

Consolidated balance sheets

	Previous fiscal year	Current fiscal year	Current fiscal year
	March 31, 2016	March 31, 2017	March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets			
Current assets:			
Cash on hand and in banks (Notes 9(1) and 11)	28,429	24,537	219,088
Notes and accounts receivable – trade (Note 11)	9,879	20,175	180,135
Merchandise and finished goods	1,704	1,583	14,138
Work in progress	2,085	2,040	18,223
Raw materials and supplies	1,954	2,040	18,218
Work in progress for game software	24,825	30,150	269,199
Deferred tax assets (Note 14)	3,382	2,495	22,277
Other	3,673	2,478	22,126
Allowance for doubtful accounts	(18)	(21)	(190)
Total current assets	75,917	85,480	763,217
Fixed assets:			
Tangible fixed assets, net of accumulated depreciation (Note 5(1))			
Buildings and structures, net	11,297	11,004	98,255
Machinery and vehicles, net	23	16	146
Tools, fixtures and furniture, net	1,875	1,932	17,258
Equipment for amusement facilities, net	1,342	1,616	14,431
Land	5,234	5,234	46,738
Leased assets, net (Note 10(1))	1,042	835	7,458
Construction in progress	8	128	1,144
Total tangible fixed assets	20,825	20,768	185,434
Intangible assets			
Online contents in progress	2,395	–	–
Other	5,740	2,843	25,391
Total intangible assets	8,135	2,843	25,391
Investments and other assets			
Investments in securities (Note 12)	454	574	5,131
Claims in bankruptcy and reorganization	65	67	600
Lease deposits (Note 11)	3,867	3,920	35,003
Deferred tax assets (Note 14)	2,952	4,311	38,494
Other	916	1,003	8,962
Allowance for doubtful accounts	(78)	(72)	(648)
Total investments and other assets	8,179	9,804	87,543
Total fixed assets	37,140	33,417	298,368
Total assets	113,057	118,897	1,061,586

The accompanying notes are an integral part of these financial statements.

Consolidated balance sheets

	Previous fiscal year	Current fiscal year	Current fiscal year
	March 31, 2016	March 31, 2017	March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Liabilities			
Current liabilities:			
Notes and accounts payable – trade (Note 11)	4,053	2,288	20,434
Electronically recorded monetary obligations (Note 11)	888	4,886	43,633
Short-term borrowings (Notes 11 and 20)	1,497	9,323	83,242
Lease obligations (Note 20)	525	502	4,489
Accrued income taxes	6,470	1,580	14,111
Deferred tax liabilities (Note 14)	40	2,308	20,607
Accrued bonuses	2,080	2,263	20,211
Other	6,799	6,840	61,076
Total current liabilities	22,355	29,994	267,806
Long-term liabilities:			
Long-term borrowings (Notes 11 and 20)	11,111	6,788	60,609
Lease obligations (Note 20)	601	399	3,566
Deferred tax liabilities (Note 14)	18	29	261
Liabilities for retirement benefits for employees (Note 13)	2,323	2,596	23,182
Asset retirement obligations (Notes 15 and 21)	502	509	4,550
Other	975	805	7,191
Total long-term liabilities	15,532	11,128	99,361
Total liabilities	37,888	41,122	367,168
Net assets			
Shareholders' equity:			
Common stock	33,239	33,239	296,779
Capital surplus	21,328	21,328	190,436
Retained earnings	39,297	45,402	405,378
Treasury stock	(18,145)	(21,448)	(191,506)
Total shareholders' equity	75,719	78,521	701,088
Accumulated other comprehensive income:			
Net unrealized gain or loss on securities, net of tax	2	107	963
Cumulative translation adjustments	(278)	(541)	(4,833)
Accumulated adjustments for retirement benefits	(274)	(313)	(2,800)
Total accumulated other comprehensive income	(550)	(747)	(6,670)
Total net assets	75,168	77,774	694,417
Total liabilities and net assets	113,057	118,897	1,061,586

The accompanying notes are an integral part of these financial statements.

Consolidated statements of income

	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017	April 1, 2016 to March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	77,021	87,170	778,306
Cost of sales	47,175	56,438	503,917
Gross profit	29,846	30,731	274,389
Selling, general and administrative expenses (Notes 6(1) and (3))	17,816	17,080	152,506
Operating income	12,029	13,650	121,882
Non-operating income:			
Interest income	95	47	426
Dividend income	13	13	123
Other	195	130	1,165
Total	304	192	1,715
Non-operating expenses:			
Interest expense	119	141	1,259
Commission fees	59	44	393
Exchange losses, net	752	746	6,665
Other	55	322	2,875
Total	985	1,253	11,193
Ordinary income	11,348	12,589	112,404
Special losses:			
Loss on sales and/or disposal of fixed assets (Note 6(2))	92	99	891
Impairment loss (Note 6(4))	105	—	—
Total	197	99	891
Net income before income taxes	11,150	12,489	111,513
Income taxes - current (Note 14)	6,377	1,832	16,360
Income taxes - deferred (Note 14)	(2,972)	1,777	15,873
Total	3,405	3,610	32,234
Net income	7,745	8,879	79,279
Net income attributable to owners of the parent	7,745	8,879	79,279

The accompanying notes are an integral part of these financial statements.

Consolidated statements of comprehensive income

	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017	April 1, 2016 to March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net income	7,745	8,879	79,279
Other comprehensive income (Note 7(1))			
Net unrealized gain or loss on securities, net of tax	(168)	105	943
Cumulative translation adjustments	(1,494)	(262)	(2,348)
Adjustments for retirement benefits	9	(38)	(346)
Total other comprehensive income	(1,653)	(196)	(1,751)
Comprehensive income	6,092	8,683	77,527
Comprehensive income attributable to:			
Owners of the parent	6,092	8,683	77,527
Non-controlling interests	—	—	—

The accompanying notes are an integral part of these financial statements.

Consolidated statements of changes in net assets

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of April 1, 2015	33,239	21,328	33,801	(18,140)	70,228
Changes of items during the fiscal year					
Cash dividends (Note 8)			(2,249)		(2,249)
Net income attributable to owners of the parent			7,745		7,745
Repurchase of treasury stock				(5)	(5)
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	-	-	5,496	(5)	5,491
Balance as of March 31, 2016	33,239	21,328	39,297	(18,145)	75,719

	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of April 1, 2015	170	1,215	(283)	1,102	71,331
Changes of items during the fiscal year					
Cash dividends (Note 8)					(2,249)
Net income attributable to owners of the parent					7,745
Repurchase of treasury stock					(5)
Net changes of items other than shareholders' equity	(168)	(1,494)	9	(1,653)	(1,653)
Total changes of items during the fiscal year	(168)	(1,494)	9	(1,653)	3,837
Balance as of March 31, 2016	2	(278)	(274)	(550)	75,168

The accompanying notes are an integral part of these financial statements.

Consolidated statements of changes in net assets

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2016	33,239	21,328	39,297	(18,145)	75,719
Changes of items during the fiscal year					
Cash dividends (Note 8)			(2,774)		(2,774)
Net income attributable to owners of the parent			8,879		8,879
Repurchase of treasury stock				(3,302)	(3,302)
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	—	6,104	(3,302)	2,802
Balance as of March 31, 2017	33,239	21,328	45,402	(21,448)	78,521

	Accumulated other comprehensive income				Total net assets
	Net unrealized gain on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of April 1, 2016	2	(278)	(274)	(550)	75,168
Changes of items during the fiscal year					
Cash dividends (Note 8)					(2,774)
Net income attributable to owners of the parent					8,879
Repurchase of treasury stock					(3,302)
Net changes of items other than shareholders' equity	105	(262)	(38)	(196)	(196)
Total changes of items during the fiscal year	105	(262)	(38)	(196)	2,605
Balance as of March 31, 2017	107	(541)	(313)	(747)	77,774

(Thousands of U.S. dollars)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2016	296,779	190,436	350,870	(162,016)	676,069
Changes of items during the fiscal year					
Cash dividends (Note 8)			(24,771)		(24,771)
Net income attributable to owners of the parent			79,279		79,279
Repurchase of treasury stock				(29,489)	(29,489)
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	—	54,508	(29,489)	25,018
Balance as of March 31, 2017	296,779	190,436	405,378	(191,506)	701,088

	Accumulated other comprehensive income				Total net assets
	Net unrealized gain or loss on securities, net of tax	Cumulative translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance as of April 1, 2016	20	(2,485)	(2,453)	(4,918)	671,150
Changes of items during the fiscal year					
Cash dividends (Note 8)					(24,771)
Net income attributable to owners of the parent					79,279
Repurchase of treasury stock					(29,489)
Net changes of items other than shareholders' equity	943	(2,348)	(346)	(1,751)	(1,751)
Total changes of items during the fiscal year	943	(2,348)	(346)	(1,751)	23,267
Balance as of March 31, 2017	963	(4,833)	(2,800)	(6,670)	694,417

The accompanying notes are an integral part of these financial statements.

Consolidated statements of cash flows

	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017	April 1, 2016 to March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities:			
Net income before income taxes	11,150	12,489	111,513
Depreciation and amortization	5,712	5,980	53,396
Impairment loss	105	—	—
Decrease in allowance for doubtful accounts	(38)	(1)	(15)
Increase in accrued bonuses	263	186	1,665
Increase in liabilities for retirement benefits for employees	264	204	1,829
Interest and dividend income	(109)	(61)	(549)
Interest expense	119	141	1,259
Exchange losses, net	60	18	163
Loss on sales and/or disposal of fixed assets	92	99	891
Increase in accounts receivable - trade	(2,208)	(10,393)	(92,802)
Decrease (increase) in inventories	(1,651)	158	1,410
Increase in work in progress for game software	(8,778)	(2,266)	(20,236)
(Increase) decrease in online contents in progress	1,479	(704)	(6,294)
Increase in notes and accounts payable - trade	935	2,280	20,365
Decrease (increase) in other current assets	(1,260)	875	7,817
Increase in other current liabilities	1,718	545	4,873
Other	(2,545)	239	2,141
Subtotal	5,309	9,792	87,429
Interest and dividends received	130	62	557
Interest paid	(120)	(140)	(1,257)
Income taxes paid	(972)	(6,513)	(58,156)
Net cash provided by operating activities	4,347	3,200	28,573
Cash flows from investing activities:			
Payments into time deposits (Note 9(1))	—	(200)	(1,785)
Proceeds from time deposits	4,205	—	—
Payments for acquisition of tangible fixed assets	(5,813)	(3,074)	(27,454)
Proceeds from sales of tangible fixed assets	4	5	46
Payments for acquisition of intangible assets	(290)	(253)	(2,261)
Payments for purchase of investments in securities	(13)	(13)	(119)
Payments for other investing activities	(113)	(222)	(1,987)
Proceeds from other investing activities	380	131	1,169
Net cash used in investing activities	(1,639)	(3,628)	(32,392)
Cash flows from financing activities:			
Net increase in short-term borrowings	—	5,000	44,642
Proceeds from long-term borrowings	2,500	—	—
Repayments of long-term borrowings	(883)	(1,497)	(13,367)
Repayments of lease obligations	(496)	(535)	(4,783)
Payments for repurchase of treasury stock	(5)	(3,302)	(29,489)
Dividends paid by parent company	(2,228)	(2,794)	(24,952)
Net cash used in financing activities	(1,115)	(3,130)	(27,950)
Effect of exchange rate changes on cash and cash equivalents	(1,160)	(533)	(4,762)
Net (decrease) increase in cash and cash equivalents	431	(4,091)	(36,533)
Cash and cash equivalents at beginning of year	27,998	28,429	253,836
Cash and cash equivalents at end of year (Note 9(1))	28,429	24,337	217,303

The accompanying notes are an integral part of these financial statements.

1. Major policies in preparing the consolidated financial statements

The accompanying consolidated financial statements of CAPCOM CO., LTD. (the “Company”) and its subsidiaries have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared in accordance with the Financial Instruments and Exchange Act.

Each amount in the consolidated financial statements and notes is rounded down to the nearest 1 million yen (in the case of translation into U.S. dollars, it is rounded down to the nearest 1 thousand U.S. dollars).

The rate of ¥112 to U.S.\$1.00, the approximate current rate of exchange prevailing on March 31, 2017, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements. These U.S. dollar amounts are included solely for convenience and should not be construed as representations that the Japanese yen amounts actually represent, have been or could be converted into U.S. dollars at this or any other rate.

2. Summary of significant accounting policies

(1) Principles of consolidation

The consolidated financial statements consist of the accounts of the Company and its 15 majority owned subsidiaries (the “Companies”) at the relevant balance sheet date. All significant intercompany transactions and accounts have been eliminated.

The investments in 20% to 50% owned companies (“Affiliated companies”) are, with minor exceptions, accounted for under the equity method.

The 15 subsidiaries are as follows:

CAPCOM U.S.A., INC. (U.S.A.)
CAPCOM GAME STUDIO VANCOUVER, INC. (Canada)
BEELINE INTERACTIVE, INC. (U.S.A.)
BEELINE INTERACTIVE CANADA, INC. (Canada)
BEELINE INTERACTIVE EUROPE LTD. (U.K.)
CE EUROPE LTD. (U.K.)
CAPCOM ENTERTAINMENT GERMANY GmbH (Germany)
CAPCOM ENTERTAINMENT FRANCE SAS (France)
CAPCOM ASIA CO., LTD. (Hong Kong)
CAPCOM TAIWAN CO., LTD. (Taiwan)
CAPCOM ENTERTAINMENT KOREA CO., LTD. (South Korea)
CAPCOM MOBILE, INC. (Japan)
CAPTRON CO., LTD. (Japan)
K2 CO., LTD. (Japan)
ENTERRISE CO., LTD. (Japan)

An affiliated company accounted for under the equity method is as follows:

STREET FIGHTER FILM, LLC (U.S.A.)

(2) Investments in securities

Available-for-sale securities whose fair values are readily determinable are stated at fair value at the fiscal year end. Net unrealized gains or losses on these securities are recorded as a separate component of "Net assets," at the net of tax amount. The cost of securities sold is determined based on the average cost of all such securities held at the time of sale. Other securities whose fair values are not readily determinable are stated at cost, cost being determined by the average cost method.

(3) Inventories ("Merchandise and finished goods," "Work in progress," "Raw materials and supplies") and "Work in progress for game software"

Inventories are stated at the acquisition cost, determined principally by the moving average cost method. Inventories are stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.

Work in progress for game software, including development costs incurred by subcontractors for game machines, is stated at accumulated cost on a specific project basis. Work in progress for game software is stated at cost with the book value reduction method based on a decline in profitability for balance sheet carrying amounts.

(4) Tangible fixed assets, except for leased assets

Tangible fixed assets are stated at cost. The Company and its domestic subsidiaries compute depreciation of tangible fixed assets using the declining balance method at rates based on the estimated useful life of the respective asset, except for buildings (excluding leasehold improvements), for which depreciation is computed using the straight-line method. Depreciation for leasehold improvements and structures which were purchased on April 1, 2016 and thereafter is computed using the straight-line method, though. Foreign subsidiaries, except for some subsidiaries, compute depreciation based on the straight-line method.

The primary useful lives are as follows:

Buildings and structures	3-50 years
Equipment for amusement facilities	3-20 years

(5) Intangible assets, except for leased assets

Amortization of intangible assets is computed by the straight-line method. The amortization period except that for computer software and online game content is based upon the individual estimated useful life of the asset. The amortization period for computer software and online game content is based upon the estimated period of internal use (5 years) and the estimated period of online game services (2 to 3 years).

(6) Leased assets

Leases that do not transfer ownership of the leased assets to the lessee

Depreciation of leased assets under leases that do not transfer ownership of the leased assets to the lessee is computed by the straight-line method with the lease term regarded as useful life and the residual value at zero. If there is a contract on guaranteed residual value for the lease, such guaranteed residual value is used as the accounting residual one.

Leases that transfer ownership of the leased assets to the lessee

Depreciation methods for leased assets under leases that transfer ownership of the leased assets to the lessee are the same with those applied to the tangible fixed assets owned by the Companies.

(7) Allowance for doubtful accounts

The allowance for doubtful accounts is calculated based on prior loss experience and the estimated amount of probable individual bad debts at the fiscal year end. This amount is considered sufficient to cover possible losses on collection.

(8) Accrued bonuses

Accrued bonuses are stated at the estimated amount of bonuses to be paid to employees based on their services provided during the fiscal year.

(9) Attributing retirement benefits to service periods and amortizing liabilities unrealized in profit or loss

In calculating projected benefit obligations, attributing retirement benefits to service periods is based on the benefit formula method. Prior service liabilities are amortized over 8 years, the average remaining service period, commencing from the date on which they are incurred. Actuarial net gains or losses are amortized over 8 to 14 years, commencing from the following year in which they arise.

(10) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are so near maturity that they present an insignificant risk of change in value.

(11) Other

Accounting for consumption taxes

Consumption taxes on goods and services are not included in the revenue and expense amounts in the accompanying consolidated statements of income.

3. Changes in accounting policies

(Adoption of Practical Solution on a change in depreciation method due to Tax Reform 2016)
Effective from the fiscal year ended March 31 2017, the Company and its domestic subsidiaries have adopted “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practice Issue Task Force No.32, June 17, 2016) and changed the depreciation method for leasehold improvements and structures which were acquired on April 1, 2016 and thereafter, from the declining balance method to the straight line method.
This change in accounting policies has little impact on income statement.

4. Additional information

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

5. Consolidated balance sheets

(1) Accumulated depreciation of tangible fixed assets

	Previous fiscal year March 31, 2016	Current fiscal year March 31, 2017	Current fiscal year March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accumulated depreciation of tangible fixed assets	18,001	19,749	176,332

(Note) The above balances include the accumulated impairment loss on tangible fixed assets.

(2) Overdraft agreements and credit line agreements

The Company has entered into overdraft agreements and credit line agreements with some banks by syndicate financing for the purpose of efficient and sustainable financing and improving the efficiency of funds operations and the Company's financial flexibility.

The balance of unexercised loans, etc., based on these agreements at the end of the fiscal year were as follows:

	Previous fiscal year March 31, 2016	Current fiscal year March 31, 2017	Current fiscal year March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of overdraft limit and credit line agreements	26,700	26,700	238,392
Borrowings	-	5,000	44,642
Unexercised balance	26,700	21,700	193,750

6. Consolidated statements of income

(1) Major items and amounts under "Selling, general and administrative expenses"

	Previous fiscal year April 1, 2015 to March 31, 2016	Current fiscal year April 1, 2015 to March 31, 2016	Current fiscal year April 1, 2015 to March 31, 2016
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Advertising expenses	2,552	2,706	24,167
Promotion expenses	1,318	2,133	19,050
Salaries for directors and employees	4,986	4,067	36,318
Provision for accrued bonuses	1,131	1,059	9,456

(2) The breakdown of "Loss on sales and/or disposal of fixed assets"

	Previous fiscal year April 1, 2015 to March 31, 2016	Current fiscal year April 1, 2015 to March 31, 2016	Current fiscal year April 1, 2015 to March 31, 2016
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Buildings and structures	47	47	427
Tools, fixtures and furniture	33	21	195
Equipment for amusement facilities	11	9	85
Software	-	12	115
Other	0	7	67
Total	92	99	891

(3) Research and development expenses included in general and administrative expenses

	Previous fiscal year April 1, 2015 to March 31, 2016	Current fiscal year April 1, 2015 to March 31, 2016	Current fiscal year April 1, 2015 to March 31, 2016
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Research and development expenses	1,073	695	6,212

(4) Impairment loss

The assets for which impairment loss was recognized were as follows:

Usage	Account	Previous fiscal year April 1, 2015 to March 31, 2016	Current fiscal year April 1, 2015 to March 31, 2016	Current fiscal year April 1, 2015 to March 31, 2016
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets to be disposed of	"Other" of intangible assets	105	-	-

To measure an impairment, assets are principally grouped based on business segments such as "Digital content," etc. Whereas, rental assets, idle assets, assets to be disposed of and online game content are evaluated as separate groups. The Companies made a decision to dispose of some assets. As a result of the decision, the Companies did not make sure of the recoverability of the book value of the assets to be disposed of and recognized the impairment loss as shown above.

7. Consolidated statements of comprehensive income

(1) Amount of recycling and income tax effect associated with other comprehensive income

	Previous fiscal year April 1, 2015 to March 31, 2016	Current fiscal year April 1, 2015 to March 31, 2016	Current fiscal year April 1, 2015 to March 31, 2016
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net unrealized gain or loss on securities			
Amount arising during the fiscal year	(168)	105	943
Amount of recycling	-	-	-
Net gain before the effect of income taxes	(168)	105	943
Effect of income taxes	-	-	-
Net unrealized gain or loss on securities, net of tax	(168)	105	943
Cumulative translation adjustment			
Amount arising during the fiscal year	(1,494)	(262)	(2,348)
Adjustments for retirement benefits			
Amount arising during the fiscal year	(2)	(117)	(1,047)
Amount of recycling	39	47	422
Net gain before the effect of income taxes	37	(70)	(625)
Effect of income taxes	(28)	31	278
Adjustments for retirement benefits, net of tax	9	(38)	(346)
Total other comprehensive income	(1,653)	(196)	(1,751)

8. Consolidated statements of changes in net assets

(1) Previous fiscal year (April 1, 2015 to March 31, 2016)

① Number of outstanding shares

Type of shares	Number of shares as of April 1, 2015	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2016
Common stock (thousands of shares)	67,723	-	-	67,723

(Note) There was no change in the number of shares during the current fiscal year.

② Number of treasury stocks

Type of shares	Number of shares as of April 1, 2015	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2016
Common stock (thousands of shares)	11,493	1	-	11,495

(Note) The increase was due to the purchase of shares of less than one unit.

1 thousand shares

③ Dividends

(i) Amount of dividends paid

Resolution	Type of shares	Amount of dividends	Dividends per share (yen)	Record date	Effective date
General shareholders' meeting held on June 12, 2015	Common stock	¥1,405 million	25	March 31, 2015	June 15, 2015
Board of Directors' meeting held on October 29, 2015	Common stock	¥843 million	15	September 30, 2015	November 16, 2015

(ii) Dividends with an effective date after the end of the fiscal year and record date during the current fiscal year.

Resolution	Type of shares	Amount of dividends	Source of dividends	Dividends per share (yen)	Record date	Effective date
General shareholders' meeting held on June 17, 2016	Common stock	¥1,405 million	Retained earnings	25	March 31, 2016	June 20, 2016

(2) Current fiscal year (April 1, 2016 to March 31, 2017)

① Number of outstanding shares

Type of shares	Number of shares as of April 1, 2016	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2017
Common stock (thousands of shares)	67,723	-	-	67,723

(Note) There was no change in the number of shares during the current fiscal year.

② Number of treasury stocks

Type of shares	Number of shares as of April 1, 2016	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2017
Common stock (thousands of shares)	11,495	1,481	-	12,977

(Note) The increase was due to the purchase of treasury stocks shares.

1,480 thousand shares

The increase was due to the purchase of shares of less than one unit.

1 thousand shares

③ Dividends

(i) Amount of dividends paid

Resolution	Type of shares	Amount of dividends	Dividends per share (yen)	Record date	Effective date
General shareholders' meeting held on June 17, 2016	Common stock	¥1,405 million	25	March 31, 2016	June 20, 2016
Board of Directors' meeting held on October 27, 2016	Common stock	¥1,368 million	25	September 30, 2016	November 14, 2016

Resolution	Type of shares	Amount of dividends	Dividends per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 17, 2016	Common stock	\$12,550 thousand	0.22	March 31, 2016	June 20, 2016
Board of Directors' meeting held on October 27, 2016	Common stock	\$12,220 thousand	0.22	September 30, 2016	November 14, 2016

(ii) Dividends with an effective date after the end of the fiscal year and record date during the current fiscal year.

Resolution	Type of shares	Amount of dividends	Source of dividends	Dividends per share (yen)	Record date	Effective date
General shareholders' meeting held on June 9, 2017	Common stock	¥1,368 million	Retained earnings	25	March 31, 2017	June 12, 2017

Resolution	Type of shares	Amount of dividends	Source of dividends	Dividends per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting held on June 9, 2017	Common stock	\$12,220 thousand	Retained earnings	0.22	March 31, 2017	June 12, 2017

9. Consolidated statements of cash flows

(1) Cash and cash equivalents at end of year

	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017	April 1, 2016 to March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash on hand and in banks	28,429	24,537	219,088
Time deposits with maturities over three months	-	(200)	(1,785)
Cash and cash equivalents	<u>28,429</u>	<u>24,337</u>	<u>217,303</u>

10. Accounting for leases

(1) Capital leases

① Capital leases which transfer ownership of the leased assets to the lessee

- Leased assets:
Intangible assets
Major assets are software for "Amusement equipment" segment.

- Depreciation method:
See Note 2(6), "Summary of significant accounting policies - Leased assets."

② Capital leases which do not transfer ownership of the leased assets to the lessee

- Leased assets:
Tangible fixed assets
Major assets are equipment for amusement facilities for the "Arcade operations" segment.

- Depreciation method:
See Note 2(6), "Summary of significant accounting policies - Leased assets."

(2) Operating leases

① Future lease payments

	Previous fiscal year	Current fiscal year	Current fiscal year
	March 31, 2016	March 31, 2017	March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	377	285	2,545
Due over one year	2,024	3,783	33,777
Total	2,402	4,068	36,322

11. Financial instruments

(1) Conditions of financial instruments

① Management policy

The Companies' fund management policy is to invest in financial instruments that have high levels of safety concerning the repayment of the principal and the receipt of interest, taking safety, liquidity (negotiability, marketability) and profitability into consideration. The Companies raise funds through borrowings from financial institutions, such as banks, etc. The Companies also utilize derivative financial instruments in order to hedge foreign currency exchange risk and interest fluctuation rate risk and do not enter into derivative financial instruments for speculative purposes.

② Financial instruments, risks, and risk management

Notes and accounts receivable - trade are exposed to the credit risk of customers. To minimize the risk, the Companies regularly monitor the credit status of major customers and perform due date and balance control for each customer according to the importance of the business and in accordance with credit exposure management rules.

The investments in securities the Company holds consist mainly of listed equity securities of its business partners. These securities are exposed to stock price volatility risk. To minimize the risk, the Company evaluates the fair value of these securities on a quarterly basis and reports the results to the Board of Directors' meeting.

For notes and accounts payable - trade, the due dates for payment are within one year. Short-term borrowings are mainly for normal operating activities, and long-term borrowings are mainly for capital investments. Notes and accounts payable, trade and borrowings are exposed to liquidity risk. The Companies minimize the risk by forecasting cash flows on a monthly basis.

③ Supplemental information on the fair value of financial instruments

Not applicable

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheets, the fair value and any differences between the two were as follows:

① Previous fiscal year (March 31, 2016)		(Millions of yen)		
	Carrying value	Fair value	Difference	
(1) Cash on hand and in banks	28,429	28,429	-	
(2) Notes and accounts receivable - trade	9,879	9,879	-	
(3) Lease deposits	3,867	3,867	-	
Total	42,177	42,177	-	
(1) Notes and accounts payable - trade	4,053	4,053	-	
(2) Electronically recorded monetary obligations	888	888	-	
(3) Short-term borrowings	1,497	1,497	-	
(4) Long-term borrowings	11,111	11,156	45	
Total	17,550	17,595	45	

② Current fiscal year (March 31, 2017)		(Millions of yen)		
	Carrying value	Fair value	Difference	
(1) Cash on hand and in banks	24,537	24,537	-	
(2) Notes and accounts receivable - trade	20,175	20,175	-	
(3) Lease deposits	3,920	3,920	-	
Total	48,633	48,633	-	
(1) Notes and accounts payable - trade	2,288	2,288	-	
(2) Electronically recorded monetary obligations	4,886	4,886	-	
(3) Short-term borrowings	9,323	9,323	-	
(4) Long-term borrowings	6,788	6,820	32	
Total	23,287	23,319	32	

		(Thousands of U.S. dollars)		
	Carrying value	Fair value	Difference	
(1) Cash on hand and in banks	219,088	219,088	-	
(2) Notes and accounts receivable - trade	180,135	180,135	-	
(3) Lease deposits	35,003	35,003	-	
Total	434,227	434,227	-	
(1) Notes and accounts payable - trade	20,434	20,434	-	
(2) Electronically recorded monetary obligations	43,633	43,633	-	
(3) Short-term borrowings	83,242	83,242	-	
(4) Long-term borrowings	60,609	60,901	291	
Total	207,920	208,211	291	

(Note 1) Fair value measurement of financial instruments

Assets

(1) Cash on hand and in banks and (2) Notes and accounts receivable – trade

The fair value is assumed to be the same as the carrying value as it approximates the fair value because of the short maturity of these instruments

(3) Lease deposits

The fair value is measured at the present value of the future cash flows discounted using the yield of national government bonds over the period until repayment.

Liabilities

(1) Notes and accounts payable – trade, (2) Electronically recorded obligations and (3) Short-term borrowings

The fair value is assumed to be the same as the carrying value as it approximates the fair value because of the short maturity of these instruments

(4) Long-term borrowings

The fair value of long-term borrowings with variable interest rates is measured at the carrying value as it approximates fair value.

The market interest rate fluctuation is reflected in the variable interest rates in the short term and the credit status of the Company does not change remarkably after raising funds through long-term borrowings with variable interest rates.

The fair value of long-term borrowings with fixed rates is measured at the present value of the future cash flow (principal plus interest) discount using the assumed interest rate of similar new borrowings.

(Note 2) Redemption schedule for monetary assets with maturity dates subsequent to the consolidated balance sheets date

(1) Previous fiscal year (As of March 31, 2016) (Millions of yen)

	April 1, 2016 to March 31, 2017	April 1, 2017 to March 31, 2021	April 1, 2021 to March 31, 2026	April 1, 2026 and thereafter
(1) Cash on hand and in banks	28,429	-	-	-
(2) Notes and accounts receivable – trade	9,879	-	-	-
(3) Lease deposits	1,207	1,922	736	2
Total	39,516	1,922	736	2

(2) Current fiscal year (As of March 31, 2017) (Millions of yen)

	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2022	April 1, 2022 to March 31, 2027	April 1, 2027 and thereafter
(1) Cash on hand and in banks	24,537	-	-	-
(2) Notes and accounts receivable – trade	20,175	-	-	-
(3) Lease deposits	562	2,033	1,321	2
Total	45,275	2,033	1,321	2

(Thousands of U.S. dollars)

	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2022	April 1, 2022 to March 31, 2027	April 1, 2027 and thereafter
(1) Cash on hand and in banks	219,088	-	-	-
(2) Notes and accounts receivable – trade	180,135	-	-	-
(3) Lease deposits	5,023	18,159	11,797	23
Total	404,247	18,159	11,797	23

(Note 3) Repayment schedule for short-term borrowings and long-term borrowings with maturity dates subsequent to the consolidated balance sheet

(1) Previous fiscal year (As of March 31, 2016) (Millions of yen)

	April 1, 2016 to March 31, 2017	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019	April 1, 2019 to March 31, 2020	April 1, 2020 to March 31, 2021	April 1, 2021 and thereafter
(1) Short-term borrowings	1,497	-	-	-	-	-
(2) Long-term borrowings	-	4,323	1,473	1,579	1,129	2,606
Total	1,497	4,323	1,473	1,579	1,129	2,606

(2) Current fiscal year (As of March 31, 2017) (Millions of yen)

	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019	April 1, 2019 to March 31, 2020	April 1, 2020 to March 31, 2021	April 1, 2021 to March 31, 2022	April 1, 2022 and thereafter
(1) Short-term borrowings	9,323	-	-	-	-	-
(2) Long-term borrowings	-	1,473	1,579	1,129	727	1,878
Total	9,323	1,473	1,579	1,129	727	1,878

(Thousands of U.S. dollars)

	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019	April 1, 2019 to March 31, 2020	April 1, 2020 to March 31, 2021	April 1, 2021 to March 31, 2022	April 1, 2022 and thereafter
(1) Short-term borrowings	83,242	-	-	-	-	-
(2) Long-term borrowings	-	13,153	14,099	10,081	6,498	16,774
Total	83,242	13,153	14,099	10,081	6,498	16,774

12. Investments in securities

(1) Available-for-sale securities with a readily determinable fair value

① Previous fiscal year (March 31, 2016) (Millions of yen)

Classification	Carrying value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost			
(1) Equity securities	68	39	29
(2) Bonds	-	-	-
(3) Others	-	-	-
Subtotal	68	39	29
Securities with book value not exceeding acquisition cost			
(1) Equity securities	358	385	(26)
(2) Bonds	-	-	-
(3) Others	-	-	-
Subtotal	358	385	(26)
Total	427	425	2

② Current fiscal year (March 31, 2017) (Millions of yen)

Classification	Carrying value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost			
(1) Equity securities	409	283	126
(2) Bonds	-	-	-
(3) Others	-	-	-
Subtotal	409	283	126
Securities with book value not exceeding acquisition cost			
(1) Equity securities	136	155	(18)
(2) Bonds	-	-	-
(3) Others	-	-	-
Subtotal	136	155	(18)
Total	546	438	107

(Thousands of U.S. dollars)

Classification	Carrying value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost			
(1) Equity securities	3,659	2,529	1,130
(2) Bonds	-	-	-
(3) Others	-	-	-
Subtotal	3,659	2,529	1,130
Securities with book value not exceeding acquisition cost			
(1) Equity securities	1,221	1,387	(166)
(2) Bonds	-	-	-
(3) Others	-	-	-
Subtotal	1,221	1,387	(166)
Total	4,880	3,916	963

(2) Investments in securities sold during the fiscal year

① Previous fiscal year (April 1, 2015 to March 31, 2016)
Not applicable

② Current fiscal year (April 1, 2016 to March 31, 2017)
Not applicable

13. Retirement benefits for employees

(1) Summary of retirement benefit plans

The Company and its domestic subsidiaries have unfunded lump-sum benefit plans and defined contribution pension plans. Some foreign subsidiaries have defined contribution pension plans.

(2) Defined benefit plans (excluding plans using simplified method)

① Change in projected benefit obligations

	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017	April 1, 2016 to March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations at beginning of year	2,053	2,241	20,009
Service costs	219	232	2,075
Interest costs	9	10	95
Actuarial gain or loss incurred	2	117	1,047
Payment of retirement benefits	(44)	(39)	(356)
Projected benefit obligations at end of year	2,241	2,561	22,872

② Reconciliation of projected benefit obligations to liabilities for retirement benefits for employees

	Previous fiscal year	Current fiscal year	Current fiscal year
	March 31, 2016	March 31, 2017	March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations for unfunded plans	2,241	2,561	22,872
Net balance presented in the consolidated balance sheet	2,241	2,561	22,872
Liabilities for retirement benefits for employees	2,241	2,561	22,872
Net balance presented in the consolidated balance sheet	2,241	2,561	22,872

③ Breakdown of retirement and pension costs

	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017	April 1, 2016 to March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Service costs	219	232	2,075
Interest costs	9	10	95
Amortization of actuarial differences	52	59	530
Amortization of prior service costs	(12)	(12)	(108)
Net periodic benefit costs	269	290	2,593

④ Adjustments for retirement benefits

The breakdown of adjustments for retirement benefits before the effect of income taxes was as follows.

	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017	April 1, 2016 to March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Prior service liabilities	(12)	(12)	(108)
Actuarial differences	49	(57)	(516)
Total	37	(70)	(625)

⑤ Accumulated adjustments for retirement benefits

The breakdown of accumulated adjustments for retirement benefits before the effect of income taxes was as follows.

	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017	April 1, 2016 to March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unrecognized prior service liabilities	(33)	(21)	(189)
Unrecognized actuarial differences	414	472	4,219
Total	381	451	4,030

⑥ Actuarial assumptions

Major actuarial assumptions (on weighted average)

	Previous fiscal year	Current fiscal year
	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017
Discount rate	0.6%	0.6%

(3) Defined benefit plans using simplified method

① Change in projected benefit obligations

	Previous fiscal year	Current fiscal year	Current fiscal year
	April 1, 2015 to March 31, 2016	April 1, 2016 to March 31, 2017	April 1, 2016 to March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations at beginning of year	48	82	732
Service costs	67	32	291
Payment of retirement benefits	(27)	(78)	(699)
Other	(5)	(1)	(13)
Projected benefit obligations at end of year	82	34	310

② Reconciliation of projected benefit obligations to liabilities for retirement benefits for employees

	March 31, 2016	March 31, 2017	March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations for unfunded plans	82	34	310
Net balance presented in the consolidated balance sheet	82	34	310
Liabilities for retirement benefits for employees	82	34	310
Net balance presented in the consolidated balance sheet	82	34	310

③ Retirement and pension costs

Retirement and pension costs for plans using the simplified method were ¥67 million for the previous fiscal year and ¥32 million (\$291 thousand) for the current fiscal year.

(4) Defined contribution plans

The Companies contributed ¥289 million and ¥306 million (\$2,740 thousand) to their defined contribution plans for the previous fiscal year and the current fiscal year, respectively.

14. Accounting for income taxes

(1) Significant components of deferred tax assets and liabilities

	Previous fiscal year	Current fiscal year	Current fiscal year
	March 31, 2016	March 31, 2017	March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
(Deferred tax assets)			
Accrued bonuses	623	684	6,112
Liabilities for retirement benefits for employees	686	790	7,059
Accrued retirement benefits for directors	110	111	999
Inventories	1,893	1,254	11,202
Unearned revenue	550	470	4,204
Investments in subsidiaries and affiliated companies	150	151	1,356
Tax loss carryforwards in the subsidiaries	3,571	3,110	27,769
Tax credits carryforwards in the subsidiaries	918	1,006	8,984
Intangible assets	244	315	2,815
Depreciation and amortization	250	240	2,146
Other	1,473	1,345	12,010
Subtotal	10,473	9,482	84,661
Valuation allowance	(1,865)	(2,196)	(19,608)
Total deferred tax assets	<u>8,607</u>	<u>7,285</u>	<u>65,052</u>
(Deferred tax liabilities)			
Tax deductible inventories for a foreign subsidiary	(2,021)	(2,635)	(23,527)
Other	(311)	(181)	(1,621)
Total deferred tax liabilities	<u>(2,332)</u>	<u>(2,816)</u>	<u>(25,148)</u>
Net deferred tax assets	<u>6,274</u>	<u>4,469</u>	<u>39,903</u>
Net deferred tax assets are reflected in the consolidated balance sheets as follows:			
Current assets			
deferred tax assets	3,382	2,495	22,277
Fixed assets			
deferred tax assets	2,952	4,311	38,494
Current liabilities			
deferred tax liabilities	(40)	(2,308)	(20,607)
Long-term liabilities			
deferred tax liabilities	(18)	(29)	(261)

(2) Reconciliation of the difference between the statutory tax rate and the effective income tax rate

	Previous fiscal year	Current fiscal year
	March 31, 2016	March 31, 2017
Statutory income tax rate	(%)	(%)
(Reconciliation)	33.0	30.8
Change in valuation allowance	(1.8)	0.5
Tax credit	(4.2)	(2.5)
Different tax rates applied to foreign subsidiaries	(1.5)	0.6
Permanent difference (meals and entertainment, etc.)	1.3	0.2
Unappropriated retained earnings of foreign subsidiaries	(0.5)	0.2
Tax adjustments resulting from consolidation elimination entries, etc.	1.3	(0.7)
Decrease in deferred tax assets due to change in statutory income tax rate	1.4	-
Others	1.5	(0.1)
Effective income tax rate	<u>30.5</u>	<u>28.9</u>

15. Asset retirement obligations

Asset retirement obligations on the balance sheet.

① Outline of asset retirement obligations

Obligations to restore business offices and amusement stores in the "Arcade operations" segment to their original state, as specified in the real estate lease agreements.

② Calculation of asset retirement obligations

Asset retirement obligations are calculated with the future cash flows discounted. For the business offices, the depreciation period (mainly 15 years) is regarded as the estimated period of use and the yields of the national government bonds, which correspond to the respective depreciation periods, are used as the discount rates (mainly 1.042 to 1.885%).

For the amusement facilities, their lease periods (mainly 6 to 15 years) are regarded as their estimated periods of use and the yields of the national government bonds, which corresponds to the respective lease periods, are used as their discount rates (mainly 0.564 to 1.885%).

③ Increase or decrease in asset retirement obligations

	Previous fiscal year April 1, 2015 to March 31, 2016	Current fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2016 to March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Beginning balance	495	502	4,487
Increase due to purchase of tangible fixed assets	16	10	97
Adjustment due to passage of time	4	4	39
Decrease due to settlement of asset retirement obligations	(13)	(8)	(74)
Ending balance	502	509	4,550

16. Investment and rental property

The note is omitted due to the insignificance of the total amount.

17. Segment information

(1) Outline of reportable segments

① Classification of reportable segments

The reportable segments the Company reports are the business units for which the Company is able to obtain separate financial information in order for the Board of Directors to conduct periodic investigations to determine the distribution of operational resources and to evaluate business performance. The Company has several operational headquarters which plan comprehensive business strategies in the domestic and overseas markets for their products and services and develop its business activities. Therefore the Company's three reportable segments are based on the products and services its operational headquarters deal in: "Digital content," "Arcade operations" and "Amusement equipment."

② Product and service line

The "Digital content" segment develops and distributes video and mobile games for consumers.

The "Arcade operations" segment operates amusement stores and installs amusement equipment.

The "Amusement equipment" segment manufactures and distributes amusement equipment such as arcade game machines and pachinko gambling machines to arcade operators and pachinko parlors.

(2) Method of calculating sales and income (loss), identifiable assets and liabilities and other items by reportable segment

The accounting procedures for the reportable segments are based on those in "Summary of significant accounting policies." Income by reportable segment is calculated based on operating income on the consolidated statements of income.

(3) Information on net sales and operating income (loss), identifiable assets and liabilities and other items by reportable segment

① Previous fiscal year (April 1, 2015 to March 31, 2016)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital content	Arcade operations	Amusement equipment	Total				
Net sales								
(1) Customers	52,577	9,056	13,343	74,978	2,043	77,021	-	77,021
(2) Intersegment	-	-	-	-	-	-	-	-
Total	52,577	9,056	13,343	74,978	2,043	77,021	-	77,021
Segment income	12,167	699	2,812	15,679	511	16,190	(4,160)	12,029
Segment assets	57,275	6,574	12,314	76,164	4,926	81,090	31,966	113,057
Other items								
Depreciation	3,410	972	514	4,898	364	5,262	449	5,712
Increase in tangible and intangible fixed assets	2,616	931	199	3,748	584	4,332	3,941	8,274

(Note) 1. "Other" incorporates operations not included in reportable segments, including the character content business, etc.

2. Adjustments were as follows:

- (1) Adjustments of segment income of (¥4,160) million include unallocated corporate operating expenses of (¥4,160) million. The corporate operating expenses, which do not belong to any reportable segments, consist mainly of administrative expenses.
 - (2) Adjustments of segment assets of ¥31,966 million include unallocated corporate identifiable assets of ¥31,966 million.
 - (3) Adjustments of increase in tangible and intangible fixed assets of ¥3,941 million are capital investments by headquarters.
3. Segment income is adjusted with operating income on the consolidated statements of income.

② Current fiscal year (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital content	Arcade operations	Amusement equipment	Total				
Net sales								
(1) Customers	58,704	9,525	16,856	85,086	2,083	87,170	-	87,170
(2) Intersegment	-	-	-	-	-	-	-	-
Total	58,704	9,525	16,856	85,086	2,083	87,170	-	87,170
Segment income	11,096	752	5,106	16,955	969	17,925	(4,274)	13,650
Segment assets	66,691	6,988	16,169	89,849	4,718	94,568	24,328	118,897
Other items								
Depreciation	3,366	1,079	440	4,886	638	5,524	455	5,980
Increase in tangible and intangible fixed assets	1,124	1,094	421	2,640	72	2,712	1,055	3,767

(Thousands of U.S. dollars)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital content	Arcade operations	Amusement equipment	Total				
Net sales								
(1) Customers	524,146	85,048	150,505	759,700	18,605	778,306	-	778,306
(2) Intersegment	-	-	-	-	-	-	-	-
Total	524,146	85,048	150,505	759,700	18,605	778,306	-	778,306
Segment income	99,075	6,715	45,594	151,385	8,659	160,045	(38,162)	121,882
Segment assets	595,462	62,397	144,371	802,230	42,132	844,363	217,222	1,061,586
Other items								
Depreciation	30,057	9,640	3,929	43,627	5,701	49,328	4,068	53,396
Increase in tangible and intangible fixed assets	10,042	9,771	3,760	23,574	647	24,221	9,420	33,642

(Note) 1. "Other" incorporates operations not included in reportable segments, including the character content business, etc.

2. Adjustments were as follows:

(1) Adjustments of segment income of (¥4,274) million ((¥38,162) thousand) include unallocated corporate operating expenses of (¥4,274) million ((¥38,162) thousand).

The corporate operating expenses, which do not belong to any reportable segments, consist mainly of administrative expenses.

(2) Adjustments of segment assets of ¥24,328 million (\$217,222 thousand) include unallocated corporate identifiable assets of ¥24,328 million (\$217,222 thousand).

(3) Adjustments of increase in tangible and intangible fixed assets of ¥1,055 million (\$9,420 thousand) are capital investments by headquarters.

3. Segment income is adjusted with operating income on the consolidated statements of income.

[Related information]

1. Information by product and service line

Information by product and service line is omitted as the same information is disclosed in Note 18, Segment information.

2. Information by country or region

(1) Net sales

① Previous fiscal year (April 1, 2015 to March 31, 2016) (Millions of yen)

Japan	North America	Europe	Other regions	Total
54,384	14,265	4,977	3,393	77,021

② Current fiscal year (April 1, 2016 to March 31, 2017) (Millions of yen)

Japan	North America	Europe	Other regions	Total
54,546	21,670	8,483	2,469	87,170

(Thousands of U.S. dollars)

Japan	North America	Europe	Other regions	Total
487,023	193,489	75,742	22,051	778,306

(Note) 1. The sales amounts are classified by country or region where customers are located.

2. Countries or regions outside Japan

- (1) North America..... United States of America
 (2) Europe..... European countries
 (3) Other regions..... Asia and others

(2) Tangible fixed assets

Information about tangible fixed assets is omitted as the balance of tangible fixed assets in Japan exceeded 90% or more of the total balance of tangible fixed assets on the consolidated balance sheet.

3. Information by major customer

① Previous fiscal year (April 1, 2015 to March 31, 2016) (Millions of yen)

Customer	Amount of net sales	Reportable segment
Fields Corporation	11,103	Amusement equipment

② Current fiscal year (April 1, 2016 to March 31, 2017) (Millions of yen)

Customer	Amount of net sales	Reportable segment
Fields Corporation	15,582	Amusement equipment

(Thousands of U.S. dollars)

Customer	Amount of net sales	Reportable segment
Fields Corporation	139,132	Amusement equipment

[Impairment loss by reportable segment]

(1) Previous fiscal year (April 1, 2015 to March 31, 2016) (Millions of yen)

	Reportable segment		Other	Corporate or elimination	Total
	Digital content	Subtotal			
Impairment loss	105	105	—	—	105

(2) Current fiscal year (April 1, 2016 to March 31, 2017)

Not applicable

Amortization and balance of goodwill by reportable segment

Not applicable

Negative goodwill by reportable segment

Not applicable

18. Per share information

Previous fiscal year April 1, 2015 to March 31, 2016		Current fiscal year April 1, 2016 to March 31, 2017		Current fiscal year April 1, 2016 to March 31, 2017	
Net assets per share	1,336.86 yen	Net assets per share	1,420.64 yen	Net assets per share	12.68 U.S. dollars
Net income per share	137.75 yen	Net income per share	160.35 yen	Net income per share	1.43 U.S. dollars

(Note) 1. Diluted net income per share for the current fiscal year is omitted as the Companies had no residual securities.

2. The basis for the computation of net assets per share was as follows:

	Previous fiscal year March 31, 2016	Current fiscal year March 31, 2017	Current fiscal year March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of net assets	75,168	77,774	694,417
Amounts to be deducted from total amount of net assets	-	-	-
Ending balance of net assets attributable to common stock	75,168	77,774	694,417
Number of shares of common stocks used for computation of net assets per share (thousands of shares)	56,228	54,746	54,746

3. The basis for the computation of net income per share was as follows:

	Previous fiscal year April 1, 2015 to March 31, 2016	Current fiscal year April 1, 2016 to March 31, 2017	Current fiscal year April 1, 2016 to March 31, 2017
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net income attributable to owners of the parent	7,745	8,879	79,279
Amount not allocated to common stock	-	-	-
Net income attributable to owners of the parent allocated to common stock	7,745	8,879	79,279
Average number of shares of common stock outstanding during the fiscal year (thousands of shares)	56,228	55,373	55,373

19. Supplemental schedules for bonds
Not applicable

20. Supplemental schedules for borrowings

Category	Balance as of March 31, 2016 (millions of yen)	Balance as of March 31, 2017 (millions of yen)	Average interest rate (%)	Date of maturity
Short-term borrowings	-	5,000	0.4	-
Current portion of long-term borrowings due within one year	1,497	4,323	0.6	-
Current portion of lease obligations	525	502	1.2	-
Long-term borrowings (Excluding current portion)	11,111	6,788	0.9	From 2019 to 2025
Lease obligations (Excluding current portion)	601	399	1.2	From 2018 to 2022
Other interest bearing debt	-	-	-	-
Total	13,735	17,013	-	-

Category	Balance as of March 31, 2016 (thousands of U.S. dollars)	Balance as of March 31, 2017 (thousands of U.S. dollars)	Average interest rate (%)	Date of maturity
Short-term borrowings	-	44,642	0.4	-
Current portion of long-term borrowings due within one year	13,367	38,599	0.6	-
Current portion of lease obligations	4,690	4,489	1.2	-
Long-term borrowings (Excluding current portion)	99,209	60,609	0.9	From 2019 to 2025
Lease obligations (Excluding current portion)	5,366	3,566	1.2	From 2018 to 2022
Other interest bearing debt	-	-	-	-
Total	122,634	151,907	-	-

(Note) 1. The average interest rate represents the weighted average rate applicable to the ending balance.
2. The following table shows the aggregate annual maturities of long-term borrowings and lease obligations for four years subsequent to March 31, 2017 (excluding the current portion).

	Due after 1 year but within 2 years (millions of yen)	Due after 2 years but within 3 years (millions of yen)	Due after 3 years but within 4 years (millions of yen)	Due after 4 years but within 5 years (millions of yen)
Long-term borrowings	1,473	1,579	1,129	727
Lease obligations	268	101	28	1

	Due after 1 year but within 2 years (thousands of U.S. dollars)	Due after 2 years but within 3 years (thousands of U.S. dollars)	Due after 3 years but within 4 years (thousands of U.S. dollars)	Due after 4 years but within 5 years (thousands of U.S. dollars)
Long-term borrowings	13,153	14,099	10,081	6,498
Lease obligations	2,395	903	254	11

21. Supplemental schedules for asset retirement obligations

The note is omitted because the balance of the asset retirement obligations as of the beginning and the end of the current fiscal year was 1 % or less of the total balance of the liabilities and the net assets as of both the beginning and the end of the current fiscal year.

22. Supplemental schedules for other

1. Quarterly sales, etc., for the current fiscal year

	1st quarter April 1, 2016 to June 30, 2016	2nd quarter April 1, 2016 to September 30, 2016	3rd quarter April 1, 2016 to December 31, 2016	4th quarter April 1, 2016 to March 31, 2017
Net sales (millions of yen)	10,927	28,676	53,507	87,170
Net income (loss) before income taxes (millions of yen)	(2,081)	506	4,096	12,489
Net income (loss) attributable to owners of the parent (millions of yen)	(1,411)	405	2,762	8,879
Net income (loss) per share (yen)	(25.11)	7.25	49.70	160.35

	1st quarter April 1, 2016 to June 30, 2016	2nd quarter April 1, 2016 to September 30, 2016	3rd quarter April 1, 2016 to December 31, 2016	4th quarter April 1, 2016 to March 31, 2017
Net sales (\$ thousand)	97,565	256,036	477,748	778,306
Net income (loss) before income taxes (thousands of U.S. dollars)	(18,587)	4,525	36,577	111,513
Net income (loss) attributable to owners of the parent (thousands of U.S. dollars)	(12,606)	3,624	24,664	79,279
Net income (loss) per share (U.S. dollars)	(0.22)	0.06	0.44	1.43

	1st quarter April 1, 2016 to June 30, 2016	2nd quarter July 1, 2016 to September 30, 2016	3rd quarter October 1, 2016 to December 31, 2016	4th quarter January 1, 2017 to March 31, 2017
Net income (loss) per share (yen)	(25.11)	32.60	43.04	111.73

	1st quarter April 1, 2016 to June 30, 2016	2nd quarter July 1, 2016 to September 30, 2016	3rd quarter October 1, 2016 to December 31, 2016	4th quarter January 1, 2017 to March 31, 2017
Net income (loss) per share (U.S. dollars)	(0.22)	0.29	0.38	1.00

2. Investigation by antitrust authority

The Companies are under investigation by the European Commission on suspicion of breach of antitrust.



Independent Auditor's Report

To the Board of Directors of CAPCOM Co., Ltd.

We have audited the accompanying consolidated financial statements of CAPCOM Co., Ltd. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollars amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollars 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

July 28, 2017
Osaka, Japan