

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

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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.

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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

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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).

For 2017	Millions of Yen		
	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	¥ -

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For 2017	Thousands of U.S.Dollars (Note 1)		
	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	\$ -

For 2016	Millions of Yen		
	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.

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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:

For 2017	Millions of Yen			
	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	¥-	¥-	¥-

For 2017	Thousands of U.S.Dollars (Note 1)			
	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	\$-	\$-	\$-

For 2016	Millions of Yen			
	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	¥-	¥-	¥-

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(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					
	Within one year	Within two years	Within three years	Within four years	Within five years	Over five years
For 2017						
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)					
	Within one year	Within two years	Within three years	Within four years	Within five years	Over five years
For 2017						
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

For 2016	Millions of Yen					
	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

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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.

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7. Derivative Transactions

Derivative transactions not subject to hedge accounting

(1) Currency-related derivatives

	Millions of Yen			
	2017			
	Contract amount		Fair value	Realized gain (loss)
Total	Due after one year			
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		Fair value	Realized gain (loss)
Total	Due after one year			
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

Hedge accounting method	Type	Main hedged item	Millions of Yen		
			2017		
			Contract amount		Fair value
Total	Due after one year				
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	¥ -

Hedge accounting method	Type	Main hedged item	Thousands of U.S. Dollars (Note 1)		
			2017		
			Contract amount		Fair value
Total	Due after one year				
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	\$ -

Hedge accounting method	Type	Main hedged item	Millions of Yen		
			2016		
			Contract amount		Fair value
Total	Due after one year				
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.

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

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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

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

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2017	2016	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		Thousands of U.S.Dollars (Note 1)
	2017	2016	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		Thousands of U.S.Dollars (Note 1)
	2017	2016	2017
Funded projected benefit obligation	¥ 56,433	¥57,383	\$ 503,866
Pension plan assets	(69,299)	(65,337)	(618,741)
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		Thousands of U.S.Dollars (Note 1)
	2017	2016	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		Thousands of U.S.Dollars (Note 1)
	2017	2016	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

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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

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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.

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

For 2017	Reportable segments					Millions of Yen	
	Consumer	System Equipment	Others	Total	Adjustments*	Amounts on consolidated financial statements**	
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	

For 2017	Reportable segments					Thousands of U.S.Dollars (Note 1)	
	Consumer	System Equipment	Others	Total	Adjustments*	Amounts on consolidated financial statements**	
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	

For 2016	Reportable segments				Millions of Yen		
	Consumer	System Equipment	Others	Total	Adjustments*	Amounts on consolidated financial statements**	
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.

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(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.

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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.