3) 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 (1) and (2) above, effective March 31, 2014. As a result, accumulated other comprehensive income for the year ended March 31, 2014, increased by ¥1,666 million ($16,187 thousand). In addition, net assets per share increased by ¥17.72 ($0.17) for the year ended March 31, 2014.

(k) ***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.

(l) ***Stock options*** – ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

The Group has applied the accounting standard for stock options to those granted on and after May 1, 2006.

(m) ***Construction contracts*** – For software development contracts that cost ¥50 million or more for the fiscal years ended March 31, 2014 and 2013, the percentage-of-completion method is adopted only if the percentage of completion is reasonably assured. For other contracts, the completed-contract method is applied.

The percentage of completion is evaluated by Earned Value Management ("EVM"). EVM divides deliverables defined on the contract, such as software and related documents, by work phase. EVM defines percentages of completion as the ratio of earned value of work phase completed during the fiscal year divided by the entire work phase.

(n) ***Research and development costs*** – Research and development costs are charged to income as incurred.

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

Under the previous accounting standard, finance leases that 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 notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted 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.

The adoption of this standard had no effect on the Company's consolidated statement of income.

All other leases are accounted for as operating leases.

(p) ***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 Company and certain of its subsidiaries have applied the consolidated taxation system from the year ended March 31, 2013.

(q) ***Appropriations of retained earnings*** – Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

(r) ***Foreign currency transactions*** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statement of income to the extent that they are not hedged by forward exchange contracts.

(s) ***Derivatives and hedge accounting*** – The Company and certain subsidiaries use a variety of derivative financial instruments, including foreign currency forward contracts and interest rate swaps as a means of hedging exposure to foreign currency and interest rate risks. The Company and certain subsidiaries do 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 trade, except for derivatives which qualify for hedge accounting, are recognized in the consolidated statement of income.

(2) For derivatives used for hedging purposes, if 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 in procurement of merchandise from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Interest rate swaps are utilized to hedge interest rate exposures on certain liabilities. The interest rate swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liabilities or assets. However, in cases where interest rate swaps qualify for hedge accounting and meet specific matching criteria, the net amount to be paid or received under the interest rate swap contracts are added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(t) 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 reflects the potential dilution that could occur if securities were exercised into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

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.

(u) 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.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2013.

(v) 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:

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.

The Company expects to apply the above from April 1, 2014. The effects of applying the revised accounting standard are estimated as follows: Retained earnings as of April 1, 2014 decreased by ¥5,516 million ($53,595 thousand). It is currently evaluating the effect of the change in the consolidated statement of income on the revision of the calculation method of service costs and retirement benefit obligations.

3. Cash equivalents

Cash equivalents at March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	2013	**2014**
Cash and time deposits	**¥28,724**	¥25,275	**$279,091**
Total	**¥28,724**	¥25,275	**$279,091**

4. Investment securities

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

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	2013	**2014**
Noncurrent:			
Equity securities	**¥14,156**	¥12,849	**$137,544**
Debt securities	**100**	100	**972**
Trust fund investments and other	**482**	208	**4,682**
Total	**¥14,738**	¥13,157	**$143,198**

The costs and aggregate fair values of investment securities at March 31, 2014 and 2013, were as follows:

	Millions of Yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:				
Equity securities	**¥7,752**	**¥5,189**	**¥(64)**	**¥12,877**
Other	**343**		**(24)**	**319**
Total	**¥8,095**	**¥5,189**	**¥(88)**	**¥13,196**
March 31, 2013				
Available-for-sale securities:				
Equity securities	¥8,495	¥3,774	¥(709)	¥11,560
Other	34		(6)	28
Total	¥8,529	¥3,774	¥(715)	¥11,588

	Thousands of U.S. Dollars			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities:				
Equity securities	**$75,321**	**$50,418**	**$(622)**	**$125,117**
Other	**3,332**		**(233)**	**3,099**
Total	**$78,653**	**$50,418**	**$(855)**	**$128,216**

Information regarding available-for-sale securities which were sold during the years ended March 31, 2014 and 2013, was as follows:

	Millions of Yen		
March 31, 2014	Proceeds	Realized Gains	Realized Losses
Available-for-sale securities:			
Equity securities	**¥780**	**¥237**	
Other			
Total	**¥780**	**¥237**	
March 31, 2013			
Available-for-sale securities:			
Equity securities	¥500	¥129	
Other			
Total	¥500	¥129	

	Thousands of U.S. Dollars		
March 31, 2014	Proceeds	Realized Gains	Realized Losses
Available-for-sale securities:			
Equity securities	**$7,579**	**$2,303**	
Other			
Total	**$7,579**	**$2,303**	

Impairment losses on available-for-sale equity securities for the years ended March 31, 2014 and 2013, were ¥577 million ($5,606 thousand) and ¥4,248 million, respectively.

5. Accounts receivable—trade

Costs and estimated earnings recognized with respect to construction contracts which were accounted for by the percentage-of-completion method at March 31, 2014 and 2013, were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	2013	**2014**
Costs and estimated earnings	**¥6,740**	¥3,628	**$65,488**
Amount billed	**878**	(55)	**8,531**
Total	**¥5,862**	¥3,573	**$56,957**

6. Inventories

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

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	2013	**2014**
Work in process	**¥2,909**	¥2,594	**$28,265**
Merchandise and finished products	**10,489**	6,043	**101,914**
Supplies	**371**	179	**3,605**
Total	**¥13,769**	¥8,816	**$133,784**

7. Long-lived assets

The Group reviewed its long-lived assets for impairment as of March 31, 2014. As a result, the Group recognized an impairment loss of ¥8 million ($78 thousand) for the asset groups used to provide application services, and ¥1,597 million ($15,517 thousand) for the asset groups used to provide outsourcing, due to continuous operating losses of those units and the carrying amounts of the relevant assets were written down to the recoverable amount.

The recoverable amounts of those asset groups were measured at their value in use, and the asset group, for which the recoverable amount of value in use is negative, is calculated as zero.

Loss on impairment of long-lived assets for the year ended March 31, 2014, consisted of the following:

	Millions of Yen	*Thousands of U.S. Dollars*
Application services:	**2014**	**2014**
Software	**¥8**	**$78**
Total	**¥8**	**$78**
Outsourcing:		
Machinery and equipment	**¥19**	**$185**
Software	**1,578**	**15,332**
Total	**¥1,597**	**$15,517**

The Group reviewed its long-lived assets for impairment as of March 31, 2013. As a result, the Group recognized an impairment loss of ¥380 million for the asset groups used to provide application services, and ¥956 million for the asset groups used to provide outsourcing, due to continuous operating losses of those units and the carrying amounts of the relevant assets being written down to the recoverable amounts.

The recoverable amounts of those asset groups were measured at their value in use by means of discounted future cash flows with a discount rate of 4.6%.

Loss on impairment of long-lived assets for the year ended March 31, 2013, consisted of the following:

	Millions of Yen
Application services:	2013
Machinery and equipment	¥3
Software	377
Total	¥380
Outsourcing:	
Machinery and equipment	¥189
Software	767
Total	¥956

8. Short-term bank loans and long-term debt

Short-term bank loans of ¥750 million ($7,287 thousand) bore interest at a rate of approximately 0.41% at March 31, 2014.

Commercial paper of ¥13,000 million bore interest at a rate of approximately 0.11% at March 31, 2013.

Long-term debt at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	2013	**2014**
1.39% unsecured bonds due 2015	**¥10,000**	¥10,000	**$97,163**
Unsecured loans from banks and insurance companies, 0.48% to 1.19%, due serially to 2019	**40,710**	41,850	**395,550**
Euro Yen zero coupon convertible bonds due 2016	**15,163**		**147,328**
Total	**65,873**	51,850	**640,041**
Less current portion	**(13,940)**	(2,290)	**(135,445)**
Long-term debt, less current portion	**¥51,933**	¥49,560	**$504,596**

The annual maturities of long-term debt as of March 31, 2014, for the next five years were as follows:

Year Ending March 31,	*Millions of Yen*	*Thousands of U.S. Dollars*
2015	**¥13,940**	**$135,445**
2016	**15,115**	**146,862**
2017	**31,178**	**302,934**
2018	**5,640**	**54,800**
2019		
Total	**¥65,873**	**$640,041**

As is customary in Japan, collateral must be provided under certain circumstances, if requested by a lending bank, and such bank has the right to offset cash deposited with it against any debts or obligations that become due and, in the case of default or certain other specified events, against all debts payable to the bank. The Group has never received such a request.

The issue price of the convertible bonds due in June 2016 is 101.5% of the face value of the bonds. The conversion price was ¥1,114 per share at June 20, 2013. If all the outstanding convertible bonds had been exercised at March 31, 2014, 11,221 thousand shares of common stock would have been issued.
The conversion price of the convertible bonds is subject to adjustments to reflect stock splits and certain other events. Each stock acquisition right may be exercised at any time during the period from July 4, 2013 to June 6, 2016.

9. Income taxes

The Group is subject to Japanese national and local income taxes which resulted in a normal effective statutory tax rate of approximately 38.0% for the year ended March 31, 2014 and 2013.

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

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	2013	**2014**
Current assets:			
Deferred tax assets:			
Accrued bonuses	**¥1,957**	¥1,935	**$19,015**
Inventory valuation	**1,260**	1,509	**12,243**
Allowance for loss on contract development	**1,180**	715	**11,465**
Tax loss carryforwards	**372**	782	**3,615**
Accrued business and office taxes	**180**	270	**1,749**
Unrealized profit of inventories	**158**	175	**1,535**
Others	**1,796**	1,014	**17,450**
Total	**6,903**	6,400	**67,072**
Less valuation allowance	**(604)**	(358)	**(5,869)**
Total	**¥6,299**	¥6,042	**$61,203**
Deferred tax liabilities:			
Deferred gain on derivatives under hedge accounting	**¥(3)**	¥(13)	**$(29)**
Others	**(5)**	(5)	**(49)**
Total	**¥(8)**	¥(18)	**$(78)**
Net current deferred tax assets	**¥6,291**	¥6,024	**$61,125**

Net current deferred tax assets at March 31, 2014, included in the consolidated balance sheet were as follows:

	Millions of Yen	*Thousands of U.S. Dollars*
Deferred tax assets—current	**¥6,299**	**$61,203**
Deferred tax liabilities—current	**(8)**	**(78)**
Net deferred tax assets—current	**¥6,291**	**$61,125**

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Noncurrent assets:			
Deferred tax assets:			
Tax loss carryforwards	**¥9,313**	¥11,035	**$90,488**
Loss on impairment of long-lived assets	**3,984**	4,671	**38,710**
Depreciation expense	**3,665**	4,890	**35,610**
Liability for retirement benefits	**367**	350	**3,566**
Deferred gain on derivatives under hedge accounting	**9**		**87**
Others	**3,386**	2,720	**32,899**
Total	**20,724**	23,666	**201,360**
Less valuation allowance	**(12,164)**	(15,171)	**(118,189)**
Total	**¥8,560**	¥8,495	**$83,171**
Deferred tax liabilities:			
Asset for retirement benefits	**¥(2,542)**	¥(578)	**$(24,699)**
Net unrealized gain on available-for-sale securities	**(1,667)**	(1,080)	**(16,197)**
Others	**(294)**	(77)	**(2,856)**
Total	**¥(4,503)**	¥(1,735)	**$(43,752)**
Net noncurrent deferred tax assets	**¥4,057**	¥6,760	**$39,419**

Net noncurrent deferred tax assets at March 31, 2014, included in the consolidated balance sheet were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets—noncurrent	**¥8,560**	**$83,171**
Deferred tax liabilities—noncurrent	**(4,503)**	**(43,752)**
Net deferred tax assets—noncurrent	**¥4,057**	**$39,419**

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

	2014	2013
Normal effective statutory tax rate	**38.0%**	38.0%
Increase (decrease) in valuation allowance	**(31.9)**	4.4
Effect of change of tax rate	**3.3**	
Expenses not deductible for income tax purposes	**3.0**	8.8
Tax effect not recognized on unrealized income		(4.3)
Amortization of goodwill	**0.6**	2.0
Amount of per capita local tax	**0.6**	1.9
Amortization of negative goodwill		(0.1)
Equity in earnings of associated companies	**(0.2)**	(0.6)
Nontaxable items	**(1.9)**	(2.7)
Effect of difference between effective tax rate and actual effective tax rate	**6.3**	7.0
Effect of application of consolidated taxation system	**5.7**	(3.9)
Research and development tax credit		(1.9)
Other—net	**(1.1)**	(0.5)
Actual effective tax rat	**22.4%**	48.1%

At March 31, 2014, the Company and certain consolidated subsidiaries have tax loss carryforwards aggregating approximately ¥25,575 million ($248,494 thousand), which are available to be offset against taxable income in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2015	**¥1,043**	**$10,134**
2018	**1,191**	**11,572**
2019	**6,915**	**67,188**
2020	**10,939**	**106,287**
2021	**5,487**	**53,313**
Total	**¥25,575**	**$248,494**

Under the new tax reform laws promulgated in Japan on March 31, 2014, the statutory tax rate used for the calculation of deferred tax liabilities eliminated and deferred tax assets expected in the fiscal year beginning from April 1, 2014, became 35.6% from 38.0%.
In addition, local income taxes that are national tax is imposed, in exchange for reduced residents' tax, from the fiscal year beginning after October 1, 2014.
As a result of these changes, the amount of deferred tax assets decreased by ¥269 million ($2,614 thousand), and income taxes increased by ¥270 million ($2,623 thousand).

10. Retirement benefits

The Company and certain subsidiaries have defined benefit corporate pension plans (cash balance plans) and defined contribution pension plans covering substantially all of their employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of lump-sum severance payments from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

Other consolidated subsidiaries have defined benefit pension plans, defined contribution pension plans, and severance lump-sum payment plans.

Changes in the liability for retirement benefit obligations in March 31, 2014 from March 31, 2013, were as follows:

March 31, 2014	*Millions of Yen*	*Thousands of U.S. Dollars*
Retirement benefit obligation, beginning of year	**¥98,082**	**$952,993**
Service cost	**2,129**	**20,686**
Interest cost	**1,914**	**18,597**
Actuarial gains	**(32)**	**(311)**
Payments for retirement benefit	**(5,342)**	**(51,905)**
Retirement benefit obligation, end of year	**¥96,751**	**$940,060**

Changes in the pension assets in March 31, 2014 from March 31, 2013, were as follows:

March 31, 2014	*Millions of Yen*	*Thousands of U.S. Dollars*
Pension assets, beginning of year	**¥94,944**	**$922,503**
Expected return on assets	**1,428**	**13,875**
Actuarial gains	**7,488**	**72,756**
Contributions from the employer	**4,318**	**41,954**
Payments for retirement benefit	**(5,322)**	**(51,710)**
Pension assets, end of year	**¥102,856**	**$999,378**

Assets related to retirement benefits and debt retirement benefits that have been recorded in the consolidated balance sheet and year-end balance of pension assets and retirement benefit obligations for the year ended March 31, 2014, were as follows:

March 31, 2014	*Millions of Yen*	*Thousands of U.S. Dollars*
Funded defined benefit obligation	**¥(96,103)**	**$(933,764)**
Plan assets	**102,856**	**999,378**
	6,753	**65,614**
Unfunded defined benefit obligation	**(648)**	**(6,296)**
Net asset arising from defined benefit obligation	**¥6,105**	**$59,318**
Liability for retirement benefits	**(1,019)**	**(9,901)**
Asset for retirement benefits	**7,124**	**69,219**
Net asset arising from defined benefit obligation	**¥6,105**	**$59,318**

The components of net periodic benefit costs for the year ended March 31, 2014, were set forth as follows:

March 31, 2014	*Millions of Yen*	*Thousands of U.S. Dollars*
Service cost	**¥2,129**	**$20,686**
Interest cost	**1,914**	**18,597**
Expected return on assets	**(1,428)**	**(13,875)**
Prior service cost	**(1,201)**	**(11,669)**
Cost of actuarial gains and losses	**(24)**	**(233)**
Other	**1,063**	**10,328**
Retirement benefit cost of defined benefit plans	**¥2,453**	**$23,834**

Remeasurements of defined benefit plans as of March 31, 2014, were as follows:

March 31, 2014	*Millions of Yen*	*Thousands of U.S. Dollars*
Difference of unrecognized actuarial	**¥(2,591)**	**$(25,175)**

Breakdown of pension assets:

March 31, 2014	
Bond	34 %
Stock	21
Cash and cash equivalents	18
Life insurance	9
Real estate	6
Other	12
Total	100 %

Assumptions of major actuarial:

March 31, 2014	
Discount rate	**mainly 2.0%**
Expected rate of return on plan assets	**mainly 1.5%**

The liability for retirement benefits at March 31, 2013, consisted of the following:

March 31, 2013	*Millions of Yen*
Projected benefit obligation	¥98,082
Fair value of plan assets	(94,944)
Unrecognized prior service cost	1,202
Unrecognized actuarial gain	(4,905)
Prepaid pension costs	1,523
Net liability	¥958

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

March 31, 2013	*Millions of Yen*
Service cost	¥2,285
Interest cost	1,994
Expected return on plan assets	(1,718)
Amortization of prior service cost	(1,201)
Recognized actuarial loss	3,325
Payment to a defined contribution plan and other	1,110
Total	¥5,795

Assumptions used for the year ended March 31, 2013, were set forth as follows:

March 31, 2013	
Discount rate	mainly 2.0%
Expected rate of return on plan assets	2.0%
Amortization period of prior service cost	10 years
Recognition period of actuarial gain/loss	mainly 10 years

The liability for retirement benefits at March 31, 2014 and 2013, included the following liabilities:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	2013	**2014**
Allowance for the New Career Support Program (the "NCSP")	**¥259**	¥218	**$2,517**
Current portion	**(119)**	(94)	**(1,157)**
Net noncurrent portion	**¥140**	¥124	**$1,360**

Total charges relating to allowance for the NCSP for the years ended March 31, 2014 and 2013 were as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	2013	**2014**
Allowance for the NCSP	**¥112**	¥109	**$1,088**

11. Equity

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

(1) 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 a board of corporate auditors and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all 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.

(2) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount 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.

(3) 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 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.

12. Stock options

The Company's granted stock options as of March 31, 2014, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2006 Stock Option	10 directors; 250 employees; 20 subsidiaries' directors; 514 subsidiaries' employees	522,900 shares	November 7, 2006	¥2,434 $23.65	From July 1, 2008 to June 30, 2013
2007 Stock Option	8 directors; 352 employees; 30 subsidiaries' directors; 250 subsidiaries' employees	746,300 shares	November 15, 2007	¥1,712 $16.63	From November 1, 2009 to October 31, 2014
2008 Stock Option	8 directors; 395 employees; 23 subsidiaries' directors; 265 subsidiaries' employees	963,600 shares	August 15, 2008	¥1,791 $17.40	From July 1, 2010 to June 30, 2015
2009 Stock Option	7 directors; 424 employees; 21 subsidiaries' directors; 256 subsidiaries' employees	991,900 shares	August 7, 2009	¥864 $8.39	From July 1, 2011 to June 30, 2016
2012 Stock Option	6 directors; 16 employees; 4 subsidiaries' directors; 10 subsidiaries' employees	200,600 shares	July 17, 2012	¥1 $0.01	From July 1, 2013 to June 30, 2043
2013 Stock Option	6 directors; 16 employees; 4 subsidiaries' directors; 9 subsidiaries' employees	261,200 shares	July 12, 2013	¥1 $0.01	From July 1, 2014 to June 30, 2044

The Company's stock option activity was as follows:

	2005 Stock Option (Shares)	2006 Stock Option (Shares)	2007 Stock Option (Shares)	2008 Stock Option (Shares)	2009 Stock Option (Shares)	2012 Stock Option (Shares)	2013 Stock Option (Shares)
For the year ended March 31, 2013							
Nonvested							
March 31, 2012—Outstanding							
Granted						200,600	
Canceled							
Vested						200,600	
March 31, 2013—Outstanding							
Vested							
March 31, 2012—Outstanding	701,000	494,400	711,300	464,100	473,900		
Vested						200,600	
Exercised							
Canceled	701,000	3,800	5,200	5,900	5,900	181,200	
March 31, 2013—Outstanding		490,600	706,100	458,200	468,000	19,400	
For the year ended March 31, 2014							
Nonvested							
March 31, 2013—Outstanding							
Granted							261,200
Canceled							
Vested							261,200
March 31, 2014—Outstanding							
Vested							
March 31, 2013—Outstanding		490,600	706,100	458,200	468,000	19,400	
Vested							261,200
Exercised					21,000	900	
Canceled		490,600	3,200	4,300	2,000		153,900
March 31, 2014—Outstanding			702,900	453,900	445,000	18,500	107,300
Exercise price	¥1,763 $17.13	¥2,434 $23.65	¥1,712 $16.63	¥1,791 $17.40	¥864 $8.39	¥1 $0.01	¥1 $0.01
Average stock price at exercise					¥1,112 $10.80	¥767 $7.45	
Fair value price at grant date		¥520 $5.05	¥396 $3.85	¥397 $3.86	¥215 $2.09	¥553 $5.37	¥706 $6.86

13. Research and development costs

Research and development costs charged to income were ¥4,660 million ($45,278 thousand) and ¥4,861 million for the years ended March 31, 2014 and 2013, respectively.

14. Leases

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

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	2013	**2014**
Due within one year	**¥565**	¥525	**$5,490**
Due after one year	**99**	565	**962**
Total	**¥664**	¥1,090	**$6,452**

Due to the immaterial amounts of lease transactions in the consolidated financial statements, "as if capitalized" information for the fiscal years ended March 31, 2014 and 2013, is omitted.

15. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010, with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Policy for financial instruments

The Group uses financial instruments, mainly bank loans and bonds. Cash surpluses, if any, are invested in low-risk financial assets. All derivative transactions are entered into, not for speculative purposes, but to manage exposure to financial risks incorporated within its business.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Payment terms of payables, such as trade notes and trade accounts, are less than one year. Payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Bank loans, commercial paper, and bonds are mainly used to fund its ongoing operations. Certain bank loans are exposed to market risks from changes in variable interest rates. Derivatives mainly include forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of payables, and from changes in interest rates of bank loans. Please see Note 16 for more details about derivatives.

(3) Risk management for financial instruments

Credit risk management
Credit risk is the risk of economic loss arising from a customer's failure to repay according to the contractual terms. Receivables such as trade notes and trade accounts are exposed to customer credit risk. The Company manages its credit risk from receivables on the basis of internal guidelines to identify and minimize the default risk of customers in the early stages. The internal guidelines include conducting a credit investigation of a new customer to limit its credit amount, periodically reviewing the status of customers, and monitoring of payment terms and balances of each customer by the business administration department and the credit department. The Company's subsidiaries also manage their credit risk on the basis of the same basic internal guidelines as the Company's.

Market risk management (foreign exchange risk and interest rate risk)
With respect to the risk of market price fluctuations of investment securities, the Group monitors market values and/or financial position of issuers, which are the Group's customers and suppliers, on a regular basis to determine whether to continue to hold such securities, taking into consideration the relation with those customers and suppliers of the Group.
Currency exchange risk of foreign currency trade payables is hedged principally by forward foreign currency contracts. Interest rate swaps are used to manage exposure to market risks from changes in interest rates for certain bank loans.
Execution and custody of derivative transactions by the corporate treasury department have been approved by the directors concerned based on internal guidelines. The transaction data has been reported to the directors concerned and corporate auditors on a monthly basis.

Liquidity risk management
Liquidity risk comprises the risk that the Company and its subsidiaries cannot meet their contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial plans prepared and updated by the Company's corporate treasury department, based on reports from the Company's subsidiaries and its internal departments.

(4) 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. Such valuation reflects variable factors and may result in a different amount depending on assumptions.

The contract amounts of derivatives shown in Note 16 do not measure the Group's exposure to market risk.

(a) Fair values of financial instruments
Fair values of financial instruments as of March 31, 2014 and 2013 were as follows:

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**¥28,724**	**¥28,724**	
Accounts receivable—trade	**67,958**	**67,958**	
Investment securities	**13,196**	**13,196**	
Total	**¥109,878**	**¥109,878**	
Current portion of long-term debt	**¥13,940**	**¥14,027**	**¥(87)**
Accounts payable—trade	**24,435**	**24,435**	
Convertible bond	**15,163**	**17,004**	**(1,841)**
Long-term debt	**36,770**	**37,017**	**(247)**
Total	**¥90,308**	**¥92,483**	**¥(2,175)**
Derivatives *	**¥26**	**¥26**	
March 31, 2013			
Cash and cash equivalents	¥25,275	¥25,275	
Accounts receivable—trade	69,190	69,190	
Investment securities	11,588	11,588	
Total	¥106,053	¥106,053	
Current portion of long-term debt	¥2,290	¥2,295	¥(5)
Commercial paper	13,000	13,000	
Accounts payable—trade	25,518	25,518	
Long-term debt	49,560	49,956	(396)
Total	¥90,368	¥90,769	¥(401)
Derivatives *	¥12	¥12	

	Thousands of U.S. Dollars		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**$279,091**	**$279,091**	
Accounts receivable—trade	**660,299**	**660,299**	
Investment securities	**128,216**	**128,216**	
Total	**$1,067,606**	**$1,067,606**	
Current portion of long-term debt	**$135,445**	**$136,290**	**$(845)**
Accounts payable—trade	**237,417**	**237,417**	
Convertible bond	**147,328**	**165,216**	**(17,888)**
Long-term debt	**357,268**	**359,668**	**(2,400)**
Total	**$877,458**	**$898,591**	**$(21,133)**
Derivatives *	**$253**	**$253**	

* Assets and liabilities from derivative transactions are netted, with net liabilities presented in parenthesis.

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

Accounts receivable—trade
The carrying values of accounts receivable—trade approximate fair value because of their short maturities.

Investment securities
The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. The fair values of mutual funds are measured at the market price.
Fair value information for investment securities by classification is included in Note 4.

Accounts payable—trade, short-term bank loans, and commercial paper
The carrying values of accounts payable—trade, short-term bank loans, and commercial paper approximate fair value because of their short maturities.

Long-term debt
The fair values of long-term debt are determined by discounting the cash flows related to the debt at the assumed borrowing rate applied if the debt of the same interest and principal were newly financed. Interest rate swaps which qualify for hedge accounting and which 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. The fair values of items (i.e., floating rate loans from banks and insurance companies) hedged by such interest rate swaps are determined by discounting the total cash flows of those hedged items and hedging instruments at the rationally estimated rate applied if the debt of the same interest and principal were financed.

Derivatives
Fair value information for derivatives is included in Note 16.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount		
	Millions of Yen		*Thousands of U.S. Dollars*
	2014	2013	**2014**
Investments in unconsolidated subsidiaries and associated companies	**¥1,534**	¥1,502	**$14,905**
Investments in equity instruments that do not have a quoted market price in an active market	**¥1,279**	¥1,289	**$12,427**
Other	**¥263**	¥280	**$2,555**

(5) 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	**¥28,724**			
Accounts receivable—trade	**67,958**			
Investment securities				
Available-for-sale securities:				
(1) Debt securities			**¥100**	
(2) Other		**¥163**		
Total	**¥96,682**	**¥163**	**¥100**	
March 31, 2013				
Cash and cash equivalents	¥25,275			
Accounts receivable—trade	69,190			
Investment securities				
Available-for-sale securities:				
(1) Debt securities			¥100	
(2) Other		¥170		
Total	¥94,465	¥170	¥100	

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
	Thousands of U.S. Dollars			
Cash and cash equivalents	**$279,091**			
Accounts receivable—trade	**660,299**			
Investment securities				
Available-for-sale securities:				
(1) Debt securities			**$972**	
(2) Other		**$1,584**		
Total	**$939,390**	**$1,584**	**$972**	

* Please see Note 8 for annual maturities of long-term debt.

16. Derivatives

The Company and certain subsidiaries enter into foreign currency forward contracts to hedge foreign exchange risk associated with certain liabilities denominated in foreign currencies. The Company also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Company's and certain subsidiaries' business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions and credible general trading companies, the Company and certain subsidiaries do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company and certain subsidiaries have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

No derivative transactions to which hedge accounting is not applied existed at March 31, 2014 and 2013.

Derivative transactions to which hedge accounting is applied at March 31, 2014 and 2013, were as follows:

March 31, 2014	Hedged Item	Contract Amount	Contract amount due after one year	Fair Value
	Millions of Yen			
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	**¥1,432**		**¥9**
- Forward contracts applied for designated transactions	Payables	**1,545**		
Interest rate swaps:				
- Hedge accounting	Long-term debt	**3,000**	**¥3,000**	**(35)**
- Fixed-rate payment, floating rate receipt	Long-term debt	**13,150**	**12,650**	
March 31, 2013				
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	¥1,544		¥32
- Forward contracts applied for designated transactions	Payables	1,497		
Interest rate swaps:				
- Hedge accounting	Long-term debt	3,000	¥3,000	(44)
- Fixed-rate payment, floating rate receipt	Long-term debt	13,150	13,150	

March 31, 2014	Hedged Item	*Thousands of U.S. Dollars* Contract Amount	Contract amount due after one year	Fair Value
Foreign currency forward contracts:				
Buying U.S. Dollars:				
- Deferral hedge	Payables	**$13,914**		**$87**
- Forward contracts applied for designated transactions	Payables	**15,012**		
Interest rate swaps:				
- Hedge accounting	Long-term debt	**29,149**	**$29,149**	**(340)**
- Fixed-rate payment, floating rate receipt	Long-term debt	**127,769**	**122,911**	

* The fair values of derivative transactions are measured at the quoted price obtained from the financial institutions.
* Payables denominated in foreign currencies covered by a forward exchange contract are translated at the contracted rates if the forward contracts qualify for hedge accounting.
The above interest rate swaps which qualify for hedge accounting and which 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. In addition, the fair values of such interest rate swaps are included in those of the hedged items (i.e., long-term debt).

17. Contingent liabilities

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

	Millions of Yen		*Thousands of U.S. Dollars*
	2014	2013	**2014**
Guarantees of bank loans to employees for housing	**¥660**	¥832	**$6,413**

18. 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 gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	**¥1,401**	¥1,359	**$13,613**
Reclassification adjustments to profit or loss	**655**	4,125	**6,364**
Amount before income tax effect	**2,056**	5,484	**19,977**
Income tax effect	**(576)**	(1,658)	**(5,597)**
Total	**¥1,480**	¥3,826	**$14,380**
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	**¥3**	¥(19)	**$29**
Reclassification adjustments to profit or loss	**(17)**	(24)	**(165)**
Amount before income tax effect	**(14)**	(43)	**(136)**
Income tax effect	**7**	11	**68**
Total	**¥(7)**	¥(32)	**$(68)**
Total other comprehensive income	**¥1,473**	¥3,794	**$14,312**

19. Net income per share

A reconciliation of the differences between basic and diluted net income (loss) per share (“EPS”) for the years ended March 31, 2014 and 2013, is as follows:

For the year ended March 31, 2014	Net Income *Millions of Yen*	Weighted-average shares *Thousands of shares*	EPS *Yen*	*U.S. Dollars*
Basic EPS				
Net income available to common shareholders	¥6,305	93,993	¥67.08	$0.65
Effect of dilutive securities:				
Convertible bond	(39)	11,221		
Warrants		129		
Diluted EPS—Net income for computation	¥6,266	105,343	¥59.49	$0.58

For the year ended March 31, 2013	Net Income *Millions of Yen*	Weighted-average shares *Thousands of shares*	EPS *Yen*
Basic EPS			
Net income available to common shareholders	¥1,251	93,990	¥13.31
Effect of dilutive securities:			
Warrants		19	
Diluted EPS—Net income for computation	¥1,251	94,009	¥13.31

20. Related-party transactions

There were no transactions with related-parties for the year ended March 31, 2014.

Deposits with Mitsui & Co. Financial Services Ltd., sister company of the Company, for the year ended March 31, 2013, were as follows:

	Millions of Yen
	2013
Deposits: Mitsui & Co. Financial Services Ltd.	¥3,349

The deposit amounts above are the interim average balance of short-term deposits. There were no transaction balances due to or from Mitsui & Co. Financial Services Ltd. at March 31, 2013.
Mitsui & Co. Financial Services Ltd. is a subsidiary of Mitsui & Co., Ltd, of which the Company used to be an associated company before August 22, 2012, and which remains a major corporate shareholder with more than 10% of the voting power.

21. Segment information

For the years ended March 31, 2014 and 2013

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued 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 six segments – system services, support services, outsourcing, Netmarks services, software, and hardware. The "System Services" segment consists of contracted software development, system-related services, and consulting. The "Support Services" segment consists of support services for software, support services for hardware, and installation services. The "Outsourcing" segment consists of contracted administration of information systems and others. The "Netmarks Services" segment consists of network system integration. The "Software" segment consists of providing software under a software license agreement. The "Hardware" segment consists of providing hardware under a sales contract or a lease contract.

(2) Methods of measurement for the amounts of sales, profit (loss), assets 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."

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

	Millions of Yen										
	2014										
	Reportable segment										
	System Services	Support Services	Out-sourcing	Netmarks Services	Software	Hardware	Total	Other [1]	Total	Reconcil-iations [2]	Consol-idated [3]
Sales	**¥79,437**	**¥49,142**	**¥35,336**	**¥26,487**	**¥31,338**	**¥51,658**	**¥273,398**	**¥9,293**	**¥282,691**		**¥282,691**
Segment profit	**15,935**	**16,387**	**7,130**	**4,493**	**9,589**	**7,660**	**61,194**	**2,417**	**63,611**	**¥(54,036)**	**9,575**
Segment assets	**2,348**	**2,106**	**16,317**	**2,871**	**4,884**	**7,563**	**36,089**	**320**	**36,409**	**166,059**	**202,468**
Other:											
Depreciation	**178**	**488**	**4,396**	**410**	**1,825**	**858**	**8,155**	**84**	**8,239**	**1,944**	**10,183**
Increase in property, plant and equipment and intangible assets	**228**	**273**	**3,650**	**151**	**1,877**	**382**	**6,561**	**80**	**6,641**	**1,931**	**8,572**
Loss on impairment of long-lived assets			**1,605**				**1,605**		**1,605**		**1,605**
Goodwill:											
Amortization										**137**	**137**
Balance										**1,935**	**1,935**

1) The "Other" category, which is not included in a specific reportable segments, consists of installation and other businesses.
2) Reconciliation of segment profit of ¥(54,036) million consists of selling, general and administrative expenses of ¥(49,240) million not allocable to the reportable segments, research and development costs of ¥(4,660) million and amortization of goodwill of ¥(137) million.
Reconciliation of segment assets of ¥166,059 million consists of corporate assets not allocable to the reportable segments.
Reconciliation of depreciation expense of ¥1,944 million consists of depreciation expense of corporate assets not allocable to the reportable segments.
Reconciliation of increase in property, plant and equipment and intangible assets of ¥1,931 million consists of increase in corporate assets not allocable to the reportable segments.
3) Segment profit is reconciled to operating income in the consolidated statement of income.

	Millions of Yen										
	2013										
	Reportable segment										
	System Services	Support Services	Out-sourcing	Netmarks Services	Software	Hardware	Total	Other [1]	Total	Reconcil-iations [2]	Consol-idated [3]
Sales	¥72,335	¥51,335	¥32,356	¥21,758	¥30,763	¥51,828	¥260,375	¥8,795	¥269,170		¥269,170
Segment profit	12,963	17,485	3,661	3,937	10,512	11,556	60,114	3,431	63,545	¥(55,234)	8,311
Segment assets	2,071	2,301	17,971	2,313	4,379	5,978	35,013	314	35,327	162,453	197,780
Other:											
Depreciation	135	357	3,889	465	2,444	1,068	8,358	157	8,515	1,853	10,368
Increase in property, plant and equipment and intangible assets	164	350	6,350	344	1,882	1,462	10,552	105	10,657	1,696	12,353
Loss on impairment of long-lived assets			1,336				1,336		1,336		1,336
Goodwill:											
Amortization										137	137
Balance										2,072	2,072
Negative goodwill:											
Amortization										8	8
Balance											

1) The "Other" category, which is not included in a specific reportable segments, consists of installation and other businesses.
2) Reconciliation of segment profit of ¥(55,234) million consists of selling, general and administrative expenses of ¥(50,236) million not allocable to the reportable segments, research and development costs of ¥(4,861) million and amortization of goodwill of ¥(137) million.
Reconciliation of segment assets of ¥162,453 million consists of corporate assets not allocable to the reportable segments.
Reconciliation of depreciation expense of ¥1,853 million consists of depreciation expense of corporate assets not allocable to the reportable segments.
Reconciliation of increase in property, plant and equipment and intangible assets of ¥1,696 million consists of increase in corporate assets not allocable to the reportable segments.
3) Segment profit is reconciled to operating income in the consolidated statement of income.

	Thousands of U.S. Dollars										
	2014										
	Reportable segment										
	System Services	Support Services	Out-sourcing	Netmarks Services	Software	Hardware	Total	Other [1)]	Total	Reconcil-iations [2)]	Consol-idated [3)]
Sales	**$771,832**	**$477,478**	**$343,335**	**$257,355**	**$304,489**	**$501,924**	**$2,656,413**	**$90,293**	**$2,746,706**		**$2,746,706**
Segment profit	**154,829**	**159,221**	**69,277**	**43,655**	**93,169**	**74,427**	**594,578**	**23,484**	**618,062**	**$(525,029)**	**93,033**
Segment assets	**22,814**	**20,462**	**158,541**	**27,896**	**47,454**	**73,484**	**350,651**	**3,109**	**353,760**	**1,613,477**	**1,967,237**
Other:											
Depreciation	**1,729**	**4,742**	**42,713**	**3,984**	**17,732**	**8,337**	**79,237**	**816**	**80,053**	**18,888**	**98,941**
Increase in property, plant and equipment and intangible assets	**2,215**	**2,653**	**35,464**	**1,467**	**18,238**	**3,712**	**63,749**	**777**	**64,526**	**18,762**	**83,288**
Loss on impairment of long-lived assets			**15,595**				**15,595**		**15,595**		**15,595**
Goodwill:											
Amortization										**1,331**	**1,331**
Balance										**18,801**	**18,801**

1) The “Other” category, which is not included in a specific reportable segments, consists of installation and other businesses.
2) Reconciliation of segment profit of $(525,029) million consists of selling, general and administrative expenses of $(478,430) million not allocable to the reportable segments, research and development costs of $(45,278) million and amortization of goodwill of $(1,331) million.
Reconciliation of segment assets of $1,613,477 million consists of corporate assets not allocable to the reportable segments.
Reconciliation of depreciation expense of $18,888 million consists of depreciation expense of corporate assets not allocable to the reportable segments.
Reconciliation of increase in property, plant and equipment and intangible assets of $18,762 million consists of increase in corporate assets not allocable to the reportable segments.
3) Segment profit is reconciled to operating income in the consolidated statement of income.

Information about industry segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2014 and 2013, is as follows:

(1) Industry segments
Industry segment information has not been presented because the Group operates in a single segment of the industry that provides computers, software and other related products, as well as various kinds of related services.

(2) Geographical segments
Geographical segment information has not been presented because the Japanese portion of our consolidated net sales constituted more than 90% of total net sales.

(3) Sales to foreign customers
Information on sales to foreign customers has not been presented because the amount constituted an insignificant percentage of consolidated net sales.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nihon Unisys, Ltd.:

We have audited the accompanying consolidated balance sheet of Nihon Unisys, Ltd. and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, 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 such internal control as management determines is necessary to enable the preparation of 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. In making those risk assessments, the auditor considers internal control 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 Nihon Unisys, Ltd. and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 26, 2014

Member of
Deloitte Touche Tohmatsu Limited

Corporate Profile and Stock Information

As of March 31, 2014

Corporate Data

Company Name	Nihon Unisys, Ltd.
Establishment	March 29, 1958
Paid-in Capital	¥5,483 million
Description of Business	Services business including cloud computing and outsourcing; computer and network system sales / rentals; software development and sales; system-related services
Number of Employees	8,486 (consolidated basis)
Independent Auditor	Deloitte Touche Tohmatsu LLC
Business Offices	Headquarters : 1-1-1 Toyosu, Koto-ku, Tokyo 135-8560, Japan Regional Headquarters : Kansai (Osaka), Chubu (Nagoya), Kyushu (Fukuoka) Regional Offices : Hokkaido (Sapporo), Tohoku (Sendai), Niigata (Niigata), Hokuriku (Kanazawa), Shizuoka (Shizuoka), Chugoku (Hiroshima)

Consolidated Subsidiaries

Ownership ratios, paid-in capital figures, and number of employees are as of March 31, 2014. Net sales figures are for fiscal 2013.

Business Process	Ownership	Company Name	Capital Stock (Millions of Yen)	Net Sales (Millions of Yen)	Number of Employees (People)
		Nihon Unisys, Ltd.	5,483	170,794	3,701
Consulting	100%	Cambridge Technology Partners, Ltd.	10	1,191	81
System Services	100%	USOL Group (USOL Hokkaido Co., Ltd., USOL Tohoku Co., Ltd., USOL Tokyo Co., Ltd., USOL Chubu Co., Ltd., USOL Kansai Co., Ltd., USOL Chugoku Co., Ltd., USOL Kyushu Co., Ltd., and USOL VIETNAM Co., Ltd. : 7 in Japan, 1 in Vietnam)	—	12,695	855
System Services	100%	UEL Corporation	100	3,882	197
System Services	69%	International Systems Development Co., Ltd.	40	2,121	137
System Services	51%	G&U System Service, Ltd.	50	1,532	64
System Services	100%	AFAS Inc.	100	847	44
Network & Support Services	100%	UNIADEX, Ltd.*	750	111,039	3,050
Network & Support Services	94% (of UNIADEX)	S&I Co., Ltd.	490	8,895	151
Outsourcing	100%	A-tas, Ltd.	50	2,539	89
Outsourcing	75%	TRADE ViSION, Ltd.	200	579	4
Group Shared Services	100%	Nihon Unisys Business, Ltd.	20	1,747	113

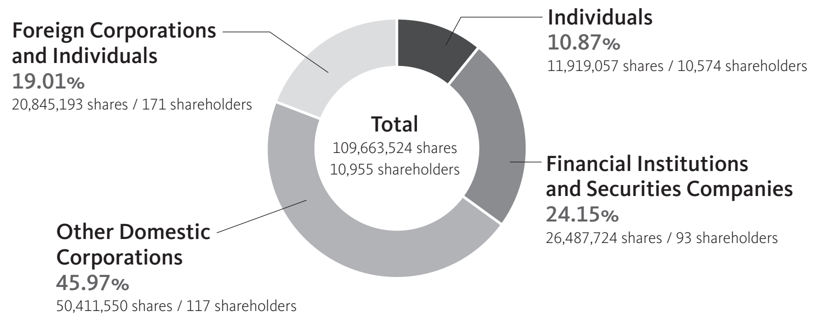
* UNIADEX, Ltd., and NETMARKS INC. were merged on March 1, 2014. The surviving company is UNIADEX, Ltd. Net sales of NETMARKS INC. from April 2013 to February 2014 (¥21,149 million) are not included in the figure for net sales above.

Stock Information

Number of Shares Issued 109,663,524 shares

Number of Shareholders 10,955

Classification of Shareholders

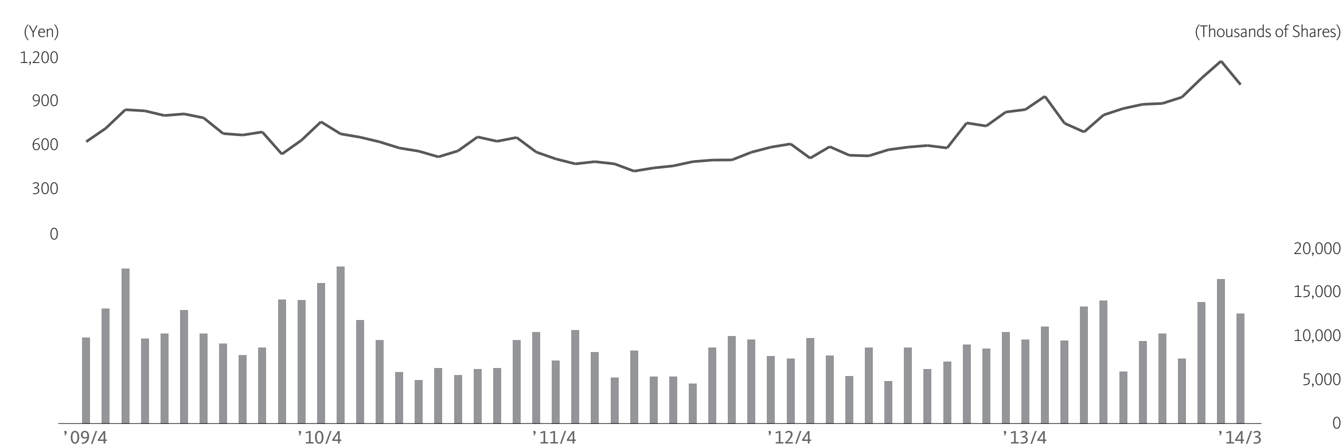


Principal Shareholders

Name	Number of Shares Held (Thousands)	Holding Ratio (%)
Dai Nippon Printing Co., Ltd.	20,727	18.90
Mitsui & Co., Ltd.	9,798	8.93
Japan Trustee Services Bank, Ltd. (Trust Account)	6,024	5.49
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,700	4.28
The Norinchukin Bank	4,653	4.24
Nihon Unisys Employees' Shareholding Society	2,800	2.55
CBLDN RE FUND 116	1,935	1.76
ANA HOLDINGS INC.	1,794	1.63
CMBL S.A. RE MUTUAL FUNDS	1,752	1.59
MSIP CLIENT SECURITIES	1,457	1.32

Note: Number of shares is rounded down to the nearest thousand shares. Nihon Unisys, Ltd., retains 15,650,454 treasury shares (holding ratio: 14.27%).

Stock Price



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