

## (4) Consolidated statements of cash flows

(Unit: Millions of yen)

	Previous fiscal year from April 1, 2014 to March 31, 2015	Current fiscal year from April 1, 2015 to March 31, 2016
Cash flows from operating activities		
Net income before income taxes	10,701	11,150
Depreciation and amortization	3,535	5,712
Impairment loss	49	105
Amortization of goodwill	63	—
Decrease in allowance for doubtful accounts	(1)	(38)
Increase (decrease) in accrued bonuses	(3)	263
Decrease in allowance for sales returns	(87)	—
Increase in liabilities for retirement benefits	207	264
Interest and dividend income	(111)	(109)
Interest expense	85	119
Exchange loss or (gain), net	(188)	60
Loss on sales and/or disposal of fixed assets	100	92
(Increase) decrease in accounts receivable, trade	10,382	(2,208)
Increase in inventories	(764)	(1,651)
Increase in work-in-progress for game software	(6,443)	(8,778)
Decrease (increase) in online contents in progress	(3,347)	1,479
Increase (decrease) in accounts payable, trade	(7,856)	935
Increase in other current assets	(239)	(1,260)
Increase (decrease) in other current liabilities	(497)	1,718
Other	(393)	(2,545)
Sub total	5,187	5,309
Interest and dividends received	118	130
Interest paid	(85)	(120)
Income taxes paid	(934)	(972)
Net cash provided by operating activities	4,286	4,347
Cash flows from investing activities		
Payments into time deposits	—	4,205
Payment for acquisitions of tangible fixed assets	(5,465)	(5,813)
Proceeds from sales of tangible fixed assets	206	4
Payment for acquisitions of intangible fixed assets	(195)	(290)
Payment for purchase of investments in securities	(12)	(13)
Payment for other investing activities	(141)	(113)
Proceeds from other investing activities	111	380
Net cash used in investing activities	(5,496)	(1,639)
Cash flows from financing activities		
Net decrease in short-term borrowings	(1,050)	—
Proceeds from long-term borrowings	8,162	2,500
Repayments of long-term borrowings	(3,169)	(883)
Repayments of lease obligations	(406)	(496)
Payment for repurchase of treasury stock	(5)	(5)
Proceeds from sales of treasury stock	0	—
Dividends paid by parent company	(2,251)	(2,228)
Net cash (used in) provided by financing activities	1,278	(1,115)
Effect of exchange rate changes on cash and cash equivalents	1,811	(1,160)
Net increase in cash and cash equivalents	1,879	431
Cash and cash equivalents at beginning of year	26,118	27,998
Cash and cash equivalents at end of year	27,998	28,429

(5) Notes to consolidated financial statements

(Going concern assumptions)                      Not applicable

(Change in accounting policies)

(Adoption of "Accounting Standard for Business Combinations" )

Effective from the fiscal year ended March 31, Capcom has adopted "Accounting Standard for Business Combinations" (Accounting Standard Board of Japan (ASBJ) Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial statements" (ASBJ Statements No. 22, September 13, 2013), and "Accounting Standard for Business Divestitures" (ASBJ Statements No.7, September 13, 2013).

As a result, Capcom has to post changes in interests in its subsidiaries under continuing control to capital surplus and recognize acquisition related costs as expenses.

And as for business combinations implemented on the beginning of the fiscal year ended March 31, 2016 and thereafter, Capcom has changed an accounting treatment, by which review of provisional purchase price allocation will be retrospectively reflected on the consolidated financial statements in which the business combination occurred once it is finalized.

In addition, Capcom has changed presentation of net income and non-parent interests, which is presented as non-controlling interests from the previous minority interests. To reflect the changes, the related accounts of consolidated financial statements for the previous fiscal year have been reclassified.

As for application of "Accounting Standard for Business Combinations" etc., Capcom has followed the transitional treatment provided in Paragraph 58-2(4) of the Accounting Standard for Business Combinations, Paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4(4) of the Accounting Standard for Business Divestitures, applying these standards since the beginning of the fiscal year ended March 31, 2016. This change in accounting policies has no impact on per share information.

(Change in presentation)

(Consolidated statement of income)

Effective from the fiscal year ended March 31, Capcom has reclassified "Loss on closing amusement facilities" on the "Non-operating expenses", which was individually presented in the previous fiscal year into "Other" due to materiality in terms of value.

As a result, 142 million yen of "Loss on closing amusement facilities" and 84 million yen of "Other" on the "Non-operating expenses" of the consolidated statement of income for the previous fiscal year have been reclassified into 226 million yen of "Other".