Management's Discussion and Analysis

Net Sales

Consolidated net sales for the year ended March 31, 2017, decreased 8.8% compared with the previous fiscal year, to ¥321,213 million.

Millions of Yen

	2017	2016
Consumer	272,804	300,956
System Equipment	39,734	42,669
Others	8,675	8,633
Total	321,213	352,258

Sales by Segment

Consumer segment sales decreased 9.4% compared with the previous fiscal year to ¥272,804 million, and accounted for 84.9% of net sales. In the timepiece business, sales of the medium- to high-end G-SHOCK line remained strong in China and ASEAN countries due to effective unique promotion. In addition, sales of the EDIFICE model that connects to a smartphone via Bluetooth® remained robust mainly in Europe. In the calculator business, scientific calculator sales were favorable due to enhanced school sales overseas.

System Equipment segment sales decreased 6.9% compared with the previous fiscal year, to ¥39,734 million. Others segment sales increased 0.5% compared with the previous fiscal year, to ¥8,675 million.

Results of Operations

Operating income decreased 27.3% compared with the previous fiscal year, to ¥30,636 million. Consumer segment income increased to ¥37,194 million. Strong profitability was maintained in the timepiece business due to an improved product mix. The calculator business secured profitability with robust overseas sales of scientific calculators. System Equipment segment loss was ¥2,224 million. Others segment profit was ¥335 million.

Net income decreased 41.0% compared with the previous fiscal year to ¥18,410 million. Net income per share decreased 39.3% to ¥72.67.

Financial Condition

Total assets as of March 31, 2017, decreased ¥17,002 million from a year earlier to ¥351,452 million, largely because securities decreased. Net assets as of March 31, 2017, decreased ¥5,779 million from a year earlier to ¥196,332 million due to a decrease in retained earnings.

Total liabilities as of March 31, 2017, decreased ¥11,223 million from a year earlier to ¥155,120 million. Current liabilities decreased ¥4,073 million to ¥75,495 million. Non-current liabilities decreased ¥7,150 million to ¥79,625 million.

As a result, the equity ratio increased 1.0 percentage points compared with the end of the previous fiscal year to 55.9%.

Cash Flow Analysis

Net cash provided by operating activities decreased ¥4,790 million year on year to ¥27,920 million. Net cash used in investing activities amounted to ¥3,255 million, which was a ¥11,414 million decrease year on year. Net cash used in financing activities amounted to ¥30,933 million, which was a ¥9,260 million decrease year on year.

As a result, cash and cash equivalents as of March 31, 2017 decreased ¥9,302 million from a year earlier to ¥118,755 million. The Casio Group therefore has ample liquidity.

Capital Investment

Capital investment was ¥5,496 million. By segment, capital investment was ¥4,531 million centered on watches and other items in the Consumer segment, ¥705 million in the System Equipment segment, and ¥150 million in the Others segment.

Research & Development

R&D expenses were ¥6,599 million. By segment, R&D expenses were ¥3,232 million centered on watches and other items in the Consumer segment, ¥431 million in the System Equipment segment, and ¥2,935 million in the Others segment.

Business Risks

The management performance, financial position and share price of Casio Computer Co., Ltd. and its consolidated subsidiaries ("the Casio Group" or "the Group") are subject to the following risks. Statements below concerning the future represent the judgment of the Casio Group as of March 31, 2017.

(1) Japan's economy and the global economy

The Group's products are sold in Japan and in markets around the world, and demand is therefore subject to the economic trends of each country. Trends in consumer spending particularly affect the Group because we market the majority of our products to consumers.

(2) Price changes

Competition is intensifying in the Group's industries because many companies are aggressively trying to increase market share in Japan and overseas. A rapid decline in product prices could negatively affect the Group's results.

(3) New products

The Group could lose all or some of the advantage of being first or among the first to market if the Group is unable to quickly and consistently launch popular new products, or if competitors launch products that are similar to those of the Group, especially if such launches are concurrent with those of the Group.

(4) Transactions with major customers

Any changes in strategy or product specifications made by major customers, and any cancellation of orders or changes in their schedule could negatively affect the Group's results.

(5) Outsourcing

The Group outsources a substantial portion of its manufacturing and assembly work to outside service suppliers to improve the Group's production efficiency and the operating income margin, which could pose problems for consistent quality control. Moreover, problems among outside suppliers including violations of laws, regulations, and intellectual property rights of third parties could negatively affect the Group's results and the reputation of its products.

(6) Technology development and change

Rapidly changing technologies and market needs in the Group's businesses could unexpectedly hasten product obsolescence and cause a sharp drop in sales.

(7) Risks associated with international expansion and overseas operations

The majority of the Group's production and sales are outside Japan. Consequently, overseas political and economic developments and revisions of laws and legislation may significantly affect the Group's financial position. In particular, regulatory changes and the enactment of new laws are difficult to predict and could negatively affect the Group's results.

Business Risks

(8) Intellectual property

The Group principally uses proprietary technologies, and protects these proprietary technologies through a combination of patents, registered trademarks and other intellectual property.

The following is a list of associated risks:

- Competitors might develop the same technologies as the Group's proprietary technologies;
- The Group's patent applications might not be approved;
- The Group's measures to prevent the misuse or violation of its intellectual property rights might be ineffective;
- Intellectual property laws and regulations might not adequately protect the Group's intellectual property;
- The Group's future products and technologies might violate another company's intellectual property rights.

(9) Defective products and lawsuits

The Group rigorously controls the quality of the products it manufactures and markets, and has not experienced significant complaints or negative publicity since its founding. However, the Group could be exposed to product liability or safety complaints in the future.

(10) Information management risk

The Group has acquired a large volume of personal and confidential information in the course of its business. Internal rules govern the use of this information, and each Group company enhances the control of this information through employee training programs. However, information leaks might occur that could negatively affect the Group's business, financial position and results.

(11) Alliances, mergers and strategic investments

The Group may implement alliances, mergers or strategic investments in Japan or overseas to expand its business operations or raise management efficiency. Changes in the management environment, business strategies, or operating environment of counterparties could negatively affect the Group's business, financial position and results.

(12) Foreign exchange and interest rate risk

Exchange rate fluctuations significantly affect the Group because it operates internationally. Fluctuations in the exchange rates of foreign currencies against the yen could negatively affect the Group's earnings. The Group is also exposed to risks associated with interest rate changes that could affect overall operating costs, procurement costs, and the value of financial assets and liabilities, particularly long-term debt.

(13) Other risks

The following are other factors that could affect the Group's business and results:

- Cyclical trends in the information technology industry;
- The ability to procure required equipment, raw materials, facilities, and electricity at reasonable prices;
- A decline in the value of securities held by the Group;
- Revisions to laws and regulations regarding the accounting standards for retirement benefits, pension plan revisions, and abrupt changes affecting pension plan asset management;
- Accidents and disasters, including fires and earthquakes;
- Social unrest caused by wars, terrorist attacks, or epidemics.

Consolidated Five-Year Summary

Years ended March 31 Casio Computer Co., Ltd. and Consolidated Subsidiaries

Millions of Yen

	2017	2016	2015	2014	2013
For the year:					
Net sales	**¥321,213**	¥352,258	¥338,389	¥321,761	¥297,763
Cost of sales	**187,755**	199,251	190,706	189,358	181,479
Selling, general and administrative expenses	**96,223**	104,229	103,733	97,475	88,313
Research and development expenses	**6,599**	6,609	7,187	8,352	7,918
Operating profit	**30,636**	42,169	36,763	26,576	20,053
Profit attributable to owners of parent	**18,410**	31,194	26,400	15,989	11,876
Comprehensive income	**20,095**	18,703	38,628	24,072	19,544
Capital investment	**5,496**	6,889	5,926	5,574	7,637
Depreciation on property, plant and equipment	**6,357**	6,505	5,794	5,717	5,325
At year-end:					
Current assets	**233,447**	250,237	244,614	244,135	249,719
Current liabilities	**75,495**	79,568	82,306	122,110	115,302
Working capital	**157,952**	170,669	162,308	122,025	134,417
Net assets	**196,332**	202,111	204,158	185,256	163,968
Total assets	**351,452**	368,454	374,656	366,964	369,322
Amounts per share of common shares (in yen):					
Basic earnings	**72.67**	119.72	100.08	59.47	44.17
Diluted earnings	**71.28**	117.50	98.77	59.45	44.15
Cash dividends applicable to the year	**40.00**	40.00	35.00	25.00	20.00
(Interim dividends)	**(20.00)**	(17.50)	(12.50)	(10.00)	(–)
Performance indicators:					
Return on equity (%)	**9.2**	15.4	13.6	9.2	7.6
Return on assets (%)	**5.1**	8.4	7.1	4.3	3.2
Equity ratio (%)	**55.9**	54.9	54.5	50.5	44.4
Interest coverage (times)	**77.5**	98.0	42.6	22.9	17.4
Assets turnover (times)	**0.9**	1.0	0.9	0.9	0.8
Inventory turnover (months)	**3.3**	3.5	3.5	3.0	3.6
Other:					
Number of employees	**12,287**	11,322	11,592	10,992	11,276

Consolidated Balance Sheets

March 31, 2017 and 2016 Casio Computer Co., Ltd. and Consolidated Subsidiaries

Assets	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S.Dollars (Note 1) 2017
Current assets:			
Cash and deposits (Notes 3 and 5)	¥ 55,197	¥ 66,648	$ 492,830
Securities (Notes 3, 5 and 6)	43,920	55,600	392,143
Notes and accounts receivable-trade (Note 5)	47,725	47,843	426,116
Allowance for doubtful accounts	(548)	(501)	(4,893)
Inventories (Note 4)	52,258	57,776	466,589
Deferred tax assets (Note 9)	6,155	6,732	54,955
Short-term loans receivable with resale agreement (Notes 3 and 5)	20,000	6,154	178,572
Other	8,740	9,985	78,036
Total current assets	233,447	250,237	2,084,348
Property, plant and equipment:			
Land	34,090	36,091	304,375
Buildings and structures	58,239	60,097	519,991
Machinery, equipment and vehicles	14,218	14,057	126,946
Tools, furniture and fixtures	35,285	35,484	315,045
Leased assets (Note 12)	3,022	3,050	26,982
Construction in progress	308	256	2,750
	145,162	149,035	1,296,089
Accumulated depreciation	(88,371)	(88,153)	(789,027)
Net property, plant and equipment	56,791	60,882	507,062
Investments and other assets:			
Shares of associates	2,701	2,510	24,116
Investment securities (Notes 5 and 6)	32,452	31,897	289,750
Net defined benefit asset (Note 10)	13,122	9,113	117,161
Deferred tax assets (Note 9)	3,227	4,644	28,813
Other	9,779	9,242	87,312
Allowance for doubtful accounts	(67)	(71)	(598)
Total investments and other assets	61,214	57,335	546,554
Total assets (Note 13)	¥351,452	¥368,454	$3,137,964

Liabilities and Net Assets	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S.Dollars (Note 1) 2017
Current liabilities:			
Short-term loans payable (Note 8)	¥ 155	¥ 260	$ 1,384
Current portion of long-term loans payable (Notes 5 and 8)	2,000	–	17,857
Notes and accounts payable-trade (Note 5)	31,751	34,542	283,491
Accounts payable-other (Note 5)	19,079	21,483	170,348
Accrued expenses	12,357	13,045	110,331
Income taxes payable (Note 9)	2,593	4,334	23,152
Provision for business structure improvement	631	–	5,634
Other	6,929	5,904	61,866
Total current liabilities	75,495	79,568	674,063
Non-current liabilities:			
Bonds and long-term loans payable (Notes 5 and 8)	71,023	77,033	634,134
Net defined benefit liability (Note 10)	491	1,338	4,384
Deferred tax liabilities (Note 9)	1,628	1,441	14,535
Provision for business structure improvement	784	–	7,000
Other	5,699	6,963	50,884
Total non-current liabilities	79,625	86,775	710,937
Total liabilities	155,120	166,343	1,385,000
Contingent liabilities (Note 14)			
Net assets (Note 11):			
Shareholders' equity:			
Capital stock:			
Authorized – 471,693,000 shares			
Issued – 259,020,914 shares	48,592	48,592	433,857
Capital surplus	65,058	65,058	580,875
Retained earnings	92,228	100,041	823,464
Treasury shares	(19,942)	(20,291)	(178,053)
Total shareholders' equity	185,936	193,400	1,660,143
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	9,138	7,781	81,589
Foreign currency translation adjustment	(3,573)	(1,844)	(31,902)
Remeasurements of defined benefit plans (Note 10)	4,831	2,774	43,134
Total accumulated other comprehensive income	10,396	8,711	92,821
Total net assets	196,332	202,111	1,752,964
Total liabilities and net assets	¥351,452	¥368,454	$3,137,964

See accompanying notes.

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Years ended March 31, 2017 and 2016 Casio Computer Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income	2017 (Millions of Yen)	2016 (Millions of Yen)	2017 (Thousands of U.S.Dollars (Note 1))
Net sales (Note 13)	¥321,213	¥352,258	$2,867,973
Costs and expenses (Note 13):			
Cost of sales	187,755	199,251	1,676,384
Selling, general and administrative expenses	96,223	104,229	859,134
Research and development expenses	6,599	6,609	58,919
	290,577	310,089	2,594,437
Operating profit (Note 13)	30,636	42,169	273,536
Other income (expenses):			
Interest and dividend income	920	1,145	8,214
Interest expenses	(407)	(442)	(3,634)
Foreign exchange losses	(4,869)	(1,681)	(43,473)
Gain on sales of non-current assets	909	22	8,116
Gain (loss) on sales of investment securities (Note 6)	426	1,108	3,804
Business structure improvement expenses (Notes 13, 15 and 16)	(4,469)	–	(39,902)
Impairment loss (Notes 13 and 15)	(19)	(1,047)	(170)
Other, net	328	(610)	2,929
	(7,181)	(1,505)	(64,116)
Profit before income taxes	23,455	40,664	209,420
Income taxes (Note 9):			
Current	4,450	6,940	39,732
Deferred	595	2,530	5,313
	5,045	9,470	45,045
Profit	18,410	31,194	164,375
Profit attributable to owners of parent	¥ 18,410	¥ 31,194	$ 164,375

	2017 (Yen)	2016 (Yen)	2017 (U.S.Dollars (Note 1))
Amounts per share of common shares:			
Basic earnings	¥72.67	¥119.72	$0.65
Diluted earnings	71.28	117.50	0.64
Cash dividends applicable to the year	40.00	40.00	0.36

See accompanying notes.

Consolidated Statements of Comprehensive Income	2017 (Millions of Yen)	2016 (Millions of Yen)	2017 (Thousands of U.S.Dollars (Note 1))
Profit	¥18,410	¥ 31,194	$164,375
Other comprehensive income:			
Valuation difference on available-for-sale securities	1,357	(3,611)	12,116
Foreign currency translation adjustment	(1,729)	(4,466)	(15,437)
Remeasurements of defined benefit plans	2,057	(4,414)	18,366
Share of other comprehensive income of entities accounted for using equity method	(0)	0	(0)
Total other comprehensive income	1,685	(12,491)	15,045
Comprehensive income	¥20,095	¥ 18,703	$179,420
Comprehensive income attributable to:			
Owners of parent	¥20,095	¥ 18,703	$179,420
Non-controlling interests	–	–	–

Reclassification Adjustments and Tax Effects for Other Comprehensive Income	2017 (Millions of Yen)	2016 (Millions of Yen)	2017 (Thousands of U.S.Dollars (Note 1))
Valuation difference on available-for-sale securities			
Increase (decrease) during period	¥ 2,308	¥ (5,633)	$ 20,607
Reclassification adjustments	(353)	12	(3,152)
Amount before income tax effect	1,955	(5,621)	17,455
Income tax effect	(598)	2,010	(5,339)
Total	1,357	(3,611)	12,116
Foreign currency translation adjustment			
Increase (decrease) during period	(1,729)	(4,466)	(15,437)
Remeasurements of defined benefit plans			
Increase (decrease) during the period	3,393	(6,050)	30,295
Reclassification adjustments	(385)	(584)	(3,438)
Amount before income tax effect	3,008	(6,634)	26,857
Income tax effect	(951)	2,220	(8,491)
Total	2,057	(4,414)	18,366
Share of other comprehensive income of entities accounted for using equity method			
Increase (decrease) during period	(0)	0	(0)
Total other comprehensive income	¥ 1,685	¥(12,491)	$ 15,045

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2017 and 2016 Casio Computer Co., Ltd. and Consolidated Subsidiaries

Millions of Yen

	Number of common shares	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total net assets
Balance at April 1, 2015	269,020,914	¥48,592	¥65,058	¥ 79,301	¥ (9,995)	¥11,392	¥2,622	¥ 7,188	¥204,158
Dividends of surplus	–	–	–	(10,454)	–	–	–	–	(10,454)
Profit attributable to owners of parent	–	–	–	31,194	–	–	–	–	31,194
Purchase of treasury shares	–	–	–	–	(10,297)	–	–	–	(10,297)
Disposal of treasury shares	–	–	0	–	1	–	–	–	1
Retirement of treasury shares	–	–	–	–	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–	(3,611)	(4,466)	(4,414)	(12,491)
Balance at April 1, 2016	269,020,914	¥48,592	¥65,058	¥100,041	¥(20,291)	¥ 7,781	¥(1,844)	¥ 2,774	¥202,111
Dividends of surplus	**–**	**–**	**–**	**(10,894)**	**–**	**–**	**–**	**–**	**(10,894)**
Profit attributable to owners of parent	**–**	**–**	**–**	**18,410**	**–**	**–**	**–**	**–**	**18,410**
Purchase of treasury shares	**–**	**–**	**–**	**–**	**(14,980)**	**–**	**–**	**–**	**(14,980)**
Disposal of treasury shares	**–**	**–**	**0**	**–**	**0**	**–**	**–**	**–**	**0**
Retirement of treasury shares	**(10,000,000)**	**–**	**(0)**	**(15,329)**	**15,329**	**–**	**–**	**–**	**–**
Net changes of items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**	**1,357**	**(1,729)**	**2,057**	**1,685**
Balance at March 31, 2017	**259,020,914**	**¥48,592**	**¥65,058**	**¥ 92,228**	**¥(19,942)**	**¥ 9,138**	**¥(3,573)**	**¥ 4,831**	**¥196,332**

Thousands of U.S. Dollars (Note 1)

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total net assets
Balance at April 1, 2016	$433,857	$580,875	$893,223	$(181,169)	$69,473	$(16,465)	$24,768	$1,804,562
Dividends of surplus	**–**	**–**	**(97,268)**	**–**	**–**	**–**	**–**	**(97,268)**
Profit attributable to owners of parent	**–**	**–**	**164,375**	**–**	**–**	**–**	**–**	**164,375**
Purchase of treasury shares	**–**	**–**	**–**	**(133,750)**	**–**	**–**	**–**	**(133,750)**
Disposal of treasury shares	**–**	**0**	**–**	**0**	**–**	**–**	**–**	**0**
Retirement of treasury shares	**–**	**(0)**	**(136,866)**	**136,866**	**–**	**–**	**–**	**–**
Net changes of items other than shareholders' equity	**–**	**–**	**–**	**–**	**12,116**	**(15,437)**	**18,366**	**15,045**
Balance at March 31, 2017	**$433,857**	**$580,875**	**$823,464**	**$(178,053)**	**$81,589**	**$(31,902)**	**$43,134**	**$1,752,964**

(Note): The retirement of treasury shares above is subject to the approval of the board of directors' meeting.
See accompanying notes.

Consolidated Statements of Cash Flows

Years ended March 31, 2017 and 2016 Casio Computer Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S.Dollars (Note 1) 2017
Cash flows from operating activities			
Profit before income taxes	¥ 23,455	¥ 40,664	$ 209,420
Depreciation	9,741	9,708	86,973
Impairment loss	19	1,047	170
Loss (gain) on sales and retirement of non-current assets	(795)	466	(7,098)
Loss (gain) on sales of investment securities	(426)	(1,108)	(3,804)
Increase (decrease) in net defined benefit liability	(828)	196	(7,393)
Interest and dividend income	(920)	(1,145)	(8,214)
Interest expenses	407	442	3,634
Foreign exchange losses (gains)	1,309	(1,450)	11,688
Share of (profit) loss of entities accounted for using equity method	(15)	(53)	(134)
Loss (gain) on transfer of business	(500)	–	(4,464)
Decrease (increase) in notes and accounts receivable-trade	164	(2,690)	1,464
Decrease (increase) in inventories	4,157	(3,750)	37,116
Increase (decrease) in notes and accounts payable-trade	(2,456)	(61)	(21,929)
Decrease/increase in consumption taxes receivable/payable	1,156	(1,081)	10,321
Other, net	(82)	(3,816)	(732)
Subtotal	34,386	37,369	307,018
Interest and dividend income received	897	1,164	8,009
Interest expenses paid	(412)	(445)	(3,679)
Income taxes paid	(6,951)	(5,378)	(62,062)
Net cash provided by (used in) operating activities	27,920	32,710	249,286
Cash flows from investing activities			
Payments into time deposits	(1,438)	(433)	(12,839)
Proceeds from withdrawal of time deposits	1,439	983	12,848
Purchase of property, plant and equipment	(4,815)	(6,430)	(42,991)
Proceeds from sales of property, plant and equipment	3,564	81	31,821
Purchase of intangible assets	(4,148)	(3,916)	(37,036)
Purchase of investment securities	(23)	(87)	(205)
Proceeds from sales and redemption of investment securities	1,816	18,014	16,214
Purchase of shares of subsidiaries and associates	(180)	–	(1,607)
Proceeds from transfer of business	500	–	4,464
Other, net	30	(53)	268
Net cash provided by (used in) investing activities	(3,255)	8,159	(29,063)

	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S.Dollars (Note 1) 2017
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(105)	9	(937)
Proceeds from long-term loans payable	21,500	23,000	191,964
Repayments of long-term loans payable	(25,500)	(23,000)	(227,678)
Purchase of treasury shares	(14,980)	(10,297)	(133,750)
Proceeds from sales of treasury shares	0	1	0
Repayments of finance lease obligations	(954)	(932)	(8,518)
Cash dividends paid	(10,894)	(10,454)	(97,268)
Net cash provided by (used in) financing activities	(30,933)	(21,673)	(276,187)
Effect of exchange rate change on cash and cash equivalents	(3,034)	(1,876)	(27,089)
Net increase (decrease) in cash and cash equivalents	(9,302)	17,320	(83,053)
Cash and cash equivalents at beginning of period (Note 3)	128,057	110,737	1,143,366
Cash and cash equivalents at end of period (Note 3)	¥118,755	¥128,057	$1,060,313

See accompanying notes.

Notes to Consolidated Financial Statements

Years ended March 31, 2017 and 2016 Casio Computer Co., Ltd. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

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

The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2017, which was ¥112 to U.S.$1. The convenience translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries (together with the Company, "the Group") which the Company controls through majority voting rights or existence of certain conditions. Shares of associates of which the Company has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method.

In the elimination of investments in subsidiaries, the portion of assets and liabilities of a subsidiary attributable to the subsidiary's shares acquired by the Company are recorded based on the fair value as of the respective dates when such shares are acquired. The amounts of assets and liabilities attributable to non-controlling interests of the subsidiary are determined using the financial statements of the subsidiary.

Material intercompany balances, transactions and profits have been eliminated in consolidation.

The difference between the cost and underlying fair value of the net assets of investments in subsidiaries at acquisition is included in other assets and is amortized on a straight-line basis over five years.

Cash flow statements

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated at the current exchange rates at the balance sheet date, and the translation gains and losses are credited or charged to income (loss).

Assets and liabilities of consolidated overseas subsidiaries are translated into yen at the current exchange rate at the balance sheet date while their revenue and expenses are translated at the average exchange rate for the period. Differences arising from such translation are included in net assets as foreign currency translation adjustment.

Securities and investment securities

Debt securities designated as held-to-maturity are carried at amortized cost using the straight-line method. Available-for-sale securities for which fair value is readily determinable, are stated at fair value as of the end of the period with unrealized gains and losses, net of applicable deferred tax assets or liabilities, not reflected in earnings but directly reported as a separate component under net assets. The cost of such securities sold is determined primarily by the moving-average method. Available-for-sale securities for which fair value is not readily determinable are stated primarily at moving-average cost.

Derivatives and hedge accounting

The accounting standards for financial instruments require companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments meet the criteria for hedge accounting.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Group defers recognition of gains or losses resulting from changes in the fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swaps is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

The Group uses forward foreign currency contracts and interest rate swaps as derivative financial instruments primarily for the purpose of mitigating future risks of fluctuations of foreign currency exchange rates with respect to foreign currency assets and liabilities and of interest rate changes with respect to cash management.

Forward foreign currency and interest rate swap contracts are subject to risks of foreign currency exchange rate changes and interest rate changes, respectively.

The derivative transactions are executed and managed by the Company's Finance Department in

Notes to Consolidated Financial Statements

accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.

Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover probable losses on the collection of receivables.

The amount of the allowance is determined by an estimated amount of probable bad debt that is based on past write-off experience and a review of the collectability of individual receivables.

Inventories

Inventories are stated primarily at the lower of cost (first-in, first-out) or net realizable values at year-end.

Property, plant and equipment, except leased assets

Property, plant and equipment is stated at cost. For the Company and its consolidated subsidiaries in Japan, depreciation is principally determined by the declining-balance method at rates based on estimated useful lives except for the following items. Buildings, excluding facilities attached to buildings, acquired on or after April 1, 1998, the building and structures of the head office of the Company, and facilities attached to buildings and structures acquired on or after April 1, 2016, are depreciated using the straight-line method. For overseas subsidiaries, depreciation is principally determined by the straight-line method. The depreciation period ranges from 2 years to 50 years for buildings and structures, from 2 years to 17 years for machinery, equipment and vehicles, and from 1 year to 20 years for tools, furniture and fixtures.

Software, except leased assets

Software is categorized by the following purposes and amortized using the following two methods.

Software for market sales: The production costs for the master product are capitalized and amortized over no more than 3 years on a projected revenue basis.

Software for internal use: The acquisition costs of software for internal use are amortized over 5 years using the straight-line method.

The amount of software costs capitalized is included in Other under Investments and other assets in the consolidated balance sheets.

Leased assets

(Finance leases which do not transfer ownership of the leased property to the lessee)

Leased assets are divided into the two principal categories of property, plant and equipment and intangible assets included in Other under Investments and other assets. The former consists primarily of facilities (machinery and equipment, tools, furniture and fixtures) while the latter consists of software. The assets are depreciated on a straight-line basis on the assumption that the lease term is the useful life and the residual value is zero.

Retirement benefits

Under the terms of the employees' severance and retirement plan, eligible employees are entitled under most circumstances, upon mandatory retirement or earlier voluntary severance, to severance payments based on compensation at the time of severance and years of service.

For employees' severance and retirement benefits, the Company and its consolidated subsidiaries in Japan provide a defined benefit plan and have established and are participating in the Casio corporate pension fund, which is a system with multiple business proprietors.

The Company and its consolidated subsidiaries in Japan received permission from the Minister of Health, Labour and Welfare, for release from the obligation of paying benefits for employees' prior services relating to the substitutional portion of the Welfare Pension Insurance Scheme. Afterwards, the welfare pension insurance plan was changed to the defined benefit plan.

The Company and a part of its consolidated subsidiaries in Japan also provide a defined contribution plan. On April 1, 2012, the Company and certain consolidated subsidiaries transferred part of the defined benefit plan to the defined contribution plan. In addition, the Company has established an employee retirement benefit trust.

The liabilities and expenses for retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The liability and expenses for the retirement benefit plan subject to some of the consolidated subsidiaries are calculated by a simplified method.

Income taxes

Taxes on income consist of corporation, inhabitants' and enterprise taxes.

The Company and certain consolidated subsidiaries in Japan apply the consolidated tax payment system.

The Group recognizes tax effects of temporary differences between carrying amounts for financial reporting purposes and amounts for tax purposes. The provision for income taxes is computed based on the profit before income taxes included in the statements of income of each company of the Group. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

Appropriations of retained earnings

Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.

Notes to Consolidated Financial Statements

Amounts per share of common shares

Earnings per share of common shares is computed based on the weighted average number of common shares outstanding during each fiscal year (less the treasury shares).

Cash dividends per share represent the actual amount applicable to the respective years.

Reclassifications

Certain reclassifications have been made in the 2016 consolidated financial statements to conform to the 2017 presentation.

Changes in accounting policies

Due to amendments to the Japanese Corporation Tax Act, the Company and its domestic subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practice Issue Task Force No.32, June 17, 2016) from the fiscal year ended March 31, 2017 and changed the depreciation method for facilities attached to buildings and structures, which were acquired on or after April 1, 2016, from the declining balance method to the straight line method.

This change had a negligible impact on earnings.

Additional Information

The Company and its domestic subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the fiscal year ended March 31, 2017.

3. Cash and Cash Equivalents

(1) Cash and cash equivalents at March 31, 2017 and 2016:

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2017	2016	2017
Cash and deposits	¥ 55,197	¥ 66,648	$ 492,830
Time deposits over three months	(362)	(345)	(3,232)
Debt securities within three months to maturity	43,920	55,600	392,143
Short-term loans receivable with resale agreement	20,000	6,154	178,572
Cash and cash equivalents	¥118,755	¥128,057	$1,060,313

(2) Significant non-cash transactions

1) Assets and obligations relating to finance lease transactions

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2017	2016	2017
Assets relating to finance lease transactions	¥723	¥833	$6,455
Obligations relating to finance lease transactions	779	893	6,955

2) Retirement of treasury shares

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2017	2016	2017
Retirement of treasury shares	¥15,329	¥–	$136,866

4. Inventories

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2017	2016	2017
Finished goods	¥38,352	¥43,082	$342,428
Work in process	5,606	6,943	50,054
Raw materials and supplies	8,300	7,751	74,107
Total	¥52,258	¥57,776	$466,589

Notes to Consolidated Financial Statements

5. Fair Value of Financial Instruments

(1) Qualitative information on financial instruments

1) Policies for using financial instruments

The Group invests surplus funds in highly secure financial assets, and funds required for working capital and capital investments are raised through the issuance of bonds or loans from financial institutions such as banks. Derivatives are used to avoid the risks described hereinafter and no speculative transactions are entered into.

2) Details of financial instruments used and risks involved, and how they are managed

Notes and accounts receivable-trade are exposed to customers' credit risk. To minimize that risk, the Group periodically monitors the due date and the balance of the accounts.

Securities and investment securities are primarily highly secure and highly-rated debt securities and shares of companies with which the Group has business relations, and are exposed to market price fluctuation risk. The Group periodically monitors the market price and reviews the status of these holdings.

Short-term loans receivable with resale agreement are highly secure short-term loans to financial institutions ranking above a certain level, and are of no substantial credit risk.

Operating payables comprising notes and accounts payable-trade and accounts payable-other have a due date of within one year.

Operating payables, loans payable, and bond with subscription rights to shares are subject to liquidity risk (the risk of an inability to pay by the due date). However, the Group manages liquidity risk by maintaining short-term liquidity in excess of a certain level of consolidated sales or by other means.

The Group uses derivative transactions of forward foreign currency contracts to hedge currency fluctuation risks arising from debts and credits denominated in foreign currencies, as well as interest rate swap contracts to fix the cash flows associated with loans payable. The Group utilizes and manages derivative transactions following the internal regulations for them, which stipulate policy, objective, scope, organization, procedures and financial institutions to deal with, and has an implementation and reporting system for derivative transactions reflecting proper internal control functions.

3) Supplemental information on fair values

The fair value of financial instruments is calculated based on quoted market price or, in the case where there is no market price, by making a reasonable estimation. Because the preconditions applied include a floating element, estimation of fair value may vary. The contract amounts, as presented in Note 7 "Derivative Transactions," do not reflect market risk.

(2) Fair values of financial instruments

The following table summarizes book value and fair value of the financial instruments, and the difference between them as of March 31, 2017 and 2016. Items for which fair value is difficult to estimate are not included in the following table (see (Note) 2 on P. 30).

Millions of Yen

For 2017	Book value	Fair value	Difference
Assets			
[1] Cash and deposits	¥ 55,197	¥ 55,197	¥ –
[2] Notes and accounts receivable-trade	47,725	47,725	–
[3] Securities and investment securities			
a. Held-to-maturity debt securities	23,920	23,920	–
b. Available-for-sale securities	52,396	52,396	–
[4] Short-term loans receivable with resale agreement	20,000	20,000	–
Total assets	¥199,238	¥199,238	¥ –
Liabilities			
[1] Notes and accounts payable-trade	¥ 31,751	¥ 31,751	¥ –
[2] Accounts payable-other	19,079	19,079	–
[3] Bonds with subscription rights to shares	10,023	10,420	397
[4] Long-term loans payable	63,000	63,013	13
Total liabilities	¥123,853	¥124,263	¥410
Derivative transactions *	¥ 182	¥ 182	¥ –

Notes to Consolidated Financial Statements

Thousands of U.S.Dollars (Note 1)

For 2017	Book value	Fair value	Difference
Assets			
[1] Cash and deposits	$ 492,830	$ 492,830	$ –
[2] Notes and accounts receivable-trade	426,116	426,116	–
[3] Securities and investment securities			
a. Held-to-maturity debt securities	213,571	213,571	–
b. Available-for-sale securities	467,822	467,822	–
[4] Short-term loans receivable with resale agreement	178,572	178,572	–
Total assets	$1,778,911	$1,778,911	$ –
Liabilities			
[1] Notes and accounts payable-trade	$ 283,491	$ 283,491	$ –
[2] Accounts payable-other	170,348	170,348	–
[3] Bonds with subscription rights to shares	89,491	93,036	3,545
[4] Long-term loans payable	562,500	562,616	116
Total liabilities	$1,105,830	$1,109,491	$3,661
Derivative transactions *	$ 1,625	$ 1,625	$ –

Millions of Yen

For 2016	Book value	Fair value	Difference
Assets			
[1] Cash and deposits	¥ 66,648	¥ 66,648	¥ –
[2] Notes and accounts receivable-trade	47,843	47,843	–
[3] Securities and investment securities			
a. Held-to-maturity debt securities	30,000	30,000	–
b. Available-for-sale securities	57,436	57,436	–
[4] Short-term loans receivable with resale agreement	6,154	6,154	–
Total assets	¥208,081	¥208,081	¥ –
Liabilities			
[1] Notes and accounts payable-trade	¥ 34,542	¥ 34,542	¥ –
[2] Accounts payable-other	21,483	21,483	–
[3] Bonds with subscription rights to shares	10,033	11,704	1,671
[4] Long-term loans payable	67,000	67,361	361
Total liabilities	¥133,058	¥135,090	¥2,032
Derivative transactions	¥ –	¥ –	¥ –

* Net receivables and payables, which are derived from derivative transactions, are presented in net amounts.

(Note) 1: Method for calculating the fair value of financial instruments and matters related to securities and investment securities and derivative transactions

Assets

[1] Cash and deposits, [2] Notes and accounts receivable-trade, [4] Short-term loans receivable with resale agreement

Since these items are short-term and the fair value approximates the book value, the book value is used as fair value.

[3] Securities and investment securities

The fair value of equity securities is the market price, while the fair value of debt securities is the market price or the price quoted by the correspondent financial institution. Since certificates of deposit are short-term, and the fair value approximates the book value, the book value is used as fair value.

See Note 6 "Securities and Investment Securities" for information on securities categorized by holding purpose.

Liabilities

[1] Notes and accounts payable-trade, [2] Accounts payable-other

Since these items are short-term, and the fair value approximates the book value, the book value is used as fair value.

[3] Bonds with subscription rights to shares

The fair value of bonds with subscription rights to shares is the price quoted by the correspondent financial institution.

[4] Long-term loans payable

The fair value of long-term loans payable with fixed interest rates is the sum of the principal and total interest discounted by the rate that is applied if a new loan is made.

Since long-term loans payable with floating interest rates reflect market interest rates over the short term, and the fair value approximates the book value, the book value is used as fair value. However, those that are subject to special treatment interest rate swaps are measured by taking the sum of the principal and total interest associated with the interest rate swaps and discounting it by the rate that is reasonably estimated and applied if a new loan is made (see Note 7 "Derivative Transactions").

Long-term loans payable include current portion of long-term loans payable.

Notes to Consolidated Financial Statements

Derivative transactions

See Note 7 "Derivative Transactions."

(Note) 2: Financial instruments of which fair value is difficult to estimate

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2017	2016	**2017**
	Book value	Book value	Book value
Unlisted shares	**¥2,757**	¥2,571	**$24,616**

The market price of the above shares is not available, therefore the fair value is difficult to estimate. Hence, they are not included in "[3] Securities and investment securities" on P. 28-29.

In the fiscal years ended March 31, 2017 and 2016, there were no unlisted shares declared impairment loss.

(Note) 3: Monetary claims and securities and investment securities with repayment due dates after March 31, 2017 and 2016:

Millions of Yen

For 2017	Within one year	Within five years	Within ten years	Over ten years
Cash and deposits	**¥ 55,197**	**¥–**	**¥–**	**¥–**
Notes and accounts receivable-trade	**47,725**	**–**	**–**	**–**
Securities and investment securities				
1. Held-to-maturity debt-securities				
(1) Government bonds	**–**	**–**	**–**	**–**
(2) Corporate bonds	**–**	**–**	**–**	**–**
(3) Other	**23,920**	**–**	**–**	**–**
2. Available-for-sale securities with maturities				
(1) Debt securities				
a. Government bonds	**–**	**–**	**–**	**–**
b. Corporate bonds	**10,000**	**–**	**–**	**–**
c. Other	**–**	**–**	**–**	**–**
(2) Other	**10,000**	**–**	**–**	**–**
Short-term loans receivable with resale agreement	**20,000**	**–**	**–**	**–**
Total	**¥166,842**	**¥–**	**¥–**	**¥–**

Thousands of U.S.Dollars (Note 1)

For 2017	Within one year	Within five years	Within ten years	Over ten years
Cash and deposits	**$ 492,830**	**$–**	**$–**	**$–**
Notes and accounts receivable-trade	**426,116**	**–**	**–**	**–**
Securities and investment securities				
1. Held-to-maturity debt-securities				
(1) Government bonds	**–**	**–**	**–**	**–**
(2) Corporate bonds	**–**	**–**	**–**	**–**
(3) Other	**213,571**	**–**	**–**	**–**
2. Available-for-sale securities with maturities				
(1) Debt securities				
a. Government bonds	**–**	**–**	**–**	**–**
b. Corporate bonds	**89,286**	**–**	**–**	**–**
c. Other	**–**	**–**	**–**	**–**
(2) Other	**89,286**	**–**	**–**	**–**
Short-term loans receivable with resale agreement	**178,572**	**–**	**–**	**–**
Total	**$1,489,661**	**$–**	**$–**	**$–**

Millions of Yen

For 2016	Within one year	Within five years	Within ten years	Over ten years
Cash and deposits	¥ 66,648	¥–	¥–	¥–
Notes and accounts receivable-trade	47,843	–	–	–
Securities and investment securities				
1. Held-to-maturity debt-securities				
(1) Government bonds	–	–	–	–
(2) Corporate bonds	–	–	–	–
(3) Other	30,000	–	–	–
2. Available-for-sale securities with maturities				
(1) Debt securities				
a. Government bonds	–	–	–	–
b. Corporate bonds	15,600	–	–	–
c. Other	–	–	–	–
(2) Other	10,000	–	–	–
Short-term loans receivable with resale agreement	6,154	–	–	–
Total	¥176,245	¥–	¥–	¥–

Notes to Consolidated Financial Statements

(Note) 4: Bonds with subscription rights to shares and long-term loans payable with due dates after March 31, 2017 and 2016

Millions of Yen

For 2017	Within one year	Within two years	Within three years	Within four years	Within five years	Over five years
Bonds with subscription rights to shares	¥ –	¥ –	¥10,000	¥ –	¥–	¥ –
Long-term loans payable	2,000	16,500	–	23,000	–	21,500
Total	¥2,000	¥16,500	¥10,000	¥23,000	¥–	¥21,500

Thousands of U.S. Dollars (Note 1)

For 2017	Within one year	Within two years	Within three years	Within four years	Within five years	Over five years
Bonds with subscription rights to shares	$ –	$ –	$89,286	$ –	$–	$ –
Long-term loans payable	17,857	147,321	–	205,357	–	191,964
Total	$17,857	$147,321	$89,286	$205,357	$–	$191,964

Millions of Yen

For 2016	Within one year	Within two years	Within three years	Within four years	Within five years	Over five years
Bonds with subscription rights to shares	¥–	¥ –	¥ –	¥10,000	¥ –	¥–
Long-term loans payable	–	6,000	38,000	–	23,000	–
Total	¥–	¥6,000	¥38,000	¥10,000	¥23,000	¥–

6. Securities and Investment Securities

(1) Held-to-maturity debt securities

Millions of Yen

	2017		
	Book value	Fair value	Difference
Securities with fair values exceeding book values	¥23,920	¥23,920	¥–
Securities other than the above	–	–	–
Total	¥23,920	¥23,920	¥–

Thousands of U.S. Dollars (Note 1)

	2017		
	Book value	Fair value	Difference
Securities with fair values exceeding book values	$213,571	$213,571	$–
Securities other than the above	–	–	–
Total	$213,571	$213,571	$–

Millions of Yen

	2016		
	Book value	Fair value	Difference
Securities with fair values exceeding book values	¥30,000	¥30,000	¥–
Securities other than the above	–	–	–
Total	¥30,000	¥30,000	¥–

(2) Available-for-sale securities

Securities with book values exceeding acquisition costs:

Millions of Yen

	2017		
	Book value	Acquisition cost	Difference
Equity securities	¥26,842	¥13,653	¥13,189
Debt securities	10,000	10,000	–
Other	10,000	10,000	–
Total	¥46,842	¥33,653	¥13,189

Thousands of U.S. Dollars (Note 1)

	2017		
	Book value	Acquisition cost	Difference
Equity securities	$239,660	$121,901	$117,759
Debt securities	89,286	89,286	–
Other	89,286	89,286	–
Total	$418,232	$300,473	$117,759

Notes to Consolidated Financial Statements

Millions of Yen

	2016		
	Book value	Acquisition cost	Difference
Equity securities	¥25,020	¥13,544	¥11,476
Debt securities	15,600	15,600	–
Other	15,101	15,062	39
Total	¥55,721	¥44,206	¥11,515

Securities other than the above:

Millions of Yen

	2017		
	Book value	Acquisition cost	Difference
Equity securities	¥ 538	¥ 545	¥ (7)
Debt securities	–	–	–
Other	5,016	5,027	(11)
Total	¥5,554	¥5,572	¥(18)

Thousands of U.S. Dollars (Note 1)

	2017		
	Book value	Acquisition cost	Difference
Equity securities	$ 4,803	$ 4,866	$ (63)
Debt securities	–	–	–
Other	44,786	44,884	(98)
Total	$49,589	$49,750	$(161)

Millions of Yen

	2016		
	Book value	Acquisition cost	Difference
Equity securities	¥1,715	¥2,014	¥(299)
Debt securities	–	–	–
Other	–	–	–
Total	¥1,715	¥2,014	¥(299)

(Notes): 1. Acquisition cost is presented based on book values after posting of impairment loss.
2. The market price of unlisted shares is not available, therefore the fair value is difficult to estimate. Hence, the amounts of unlisted shares, which are ¥2,757 million ($24,616 thousand) and ¥2,571 million on the consolidated balance sheets as of March 31, 2017 and 2016 respectively, are not included in Available-for-sale securities above.

(3) Available-for-sale securities sold for the years ended March 31, 2017 and 2016

Millions of Yen

	2017		
	Sales amount	Gross realized gains	Gross realized losses
Equity securities	¥1,800	¥426	¥–
Debt securities	–	–	–
Other	–	–	–
Total	¥1,800	¥426	¥–

Thousands of U.S. Dollars (Note 1)

	2017		
	Sales amount	Gross realized gains	Gross realized losses
Equity securities	$16,071	$3,804	$–
Debt securities	–	–	–
Other	–	–	–
Total	$16,071	$3,804	$–

Millions of Yen

	2016		
	Sales amount	Gross realized gains	Gross realized losses
Equity securities	¥3,342	¥1,313	¥205
Debt securities	–	–	–
Other	–	–	–
Total	¥3,342	¥1,313	¥205

(4) Securities and investment securities impaired

No impairment of securities and investment securities was recorded for the years ended March 31, 2017 and 2016.

With respect to impairment loss, securities with a fair value that has declined by 50% or more against their acquisition costs are impaired. Among securities that have declined by 30% or more, but less than 50% against their acquisition costs, those that have been comprehensively assessed and deemed as unlikely to recover their value are also impaired.

Notes to Consolidated Financial Statements

7.Derivative Transactions

Derivative transactions not subject to hedge accounting

(1) Currency-related derivatives

Millions of Yen

	2017			
	Contract amount			
	Total	Due after one year	Fair value	Realized gain (loss)
Forward contracts:				
To sell:				
Euros	¥16,222	¥–	¥133	¥133
Chinese yuan	3,590	–	49	49
Total	¥19,812	¥–	¥182	¥182

Thousands of U.S. Dollars (Note 1)

	2017			
	Contract amount			
	Total	Due after one year	Fair value	Realized gain (loss)
Forward contracts:				
To sell:				
Euros	$144,839	$–	$1,187	$1,187
Chinese yuan	32,054	–	438	438
Total	$176,893	$–	$1,625	$1,625

Not applicable at March 31, 2016.

(Notes): 1. Fair values of derivative transactions are determined by forward exchange rates.
2. Transactions are transactions other than market transactions.

(2) Interest rate-related derivatives

Not applicable at March 31, 2017 and 2016.

Derivative transactions subject to hedge accounting

(1) Currency-related derivatives

Not applicable at March 31, 2017 and 2016.

(2) Interest rate-related derivatives

Millions of Yen

			2017		
			Contract amount		
Hedge accounting method	Type	Main hedged item	Total	Due after one year	Fair value
Interest rate swaps that are subject to special treatment	Interest rate swaps: Receive float/ Pay fix	Long-term loans payable	¥2,000	¥2,000	(Note) 2
Total			¥2,000	¥2,000	¥ –

Thousands of U.S. Dollars (Note 1)

			2017		
			Contract amount		
Hedge accounting method	Type	Main hedged item	Total	Due after one year	Fair value
Interest rate swaps that are subject to special treatment	Interest rate swaps: Receive float/ Pay fix	Long-term loans payable	$17,857	$17,857	(Note) 2
Total			$17,857	$17,857	$ –

Millions of Yen

			2016		
			Contract amount		
Hedge accounting method	Type	Main hedged item	Total	Due after one year	Fair value
Interest rate swaps that are subject to special treatment	Interest rate swaps: Receive float/ Pay fix	Long-term loans payable	¥3,500	¥3,500	(Note) 2
Total			¥3,500	¥3,500	¥ –

(Notes): 1. Fair values of derivative transactions are determined by prices principally reported by the financial institutions with which the Group engages in derivative transactions.
2. Since interest rate swaps that are subject to special treatment are accounted for with long-term loans payable, which are hedged items, their fair value is included in the fair value of the said long-term loans payable.

Notes to Consolidated Financial Statements

8. Short-term Loans Payable, Bonds and Long-term Loans Payable and Lease Obligation

Short-term loans payable, bonds and long-term loans payable and lease obligation at March 31, 2017 and 2016:

	Average interest rates (%)**	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S.Dollars (Note 1) 2017
Euro-yen convertible bond-type bonds with subscription rights to shares due in 2019*	–	¥10,023	¥10,033	$ 89,491
Short-term loans payable	0.0	155	260	1,384
Long-term loans payable due within one year	0.3	2,000	–	17,857
Lease obligations due within one year	3.1	733	841	6,544
Long-term loans payable due over one year	0.3	61,000	67,000	544,643
Lease obligations due over one year	3.2	1,291	1,354	11,527
Other	–	–	–	–
Total	–	¥75,202	¥79,488	$671,446

* Details of bonds with subscription rights to shares ("warrants")

Type of shares involved	common shares
Price of warrants	gratis
Share issue price	¥2,051.8 ($18.32)
Total issue amount	¥10,050 million ($89,732 thousand)
Total value of new shares issued upon exercise of warrants	–
Warrant-linked	100%
Period of exercise of warrants	August 6, 2014 to July 9, 2019

Upon request to exercise warrants in question, payments usually required for the issuance of the corresponding number of shares shall be exempted as the issuer of bonds in question, in return, will be automatically exempted from obligation of redemption of the bonds in lump-sum.

Exercise of warrants in question shall be regarded as an eligible request for exercise of subscription rights.

The conversion price of the euro-yen convertible bond-type bonds with subscription rights to shares due in 2019 was adjusted to ¥2,051.8 ($18.32) from ¥2,055.7 retroactive to April 1, 2016 pursuant to the terms and conditions of the bonds due to the payment of a year-end dividend of ¥22.5 per share and an annual dividend of ¥40.00 per share. The General Meeting of Shareholders held on June 29, 2016 approved the payment of these dividends.

** The average interest rate is the weighted average rate on the year-end balance.

The annual maturities of bonds and long-term loans payable within five years:

Year ending March 31	Millions of Yen	Thousands of U.S.Dollars (Note 1)
2018	¥ 2,000	$ 17,857
2019	16,500	147,321
2020	10,000	89,286
2021	23,000	205,357
2022	–	–

The annual maturities of lease obligations within five years:

Year ending March 31	Millions of Yen	Thousands of U.S.Dollars (Note 1)
2018	¥733	$6,545
2019	499	4,455
2020	360	3,214
2021	234	2,089
2022	100	893

The lines of credit with the main financial institutions agreed as of March 31, 2017 and 2016:

	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S.Dollars (Note 1) 2017
Line of credit	¥57,000	¥57,100	$508,929
Unused	57,000	57,100	508,929

Notes to Consolidated Financial Statements

9. Income Taxes

(1) The following table summarizes the significant differences between the statutory tax rate and the Group's actual income tax rate for financial statement purposes for the years ended March 31, 2017 and 2016.

	2017	2016
Statutory tax rate	**30.9%**	33.1%
Increase (reduction) in tax resulting from:		
Difference in statutory tax rate (including overseas subsidiaries)	**(3.4)**	(2.7)
Valuation allowance	**(2.9)**	(9.4)
Retained earnings of overseas subsidiaries	**(3.3)**	(1.4)
Decrease of deferred tax assets at year end due to changes of Japan tax rate	**0.0**	1.8
Other	**0.2**	1.9
Actual income tax rate	**21.5%**	23.3%

(2) Significant components of deferred tax assets and liabilities as of March 31, 2017 and 2016:

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2017	2016	2017
Deferred tax assets:			
Net operating loss carryforwards	**¥11,111**	¥11,626	**$99,205**
Inventories	**1,689**	1,932	**15,080**
Accrued expenses (bonuses to employees)	**1,566**	1,695	**13,982**
Property, plant and equipment	**1,168**	1,491	**10,429**
Retirement benefits related expenses	**104**	1,928	**929**
Other	**5,078**	5,017	**45,339**
Gross deferred tax assets	**20,716**	23,689	**184,964**
Valuation allowance	**(5,482)**	(6,025)	**(48,946)**
Total deferred tax assets	**15,234**	17,664	**136,018**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**(4,039)**	(3,526)	**(36,062)**
Retained earnings of overseas subsidiaries	**(2,013)**	(2,775)	**(17,973)**
Unrealized holding gain	**(1,287)**	(1,287)	**(11,491)**
Reserve for advanced depreciation of non-current assets	**(67)**	(70)	**(598)**
Other	**(74)**	(71)	**(661)**
Total deferred tax liabilities	**(7,480)**	(7,729)	**(66,785)**
Net deferred tax assets	**¥7,754**	¥ 9,935	**$69,233**

(3) Adjustments of amount of deferred tax assets and liabilities due to change in the corporate tax rate

The "Act for Partial Revision of Acts, Including Partial Revision of the Consumption Tax Act for the Fundamental Reform of the Taxation System to Achieve a Stable Source of Revenue for Social Security" (Act No.85 of 2016) and the "Act for Partial Revision of Acts, Including Partial Revision of the Local Tax Act and the Local Allocation Tax Act for the Fundamental Reform of the Taxation System to Achieve a Stable Source of Revenue for Social Security" (Act No.86 of 2016) were enacted by the Japanese government on November 18, 2016. In conjunction with these acts, the effective date for the increase in Japanese consumption tax rate to 10% was extended from April 1, 2017 to October 1, 2019.

Accordingly, the effective dates of the abolition of the local corporation special tax, the accompanying restoration of the corporate enterprise tax, and changes in statutory tax rates for local corporation taxes and corporate inhabitant taxes have been extended from fiscal years beginning April 1, 2017 or later to fiscal years beginning October 1, 2019 or later.

This change had a negligible impact on earnings.

10. Retirement Benefits

(1) Defined benefit plan (Defined benefit plans, including multi-employer pension plans)

1)Movement in projected benefit obligation (except plans applying the simplified method)

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2017	2016	2017
Projected benefit obligation at beginning of period	**¥53,239**	¥54,206	**$475,349**
Service cost	**1,704**	1,747	**15,214**
Interest cost	**571**	588	**5,098**
Actuarial differences accrued	**(563)**	45	**(5,027)**
Benefits paid	**(2,535)**	(2,320)	**(22,634)**
Other	**(21)**	(1,027)	**(187)**
Projected benefit obligation at end of period	**¥52,395**	¥53,239	**$467,813**

Notes to Consolidated Financial Statements

2) Movement in pension plan assets (except plans applying the simplified method)

	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S.Dollars (Note 1) 2017
Pension plan assets at beginning of period	**¥60,843**	¥66,676	**$543,241**
Expected return on pension plan assets	**2,016**	2,193	**18,000**
Actuarial differences accrued	**2,768**	(6,268)	**24,714**
Contributions paid by the employer	**1,191**	1,215	**10,634**
Benefits paid	**(2,322)**	(2,162)	**(20,732)**
Other	**(7)**	(811)	**(62)**
Pension plan assets at end of period	**¥64,489**	¥60,843	**$575,795**

3) Movement in net defined benefit liability for plans applying the simplified method

	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S.Dollars (Note 1) 2017
Net defined benefit liability at beginning of period	**¥(171)**	¥(449)	**$(1,527)**
Retirement benefit expenses	**(199)**	483	**(1,777)**
Benefits paid	**(10)**	(44)	**(89)**
Contributions paid by the employer	**(150)**	(157)	**(1,339)**
Other	**(7)**	(4)	**(63)**
Net defined benefit liability at end of period	**¥(537)**	¥(171)	**$(4,795)**

4) Reconciliation from projected benefit obligation and pension plan assets to liability (asset) for retirement benefits

	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S.Dollars (Note 1) 2017
Funded projected benefit obligation	**¥ 56,433**	¥57,383	**$ 503,866**
Pension plan assets	**(69,299)**	(65,337)	**(618,741)**
	(12,866)	(7,954)	**(114,875)**
Unfunded projected benefit obligation	**235**	179	**2,098**
Total net liability (asset) for retirement benefits recorded on the consolidated balance sheets	**(12,631)**	(7,775)	**(112,777)**
Net defined benefit liability	**491**	1,338	**4,384**
Net defined benefit asset	**(13,122)**	(9,113)	**(117,161)**
Total net liability (asset) for retirement benefits recorded on the consolidated balance sheets	**¥(12,631)**	¥ (7,775)	**$(112,777)**

(Note): Including plans applying the simplified method.

5) Retirement benefit expenses

	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S.Dollars (Note 1) 2017
Service cost	**¥1,704**	¥1,747	**$ 15,214**
Interest cost	**571**	588	**5,098**
Expected return on pension plan assets	**(2,016)**	(2,193)	**(18,000)**
Amortization of actuarial differences	**1,461**	1,273	**13,045**
Amortization of prior service costs	**(1,846)**	(1,857)	**(16,482)**
Other	**608**	476	**5,429**
Retirement benefit expenses	**¥ 482**	¥ 34	**$ 4,304**

(Note): Premium retirement benefit expenses paid onetime are included in Other.

6) Remeasurements of defined benefit plans (before income tax effects)

	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S.Dollars (Note 1) 2017
Actuarial differences	**¥ 4,854**	¥(4,777)	**$ 43,339**
Prior service costs	**(1,846)**	(1,857)	**(16,482)**
Total	**¥ 3,008**	¥(6,634)	**$ 26,857**

Notes to Consolidated Financial Statements

7) Accumulated remeasurements for retirement benefit (before income tax effects)

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2017	2016	2017
Unrecognized actuarial differences	¥ 2,781	¥ 7,635	$ 24,830
Unrecognized prior service costs	(9,742)	(11,588)	(86,982)
Total	¥(6,961)	¥(3,953)	$(62,152)

8) Pension plan assets

(i) Pension plan assets comprise:

	2017	2016
Equity securities	15%	54%
Debt securities	2%	16%
General account	23%	20%
Cash and deposits	55%	5%
Other	5%	5%
Total	100%	100%

(Note): The employee retirement benefit trust set up for corporate pension plans represents 15% and 14% of total pension assets, as of March 31, 2017 and 2016, respectively.

(ii) Long-term expected rate of return

Current and target asset allocations, as well as current and expected returns on various categories of pension plan assets have been considered in determining the long-term expected rate of return.

9) Actuarial assumptions

The principal actuarial assumptions at the end of the period are as follows:

	2017	2016
Discount rate	mainly 0.8%	mainly 0.8%
Long-term expected rate of return	mainly 3.0%	mainly 3.0%

(2) Defined Contribution Plan

At March 31, 2017 and 2016, the required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥954 million ($8,518 thousand) and ¥1,011 million, respectively.

11. Net Assets

Under the Japanese Corporation Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as capital stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one-half of the price of the new shares as legal capital surplus, which is included in capital surplus.

In cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of legal capital surplus and legal retained earnings must be set aside as legal capital surplus or legal retained earnings. Legal retained earnings are included in retained earnings in the accompanying consolidated balance sheets.

Legal capital surplus and legal retained earnings may not be distributed as dividends. However, all legal capital surplus and all legal retained earnings may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with the Law.

12. Lease Transactions

(1) Finance lease transactions which do not transfer the ownership of the leased property to the lessee, and that were concluded prior to the year that began on April 1, 2008 for which the new accounting standards were applied

The assumed outstanding future lease payments as of March 31, 2017 and 2016:

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2017	2016	2017
Future lease payments:			
Due within one year	¥13	¥12	$116
Due over one year	20	33	179
Total	¥33	¥45	$295

Notes to Consolidated Financial Statements

Total lease expenses, total assumed depreciation cost and total assumed interest cost as lessee for the years ended March 31, 2017 and 2016:

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2017	2016	**2017**
Total lease expenses	**¥14**	¥15	**$125**
Total assumed depreciation cost	**10**	11	**89**
Total assumed interest cost	**2**	2	**18**

Assumed acquisition cost, accumulated depreciation and net book value of the leased assets under the finance lease contracts as lessee as of March 31, 2017 and 2016:

	Millions of Yen		
	2017		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	**¥155**	**¥129**	**¥26**
Total	**¥155**	**¥129**	**¥26**

	Thousands of U.S.Dollars (Note 1)		
	2017		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	**$1,384**	**$1,152**	**$232**
Total	**$1,384**	**$1,152**	**$232**

	Millions of Yen		
	2016		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥155	¥119	¥36
Total	¥155	¥119	¥36

(Notes): 1. In calculating assumed depreciation cost, the leased assets are depreciated on a straight-line basis on the assumption that the lease term is the useful life and the residual value is zero.
2. In calculating the assumed interest cost, the difference between the total lease amount and the assumed acquisition cost is taken as the assumed interest cost. The method of distribution over each period depends on the interest method.

(2) Finance leases

See Note2 on P. 26

(3) Operating leases

Outstanding future noncancellable lease payments as of March 31, 2017 and 2016:

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2017	2016	**2017**
Future lease payments:			
Due within one year	**¥174**	¥ 231	**$1,554**
Due over one year	**723**	869	**6,455**
Total	**¥897**	¥1,100	**$8,009**

13. Segment Information

(1) Overview of reportable segments

The Group's reportable segments consist of the Group's constituent units for which separate financial information is available and which are subject to periodic examination in order for the board of directors to determine the allocation of management resources and evaluate financial results.

The Group designates three areas of segment reporting, which are the "Consumer," "System Equipment," and "Others" segments, based on the type of products and services, and the market and consumer categories.

The categories of the main products and services belonging to each reportable segment are as follows:

Consumer.................. Watches, Clocks, Electronic dictionaries, Electronic calculators, Label printers, Electronic musical instruments, Digital cameras, etc.

System Equipment...... Handheld terminals, Electronic cash registers, Office computers, Page printers, Data projectors, etc.

Others........................ Molds, etc.

(2) Basis of measurement for net sales, income or loss, assets and others for each reportable segment

The accounting method for the reportable segments is largely in line with the descriptions in Notes 1-2 on P. 25-27 Intersegment profits are based on the market price.

Notes to Consolidated Financial Statements

(3) Information on net sales, profit or loss, assets and others for each reportable segment

Millions of Yen

	Reportable segments					Amounts on consolidated financial statements**
For 2017	Consumer	System Equipment	Others	Total	Adjustments*	
Net sales:						
External customers	¥272,804	¥39,734	¥ 8,675	¥321,213	¥ –	¥321,213
Intersegment	1	29	6,888	6,918	(6,918)	–
Total	272,805	39,763	15,563	328,131	(6,918)	321,213
Segment profit (loss)	37,194	(2,224)	335	35,305	(4,669)	30,636
Segment assets	190,178	40,744	19,985	250,907	100,545	351,452
Other						
Depreciation	7,044	1,957	421	9,422	319	9,741
Amortization of goodwill	28	11	–	39	–	39
Investment to entities accounted for using equity method	–	–	2,701	2,701	–	2,701
Increase in property, plant and equipment and intangible assets	7,561	2,208	174	9,943	177	10,120

Thousands of U.S.Dollars (Note 1)

	Reportable segments					Amounts on consolidated financial statements**
For 2017	Consumer	System Equipment	Others	Total	Adjustments*	
Net sales:						
External customers	$2,435,750	$354,768	$ 77,455	$2,867,973	$ –	$2,867,973
Intersegment	9	259	61,500	61,768	(61,768)	–
Total	2,435,759	355,027	138,955	2,929,741	(61,768)	2,867,973
Segment profit (loss)	332,089	(19,857)	2,991	315,223	(41,687)	273,536
Segment assets	1,698,018	363,786	178,437	2,240,241	897,723	3,137,964
Other						
Depreciation	62,893	17,473	3,759	84,125	2,848	86,973
Amortization of goodwill	250	98	–	348	–	348
Investment to entities accounted for using equity method	–	–	24,116	24,116	–	24,116
Increase in property, plant and equipment and intangible assets	67,509	19,714	1,554	88,777	1,580	90,357

Millions of Yen

	Reportable segments					Amounts on consolidated financial statements**
For 2016	Consumer	System Equipment	Others	Total	Adjustments*	
Net sales:						
External customers	¥300,956	¥42,669	¥ 8,633	¥352,258	¥ –	¥352,258
Intersegment	2	49	8,788	8,839	(8,839)	–
Total	300,958	42,718	17,421	361,097	(8,839)	352,258
Segment profit (loss)	48,981	(1,825)	(114)	47,042	(4,873)	42,169
Segment assets	189,995	45,219	19,809	255,023	113,431	368,454
Other						
Depreciation	6,684	2,308	442	9,434	274	9,708
Amortization of goodwill	–	11	–	11	–	11
Investment to entities accounted for using equity method	–	–	2,510	2,510	–	2,510
Increase in property, plant and equipment and intangible assets	7,178	2,979	274	10,431	454	10,885

* Adjustments are as shown below:

(1) Downward adjustments to segment profit (loss) for the years ended March 31, 2017 and 2016 are ¥4,669 million ($41,687 thousand) and ¥4,873 million, respectively. These amounts include corporate expenses that are not allocated to any reportable segments of ¥4,669 million ($41,687 thousand) and ¥4,873 million, respectively. Corporate expenses principally consist of administrative expenses of the parent company and R&D expenses for fundamental research, which are not attributable to any reportable segments.

(2) Adjustments to segment assets for the years ended March 31, 2017 and 2016 are ¥100,545 million ($897,723 thousand) and ¥113,431 million, respectively. These amounts include corporate assets that are not allocated to any reportable segments of ¥101,134 million ($902,982 thousand) and ¥113,886 million, respectively.

(3) Adjustments to depreciation for the years ended March 31, 2017 and 2016 are ¥319 million ($2,848 thousand) and ¥274 million, respectively. These amounts consist of depreciation of assets related to administrative divisions that are not attributable to any reportable segments.

(4) Adjustments to the increase in property, plant and equipment and intangible assets for the years ended March 31, 2017 and 2016 are ¥177 million ($1,580 thousand) and ¥454 million, respectively. These amounts consist of capital expenditures in administrative divisions that are not attributable to any reportable segments.

** Segment profit (loss) is reconciled with operating profit in the consolidated financial statements.

Notes to Consolidated Financial Statements

(4) Information about geographic areas

Millions of Yen

For 2017	Japan	North America	Europe	Asia	Others	Total
Net sales:	**¥107,067**	**¥41,049**	**¥48,989**	**¥87,348**	**¥36,760**	**¥321,213**

Thousands of U.S.Dollars (Note 1)

For 2017	Japan	North America	Europe	Asia	Others	Total
Net sales:	**$955,955**	**$366,509**	**$437,402**	**$779,893**	**$328,214**	**$2,867,973**

Millions of Yen

For 2016	Japan	North America	Europe	Asia	Others	Total
Net sales:	¥110,594	¥47,166	¥51,714	¥99,085	¥43,699	¥352,258

(Notes): 1. Sales are classified by country or region where customers are located.
2. Net sales of North America includes ¥36,001 million ($321,438 thousand) in 2017 and ¥42,164 million in 2016 in U.S. while that of Asia includes ¥41,387 million in 2016 in China.

Millions of Yen

For 2017	Japan	North America	Europe	Asia	Others	Total
Property, plant and equipment	**¥48,845**	**¥1,030**	**¥443**	**¥6,382**	**¥91**	**¥56,791**

Thousands of U.S.Dollars (Note 1)

For 2017	Japan	North America	Europe	Asia	Others	Total
Property, plant and equipment	**$436,116**	**$9,196**	**$3,955**	**$56,982**	**$813**	**$507,062**

Millions of Yen

For 2016	Japan	North America	Europe	Asia	Others	Total
Property, plant and equipment	¥52,396	¥1,028	¥431	¥6,944	¥83	¥60,882

(5) Information on impairment loss of non-current assets for each reportable segment

Millions of Yen

For 2017	Consumer	System Equipment	Others	Elimination or unallocated amount	Total
Impairment loss	**¥–**	**¥1,003**	**¥–**	**¥19**	**¥1,022**

Thousands of U.S.Dollars (Note 1)

For 2017	Consumer	System Equipment	Others	Elimination or unallocated amount	Total
Impairment loss	**$–**	**$8,955**	**$–**	**$170**	**$9,125**

(Note): The above impairment loss includes the impairment loss amount indicated as business structure improvement expenses.

Millions of Yen

For 2016	Consumer	System Equipment	Others	Elimination or unallocated amount	Total
Impairment loss	¥–	¥743	¥16	¥288	¥1,047

(6) Information on amortization of goodwill and unamortized balance in each reportable segment

Millions of Yen

For 2017	Consumer	System Equipment	Others	Elimination or unallocated amount	Total
Goodwill					
Balance at the end of the reporting year	**¥376**	**¥34**	**¥–**	**¥–**	**¥410**

Thousands of U.S.Dollars (Note 1)

For 2017	Consumer	System Equipment	Others	Elimination or unallocated amount	Total
Goodwill					
Balance at the end of the reporting year	**$3,357**	**$304**	**$–**	**$–**	**$3,661**

Millions of Yen

For 2016	Consumer	System Equipment	Others	Elimination or unallocated amount	Total
Goodwill					
Balance at the end of the reporting year	¥–	¥45	¥–	¥–	¥45

(Note): Disclosure of the amount of goodwill amortization has been omitted as it is disclosed in the segment information above.

Notes to Consolidated Financial Statements

14. Contingent Liabilities

At March 31, 2017 and 2016, the Group was contingently liable for trade notes and export drafts discounted with banks in the amount of ¥730 million ($6,518 thousand) and ¥1,193 million, respectively.

15. Impairment Loss

For 2017

The Group recognized impairment loss.

Use	Type of assets	Location
Business assets	Machinery, equipment and vehicles, tools, furniture and fixtures, leased assets, software etc.	Iruma City, Saitama Pref. and others
Idle assets	Land	Fussa City, Tokyo

With respect to business assets, the Group carries out asset grouping principally according to its management accounting categories, which are employed to enable continuous monitoring of the Group's earnings situation, while idle assets are managed on an individual basis.

The Group has applied impairment accounting to business assets and idle assets whose values are deemed to have significantly declined due to deteriorating business environment and review of optimal use in the future, respectively. Book value of these assets has been reduced to recoverable amounts and the reduced amounts of ¥1,022 million ($9,125 thousand) is recognized as "business structure improvement expenses" and "impairment loss."

The breakdown of the losses is: ¥153 million ($1,366 thousand) for machinery, equipment and vehicles, ¥144 million ($1,286 thousand) for tools, furniture and fixtures, ¥19 million ($169 thousand) for land, ¥157 million ($1,402 thousand) for leased assets, ¥545 million ($4,866 thousand) for software, and ¥4 million ($36 thousand) for others.

Recoverable amounts are estimated using net selling prices which are reasonably estimated. Recoverable amounts for land are calculated based on publicly assessed value, etc., and those for assets other than land are based on estimated disposal values.

For 2016

The Group recognized impairment loss.

Use	Type of assets	Location
Business assets	Tools, furniture and fixtures, leased assets, software etc.	Hachioji City, Tokyo, Iruma City, Saitama Pref. and others
Idle assets	Land, buildings and structures	Yamagata City, Yamagata Pref. Ashiya City, Hyogo Pref. and others

With respect to business assets, the Group carries out asset grouping principally according to its management accounting categories, which are employed to enable continuous monitoring of the Group's earnings situation, while idle assets are managed on an individual basis.

The Group has applied impairment accounting to business assets and idle assets whose values are deemed to have significantly declined due to deteriorating business environment and review of optimal use in the future, respectively. Book value of these assets has been reduced to recoverable amounts and the reduced amounts of ¥1,047 million is recognized as" impairment loss."

The breakdown of the losses is: ¥135 million for tools, furniture and fixtures, ¥293 million for land, ¥310 million for leased assets, ¥291 million for software, and ¥18 million for others.

Recoverable amounts are estimated using net selling prices which are reasonably estimated. Recoverable amounts for land are calculated based on publicly assessed value, etc., and those for assets other than land are based on estimated disposal values.

16. Business structure improvement expenses

These expenses include loss on abandonment of assets, impairment loss of non-current assets, retirement-related expenses and other related expenses related to System Equipment business structural reforms.

17. Subsequent Events

Appropriation of retained earnings

At the annual shareholders' meeting held on June 29, 2017, the Company's shareholders approved the payment of a cash dividend of ¥20.00 ($0.18) per share aggregating ¥4,927 million ($43,991 thousand) to registered shareholders as of March 31, 2017.

Independent Auditor’s Report

To the Board of Directors of CASIO COMPUTER Co., Ltd.:

We have audited the accompanying consolidated financial statements of CASIO COMPUTER Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017 and 2016, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 our judgement, 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, we consider 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, while the objective of the financial statement audit is 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 present fairly, in all material respects, the financial position of CASIO COMPUTER Co., Ltd. and its consolidated subsidiaries as at March 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 29, 2017
Tokyo, Japan