Notes to Consolidated Financial Statements

Years ended March 31, 2018 and 2017 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, 2018, which was ¥106 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 contracts and interest rate swaps 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 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.

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 2017 consolidated financial statements to conform to the 2018 presentation.

Accounting standards and guidance issued but not yet adopted

The following new standard and guidance have been issued but are not effective for the fiscal year ended March 31, 2018 and have not been adopted early.

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying the following 5 steps:

Step 1: Identify contract(s) with customers.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligation in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standard and guidance

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standard and guidance on the consolidated financial statements.

3. Cash and Cash Equivalents

(1) Cash and cash equivalents at March 31, 2018 and 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Cash and deposits	¥ 66,441	¥ 55,197	$ 626,802
Time deposits over three months	(387)	(362)	(3,651)
Debt securities within three months to maturity	48,500	43,920	457,547
Short-term loans receivable with resale agreement	20,000	20,000	188,679
Cash and cash equivalents	¥ 134,554	¥118,755	$1,269,377

(2) Significant non-cash transactions

1) Assets and obligations relating to finance lease transactions

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Assets relating to finance lease transactions	¥436	¥723	$4,113
Obligations relating to finance lease transactions	473	779	4,462

2) Retirement of treasury shares

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Retirement of treasury shares	¥ –	¥15,329	$ –

4. Inventories

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Finished goods	¥36,450	¥38,352	$343,868
Work in process	5,582	5,606	52,660
Raw materials and supplies	7,649	8,300	72,161
Total	¥49,681	¥52,258	$468,689

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, accounts payable–other and income taxes payable have a due date of within one year.

Operating payables, loans payable, and bonds with share acquisition rights 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, 2018 and 2017. Items for which fair value is difficult to estimate are not included in the following table (see (Note) 2 on P. 61).

	Millions of Yen		
For 2018	Book value	Fair value	Difference
Assets			
[1] Cash and deposits	¥ 66,441	¥ 66,441	¥ –
[2] Notes and accounts receivable–trade	45,171	45,171	–
[3] Securities and investment securities			
a. Held-to-maturity debt securities	26,000	26,000	–
b. Available-for-sale securities	56,767	56,767	–
[4] Short-term loans receivable with resale agreement	20,000	20,000	–
Total assets	¥214,379	¥214,379	¥ –
Liabilities			
[1] Notes and accounts payable–trade	¥ 30,752	¥ 30,752	¥ –
[2] Accounts payable–other	19,444	19,444	–
[3] Income taxes payable	3,810	3,810	–
[4] Bonds with share acquisition rights	10,013	10,199	186
[5] Long-term loans payable	63,000	63,051	51
Total liabilities	¥127,019	¥127,256	¥237
Derivative transactions *	¥ (113)	¥ (113)	¥ –

For 2018	Book value	Fair value	Difference
	Thousands of U.S. Dollars (Note 1)		
Assets			
[1] Cash and deposits	$ 626,802	$ 626,802	$ –
[2] Notes and accounts receivable-trade	426,142	426,142	–
[3] Securities and investment securities			
a. Held-to-maturity debt securities	245,283	245,283	–
b. Available-for-sale securities	535,538	535,538	–
[4] Short-term loans receivable with resale agreement	188,679	188,679	–
Total assets	$2,022,444	$2,022,444	$ –
Liabilities			
[1] Notes and accounts payable-trade	$ 290,113	$ 290,113	$ –
[2] Accounts payable-other	183,434	183,434	–
[3] Income taxes payable	35,943	35,943	–
[4] Bonds with share acquisition rights	94,462	96,217	1,755
[5] Long-term loans payable	594,339	594,821	482
Total liabilities	$1,198,291	$1,200,528	$2,237
Derivative transactions *	$ (1,066)	$ (1,066)	$ –

* Net receivables and payables, which are derived from derivative transactions, are presented in net amounts and any items which are net liabilities are indicated in parentheses.

For 2017	Book value	Fair value	Difference
	Millions of Yen		
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] Income taxes payable	2,593	2,593	–
[4] Bonds with share acquisition rights	10,023	10,420	397
[5] Long-term loans payable	63,000	63,013	13
Total liabilities	¥126,446	¥126,856	¥410
Derivative transactions *	¥ 182	¥ 182	¥ –

* 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, [3] Income taxes payable

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

[4] Bonds with share acquisition rights

The fair value of bonds with share acquisition rights is the price quoted by the correspondent financial institution.

[5] 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.

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)
	2018	2017	2018
	Book value	Book value	Book value
Unlisted shares	¥2,762	¥2,757	$26,056

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. 45-46.

In the fiscal years ended March 31, 2018 and 2017, there were no unlisted shares declared as an impairment loss.

(Note) 3: Monetary claims and securities and investment securities with repayment due dates after March 31, 2018 and 2017:

Millions of Yen

For 2018	Within one year	Within five years	Within ten years	Over ten years
Cash and deposits	¥ 66,441	¥–	¥–	¥–
Notes and accounts receivable-trade	45,171	–	–	–
Securities and investment securities				
1. Held-to-maturity debt-securities				
(1) Government bonds	–	–	–	–
(2) Corporate bonds	–	–	–	–
(3) Others	26,000	–	–	–
2. Available-for-sale securities with maturities				
(1) Debt securities				
a. Government bonds	–	–	–	–
b. Corporate bonds	10,000	–	–	–
c. Other	–	–	–	–
(2) Other	12,500	–	–	–
Short-term loans receivable with resale agreement	20,000	–	–	–
Total	¥180,112	¥–	¥–	¥–

Thousands of U.S. dollars (Note 1)

For 2018	Within one year	Within five years	Within ten years	Over ten years
Cash and deposits	$ 626,802	$–	$–	$–
Notes and accounts receivable-trade	426,142	–	–	–
Securities and investment securities				
1. Held-to-maturity debt-securities				
(1) Government bonds	–	–	–	–
(2) Corporate bonds	–	–	–	–
(3) Others	245,283	–	–	–
2. Available-for-sale securities with maturities				
(1) Debt securities				
a. Government bonds	–	–	–	–
b. Corporate bonds	94,340	–	–	–
c. Other	–	–	–	–
(2) Other	117,924	–	–	–
Short-term loans receivable with resale agreement	188,679	–	–	–
Total	$1,699,170	$–	$–	$–

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	¥–	¥–	¥–

(Note) 4: Bonds with share acquisition rights and long-term loans payable with due dates after March 31, 2018 and 2017

Millions of Yen

For 2018	Within one year	Within two years	Within three years	Within four years	Within five years	Over five years
Bonds with share acquisition rights	¥ –	¥10,000	¥ –	¥–	¥–	¥ –
Long-term loans payable	16,500	–	25,000	–	–	21,500
Total	¥16,500	¥10,000	¥25,000	¥–	¥–	¥21,500

Thousands of Dollars (Note 1)

For 2018	Within one year	Within two years	Within three years	Within four years	Within five years	Over five years
Bonds with share acquisition rights	$ –	$94,340	$ –	$–	$–	$ –
Long-term loans payable	155,660	–	235,849	–	–	202,830
Total	$155,660	$94,340	$235,849	$–	$–	$202,830

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 share acquisition rights	¥ –	¥ –	¥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

6. Securities and Investment Securities

(1) Held-to-maturity debt securities

Millions of Yen

	2018		
	Book value	Fair value	Difference
Securities with fair values exceeding book values	¥26,000	¥26,000	¥–
Securities other than the above	–	–	–
Total	¥26,000	¥26,000	¥–

Thousands of U.S. Dollars (Note 1)

	2018		
	Book value	Fair value	Difference
Securities with fair values exceeding book values	$245,283	$245,283	$–
Securities other than the above	–	–	–
Total	$245,283	$245,283	$–

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	¥–

(2) Available-for-sale securities

Securities with book values exceeding acquisition costs:

Millions of Yen

	2018		
	Book value	Acquisition cost	Difference
Equity securities	¥29,260	¥13,558	¥15,702
Debt securities	10,000	10,000	–
Other	12,500	12,500	–
Total	¥51,760	¥36,058	¥15,702

Thousands of U.S. Dollars (Note 1)

	2018		
	Book value	Acquisition cost	Difference
Equity securities	$276,038	$127,906	$148,132
Debt securities	94,340	94,340	–
Other	117,924	117,924	–
Total	$488,302	$340,170	$148,132

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

Securities other than the above:

Millions of Yen

	2018		
	Book value	Acquisition cost	Difference
Equity securities	¥ –	¥ –	¥ –
Debt securities	–	–	–
Other	5,007	5,020	(13)
Total	¥5,007	¥5,020	¥(13)

Thousands of U.S. Dollars (Note 1)

	2018		
	Book value	Acquisition cost	Difference
Equity securities	$ –	$ –	$ –
Debt securities	–	–	–
Other	47,236	47,358	(122)
Total	$47,236	$47,358	$(122)

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)

(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 ¥2,762 million ($26,057 thousand) and ¥2,757 million on the consolidated balance sheets as of March 31, 2018 and 2017, respectively, are not included in available-for-sale securities above.

(3) Available-for-sale securities sold for the years ended March 31, 2018 and 2017

Millions of Yen

	2018		
	Sales amount	Gross realized gains	Gross realized losses
Equity securities	¥1,173	¥519	¥–
Debt securities	–	–	–
Other	–	–	–
Total	¥1,173	¥519	¥–

Thousands of U.S. Dollars (Note 1)

	2018		
	Sales amount	Gross realized gains	Gross realized losses
Equity securities	$11,066	$4,896	$–
Debt securities	–	–	–
Other	–	–	–
Total	$11,066	$4,896	$–

Millions of Yen

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

(4) Securities and investment securities impaired

No impairment of securities and investment securities was recorded for the years ended March 31, 2018 and 2017.

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.

7. Derivative Transactions

Derivative transactions not subject to hedge accounting

(1) Currency-related derivatives

Millions of Yen

	2018			
	Contract amount			
	Total	Due after one year	Fair value	Realized gain (loss)
Forward contracts:				
To sell:				
Euros	¥2,383	¥–	¥(113)	¥(113)
Chinese yuan	–	–	–	–
Total	¥2,383	¥–	¥(113)	¥(113)

Thousands of U.S. Dollars (Note 1)

	2018			
	Contract amount			
	Total	Due after one year	Fair value	Realized gain (loss)
Forward contracts:				
To sell:				
Euros	$22,481	$–	$(1,066)	$(1,066)
Chinese yuan	–	–	–	–
Total	$22,481	$–	$(1,066)	$(1,066)

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

(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, 2018 and 2017.

Derivative transactions subject to hedge accounting

(1) Currency-related derivatives

Not applicable at March 31, 2018 and 2017.

(2) Interest rate-related derivatives

Millions of Yen

			2018		
			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 (Note1)

			2018		
			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	$18,868	$18,868	(Note) 2
Total			$18,868	$18,868	$–

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	¥–

(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.

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, 2018 and 2017:

	Average interest rates (%)**	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
Euro-yen convertible bond-type bonds with share acquisition rights due in 2019*	–	¥10,013	¥10,023	$ 94,462
Short-term loans payable	0.0	205	155	1,934
Long-term loans payable due within one year	0.6	16,500	2,000	155,660
Lease obligations due within one year	3.2	594	733	5,604
Long-term loans payable due over one year	0.2	46,500	61,000	438,679
Lease obligations due over one year	3.2	1,115	1,291	10,519
Other	–	–	–	–
Total	–	¥74,927	¥75,202	$706,858

* Details of bonds with share acquisition rights ("warrants")

Type of shares involved	common shares
Price of warrants	gratis
Share issue price	¥2,051.8 ($19.36)
Total issue amount	¥10,050 million ($94,811 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 a lump-sum.

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

The conversion price of the euro-yen convertible bond-type bonds with share acquisition rights due in 2019 was adjusted to ¥2,051.8 ($19.36) 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)
2019	¥16,500	$155,660
2020	10,000	94,340
2021	25,000	235,849
2022	–	–
2023	–	–

The annual maturities of lease obligations within five years:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2019	¥594	$5,604
2020	460	4,340
2021	325	3,066
2022	162	1,528
2023	63	594

The lines of credit with the main financial institutions agreed as of March 31, 2018 and 2017:

	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
Line of credit	¥56,900	¥57,000	$536,792
Unused	56,900	57,000	536,792

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, 2018 and 2017.

	2018	2017
Statutory tax rate	30.9%	30.9%
Increase (reduction) in tax resulting from:		
Difference in statutory tax rate (including overseas subsidiaries)	(3.0)	(3.4)
Valuation allowance	(10.4)	(2.9)
Retained earnings of overseas subsidiaries	(1.4)	(3.3)
Foreign tax	1.4	2.6
Other	3.0	(2.4)
Actual income tax rate	20.5%	21.5%

(2) Significant components of deferred tax assets and liabilities as of March 31, 2018 and 2017:

	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
Deferred tax assets:			
Net operating loss carryforwards	¥ 8,965	¥ 11,111	$ 84,575
Inventories	1,932	1,689	18,226
Accrued expenses (bonuses to employees)	1,544	1,566	14,566
Property, plant and equipment	1,012	1,168	9,547
Other	4,928	5,182	46,491
Gross deferred tax assets	18,381	20,716	173,405
Valuation allowance	(2,932)	(5,482)	(27,660)
Total deferred tax assets	15,449	15,234	145,745
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(4,808)	(4,039)	(45,358)
Retained earnings of overseas subsidiaries	(1,665)	(2,013)	(15,708)
Unrealized holding gain	(1,287)	(1,287)	(12,141)
Other	(124)	(141)	(1,170)
Total deferred tax liabilities	(7,884)	(7,480)	(74,377)
Net deferred tax assets	¥ 7,565	¥ 7,754	$ 71,368

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 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
Projected benefit obligation at beginning of period	¥52,395	¥53,239	$494,293
Service cost	1,595	1,704	15,047
Interest cost	562	571	5,302
Actuarial differences accrued	(359)	(563)	(3,387)
Benefits paid	(2,499)	(2,535)	(23,575)
Decrease due to the change from the principle method to the simplified method	(1,412)	–	(13,321)
Other	(244)	(21)	(2,302)
Projected benefit obligation at end of period	¥50,038	¥52,395	$472,057

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

	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
Pension plan assets at beginning of period	¥64,489	¥60,843	$608,387
Expected return on pension plan assets	2,097	2,016	19,783
Actuarial differences accrued	(1,393)	2,768	(13,142)
Contributions paid by the employer	1,145	1,191	10,802
Benefits paid	(2,310)	(2,322)	(21,792)
Decrease due to the change from the principle method to the simplified method	(1,511)	–	(14,255)
Other	(246)	(7)	(2,321)
Pension plan assets at end of period	¥62,271	¥64,489	$587,462

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

	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
Net defined benefit liability at beginning of period	¥(537)	¥(171)	$(5,066)
Retirement benefit expenses	392	(199)	3,698
Benefits paid	(13)	(10)	(123)
Contributions paid by the employer	(195)	(150)	(1,839)
Increase due to the change from the principle method to the simplified method	(99)	–	(934)
Other	7	(7)	66
Net defined benefit liability at end of period	¥(445)	¥(537)	$(4,198)

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

	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
Funded projected benefit obligation	¥ 55,416	¥ 56,433	$ 522,792
Pension plan assets	(68,409)	(69,299)	(645,368)
	(12,993)	(12,866)	(122,576)
Unfunded projected benefit obligation	315	235	2,972
Total net liability (asset) for retirement benefits recorded on the consolidated balance sheets	(12,678)	(12,631)	(119,604)
Net defined benefit liability	322	491	3,038
Net defined benefit asset	(13,000)	(13,122)	(122,642)
Total net liability (asset) for retirement benefits recorded on the consolidated balance sheets	¥(12,678)	¥(12,631)	$(119,604)

(Note): Including plans applying the simplified method.

5) Retirement benefit expenses

	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
Service cost	¥1,595	¥1,704	$15,047
Interest cost	562	571	5,302
Expected return on pension plan assets	(2,097)	(2,016)	(19,783)
Amortization of actuarial differences	2,236	1,461	21,094
Amortization of prior service costs	(3,148)	(1,846)	(29,698)
Other	653	608	6,161
Retirement benefit expenses	¥ (199)	¥ 482	$ (1,877)

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

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

	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
Actuarial differences	¥ 1,238	¥ 4,854	$ 11,679
Prior service costs	(3,148)	(1,846)	(29,698)
Total	¥(1,910)	¥ 3,008	$(18,019)

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

	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
Unrecognized actuarial differences	¥ 1,543	¥ 2,781	$ 14,557
Unrecognized prior service costs	(6,594)	(9,742)	(62,208)
Total	¥(5,051)	¥(6,961)	$(47,651)

8) Pension plan assets

(i) Pension plan assets comprise:

	2018	2017
Equity securities	17%	15%
Debt securities	2%	2%
General account	23%	23%
Cash and deposits	53%	55%
Other	5%	5%
Total	100%	100%

(Note): The employee retirement benefit trust set up for corporate pension plans represents 16% and 15% of total pension assets, as of March 31, 2018 and 2017, 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:

	2018	2017
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, 2018 and 2017, the required contributions to the defined contribution plans of the Company and its consolidated subsidiaries were ¥993 million ($9,368 thousand) and ¥954 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, 2018 and 2017:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Future lease payments:			
Due within one year	¥12	¥13	$113
Due over one year	8	20	76
Total	¥20	¥33	$189

Total lease expenses, total assumed depreciation cost and total assumed interest cost as lessee for the years ended March 31, 2018 and 2017:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Total lease expenses	¥14	¥14	$132
Total assumed depreciation cost	10	10	94
Total assumed interest cost	1	2	9

Assumed acquisition cost, accumulated depreciation and net book value of the leased assets under the finance lease contracts as lessee as of March 31, 2018 and 2017:

	Millions of Yen		
	2018		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥155	¥139	¥16
Total	¥155	¥139	¥16

	Thousands of U.S. Dollars (Note 1)		
	2018		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	$1,462	$1,311	$151
Total	$1,462	$1,311	$151

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

(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 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 Note 2 on P. 42

(3) Operating leases

Outstanding future noncancelable lease payments as of March 31, 2018 and 2017:

	Millions of Yen		Thousands of U.S.Dollars (Note 1)
	2018	2017	2018
Future lease payments:			
Due within one year	¥169	¥174	$1,594
Due over one year	557	723	5,255
Total	¥726	¥897	$6,849

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 has designated 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, 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. 40-43. Intersegment profits are based on the market price.

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

Millions of Yen

For 2018	Reportable segments: Consumer	System Equipment	Others	Total	Adjustments*	Amounts on consolidated financial statements**
Net sales:						
External customers	¥268,905	¥38,302	¥ 7,583	¥314,790	¥ –	¥314,790
Intersegment	1	20	6,733	6,754	(6,754)	–
Total	268,906	38,322	14,316	321,544	(6,754)	314,790
Segment profit	35,028	583	570	36,181	(6,613)	29,568
Segment assets	192,596	37,320	18,008	247,924	116,474	364,398
Other:						
Depreciation	7,209	1,563	378	9,150	244	9,394
Amortization of goodwill	81	11	–	92	–	92
Investment to entities accounted for using equity method	–	–	2,706	2,706	–	2,706
Increase in property, plant and equipment and intangible assets	9,438	1,817	328	11,583	392	11,975

Thousands of U.S. Dollars (Note 1)

For 2018	Reportable segments: Consumer	System Equipment	Others	Total	Adjustments*	Amounts on consolidated financial statements**
Net sales:						
External customers	$2,536,840	$361,339	$ 71,538	$2,969,717	$ –	$2,969,717
Intersegment	9	189	63,519	63,717	(63,717)	–
Total	2,536,849	361,528	135,057	3,033,434	(63,717)	2,969,717
Segment profit	330,453	5,500	5,377	341,330	(62,387)	278,943
Segment assets	1,816,943	352,076	169,887	2,338,906	1,098,811	3,437,717
Other:						
Depreciation	68,010	14,745	3,566	86,321	2,302	88,623
Amortization of goodwill	764	104	–	868	–	868
Investment to entities accounted for using equity method	–	–	25,528	25,528	–	25,528
Increase in property, plant and equipment and intangible assets	89,038	17,142	3,094	109,274	3,698	112,972

Millions of Yen

For 2017	Reportable segments: 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

* Adjustments are as shown below:

(1) Downward adjustments to segment profit (loss) for the years ended March 31, 2018 and 2017 are ¥6,613 million ($62,387 thousand) and ¥4,669 million, respectively. These amounts include corporate expenses that are not allocated to any reportable segments of ¥6,613 million ($62,387 thousand) and ¥4,669 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, 2018 and 2017 are ¥116,474 million ($1,098,811 thousand) and ¥100,545 million, respectively. These amounts include corporate assets that are not allocated to any reportable segments of ¥116,550 million ($1,099,528 thousand) and ¥101,134 million, respectively.

(3) Adjustments to depreciation for the years ended March 31, 2018 and 2017 are ¥244 million ($2,302 thousand) and ¥ 319 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, 2018 and 2017 are ¥392 million ($3,698 thousand) and ¥177 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.

(4) Information about geographic areas

Millions of Yen

For 2018	Japan	North America	Europe	Asia	Others	Total
Net sales	¥100,360	¥39,326	¥53,774	¥87,124	¥34,206	¥314,790

Thousands of U.S. Dollars (Note 1)

For 2018	Japan	North America	Europe	Asia	Others	Total
Net sales	$946,792	$371,000	$507,302	$821,925	$322,698	$2,969,717

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

(Notes): 1. Sales are classified by country or region where customers are located.
2. Net sales of North America include ¥33,638 million ($317,340 thousand) in 2018 and ¥36,001 million in 2017 in the US, while those of Asia include ¥35,369 million ($333,670 thousand) in 2018 and ¥31,775 million in 2017 in China.

Millions of Yen

For 2018	Japan	North America	Europe	Asia	Others	Total
Property, plant and equipment	¥49,670	¥1,072	¥466	¥6,722	¥102	¥58,032

Thousands of U.S. Dollars (Note 1)

For 2018	Japan	North America	Europe	Asia	Others	Total
Property, plant and equipment	$468,585	$10,113	$4,396	$63,415	$963	$547,472

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

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

Millions of Yen

For 2018	Consumer	System Equipment	Others	Elimination or unallocated amount	Total
Impairment loss	¥485	¥–	¥–	¥–	¥485

Thousands of U.S. Dollars (Note 1)

For 2018	Consumer	System Equipment	Others	Elimination or unallocated amount	Total
Impairment loss	$4,575	$–	$–	$–	$4,575

(Note): The above impairment loss is included in the amount indicated as "Business structure improvement expenses".

Millions of Yen

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

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

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

Millions of Yen

For 2018	Consumer	System Equipment	Others	Elimination or unallocated amount	Total
Goodwill					
Balance at the end of the reporting year	¥251	¥23	¥–	¥–	¥274

Thousands of U.S. Dollars (Note 1)

For 2018	Consumer	System Equipment	Others	Elimination or unallocated amount	Total
Goodwill					
Balance at the end of the reporting year	$2,368	$217	$–	$–	$2,585

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

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

14. Contingent Liabilities

At March 31, 2018 and 2017, the Group was contingently liable for trade notes and export drafts discounted with banks in the amount of ¥422 million ($3,981 thousand) and ¥730 million, respectively.

15. Impairment Loss

For 2018

The Group recognized impairment loss.

Use	Type of assets	Location
Business assets	Tools, furniture and fixtures, software, etc.	Higashine City, Yamagata 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.

The Group has applied impairment accounting to business assets whose values are deemed to have significantly declined due to a deteriorating business environment. Book value of these assets has been reduced to recoverable amounts and the reduced amounts of ¥485 million ($4,575 thousand) are recognized as "Business structure improvement expenses."

The breakdown of the losses is: ¥237 million ($2,236 thousand) for tools, furniture and fixtures, ¥173 million ($1,632 thousand) for software, and ¥75 million ($707 thousand) for others.

Recoverable amounts are estimated disposal values using net selling prices which are reasonably estimated.

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 a 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 amount of ¥1,022 million is recognized as "Business structure improvement expenses" and "Impairment loss."

The breakdown of the losses is: ¥153 million for machinery, equipment and vehicles, ¥144 million for tools, furniture and fixtures, ¥19 million for land, ¥157 million for leased assets, ¥545 million for software, and ¥4 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 estimated disposal values.

16. Business structure improvement expenses

For 2018

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

For 2017

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 28, 2018, the Company's shareholders approved the payment of a cash dividend of ¥30.00 ($0.28) per share aggregating ¥7,390 million ($69,717 thousand) to registered shareholders as of March 31, 2018.

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, 2018 and 2017, 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, 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, 2018 and 2017, 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, 2018 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

September 28, 2018
Tokyo, Japan