

**Consolidated financial results
for the year ended March 31, 2017 (Unaudited)**

Date of issue: April 27, 2017

Company name: CAPCOM Co., Ltd.

Stock listing: Tokyo

Code number: 9697

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Ordinary general shareholders' meeting : June 9, 2017

Dividend payment date: June 12, 2017

Filing date for financial report : June 12, 2017

Earnings supplementary explanatory materials :

Yes

Earnings presentation :

Yes (For institutional investors)

Note: Numbers are rounded down to the nearest 1 million yen.

1. Results for the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Financial results

Note: Percentage represents change from the same period of the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	87,170	13.2	13,650	13.5	12,589	10.9	8,879	14.6
Year ended March 31, 2016	77,021	19.8	12,029	13.7	11,348	4.6	7,745	17.1

Note: Comprehensive income

Year ended March 31, 2017: 8,683 million yen (42.5%)

Year ended March 31, 2016: 6,092 million yen (-35.4%)

	Net income per share	Diluted earnings per share	Return on equity	Return (ordinary income) on assets	Operating margin
	Yen	Yen	%	%	%
Year ended March 31, 2017	160.35	—	11.6	10.9	15.7
Year ended March 31, 2016	137.75	—	10.6	10.6	15.6

Reference: Equity in earnings (losses) of affiliates

Year ended March 31, 2017: — million yen

Year ended March 31, 2016: — million yen

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio to total assets	Assets shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2017	118,897	77,774	65.4	1,420.64
Year ended March 31, 2016	113,057	75,168	66.5	1,336.86

Reference: Shareholders' equity:

Year ended March 31, 2017: 77,774 million yen

Year ended March 31, 2016: 75,168 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2017	3,200	-3,628	-3,130	24,337
Year ended March 31, 2016	4,347	-1,639	-1,115	28,429

2. Dividends

Record date	Dividend per share					Dividend paid	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	1st Quarter-end	2nd Quarter-end	3rd Quarter-end	Year-end	Annual			
Year ended March 31, 2016	—	15.00	—	25.00	40.00	2,249	29.0	3.1
Year ended March 31, 2017	—	25.00	—	25.00	50.00	2,737	31.2	3.6
Year ending March 31, 2018 (Forecast)	—	25.00	—	25.00	50.00		28.8	

3. Earnings forecast for the fiscal year ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

Note: Percentage represents change from the same period of the previous fiscal year.

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2018	93,000	6.7	14,500	6.2	14,000	11.2	9,500	7.0	173.53

Note: Capcom discloses a full year business forecast, as it manages its business performance on an annual basis.

4. Others

(1) Changes in significant consolidated subsidiaries during the period: No

(Changes in specified subsidiaries due to changes in the scope of consolidation)

(2) Changes in accounting principles, accounting estimates and retrospective restatement for consolidated financial statements

- | | |
|--|-----|
| ① Changes resulting from amendment of the accounting standard: | Yes |
| ② Changes other than ①: | No |
| ③ Changes in accounting estimates: | No |
| ④ Retrospective restatement: | No |

(Note)

For more details, please see "notes to consolidated financial statements" on the page 14.

(3) Number of shares outstanding (Common stock):

① Number of shares outstanding (including treasury stock)			
Year ended March 31, 2017:	67,723,244	Year ended March 31, 2016:	67,723,244
② Number of treasury stock			
Year ended March 31, 2017:	12,977,009	Year ended March 31, 2016:	11,495,204
③ Average number of shares outstanding			
Year ended March 31, 2017:	55,373,412	Year ended March 31, 2016:	56,228,955

(Explanation about the appropriate usage of business prospects and other special notes)

- The above-mentioned business forecasts were based on the information available as of the date of the release of this report.
- Future events may cause the actual results to be significantly different from the forecasts.
- Please refer to [1. Operating results overview (4) Outlook] on page 5 for more details.
- Capcom is scheduled to hold an earnings presentation for institutional investors on April 28. Its footage and its voice sound are going to be posted along with the presentation materials on the Capcom's web page soon after it is closed.

Attachment contents

1. Operating results overview	2
(1) Operating results for the fiscal year under review.....	2
(2) Financial position overview for the fiscal year under review	4
(3) Cash flow overview for the fiscal year under review	4
(4) Outlook	5
2. Basic policy regarding selection of accounting standards	6
3. Summary of consolidated financial statements	7
(1) Consolidated balance sheets	7
(2) Consolidated statements of income and comprehensive income	9
(3) Consolidated statements of changes in net assets	11
(4) Consolidated statements of cash flows	13
(5) Notes to consolidated financial statements	14
(Going concern assumptions).....	14
(Change in accounting policies).....	14
(Additional information).....	14
(Segment information).....	14
(Per share information).....	17
(Significant subsequent events).....	17

1. Operating results overview

(1) Operating results for the fiscal year under review

During the fiscal year ended March 31, 2017, signs of major changes to our industry became evident, such as the successive releases of VR (virtual reality) devices that are highly compatible with games. With an eye to creating a new market we entered a new era many are calling “VR year one.”

Under such circumstances, the Company has carried out reorganization and strengthened its management structure aiming to reform its development divisions, which are the core of its business operations. At the same time, the Company promoted speedy decision-making and agile business development by clarifying reporting lines and responsibilities.

Moreover, the Company strove to enhance its presence and increase its brand value by generating synergy with its flagship titles through a mixed media strategy leveraging its rich content assets. This included an animated TV program based on *Monster Hunter Stories* that began airing in October 2016 (Fuji Television Network); the musical theater performance of *Resident Evil: Voice of Gaia* in Tokyo and Osaka, which is the first ever musical theater performance based on a survival horror game; and the Hollywood film, *Resident Evil: The Final Chapter*, which is based on the Company’s popular game series and was first released in Japan on December 23, 2016, followed by a worldwide run.

Under the Corporate Governance Code of Japan, the Company has been engaged in measures to make its corporate governance effective, which include the proactive promotion of constructive dialogues with domestic and foreign institutional investors and the adoption of some of their suggestions in company management.

The resulting net sales were 87,170 million yen (up 13.2% from the previous fiscal year).

Regarding profitability, operating income was 13,650 million yen (up 13.5% from the previous fiscal year), ordinary income was 12,589 million yen (up 10.9% from the previous fiscal year) and net income attributable to owners of the parent was 8,879 million yen (up 14.6% from the previous fiscal year).

Status of business by operating segment

① Digital Contents business

Resident Evil 7 biohazard (for PlayStation 4, Xbox One, Windows PC), which features the ability to play the full game in the included optional PSVR Mode for PS4, gave an overall solid performance, while *Monster Hunter XX (Double Cross)* (for the Nintendo 3DS family of systems), is off to a promising start following its March 2017 release.

Re-releases of the *Resident Evil* series performed steadily thanks to a stable fanbase for the brand. Further, *Monster Hunter Generations*, known as *Monster Hunter X (Cross)* in Japan and Asia (for the Nintendo 3DS family of systems), achieved solid sales overseas thanks to Capcom's established brand capabilities. On the other hand, *Dead Rising 4* (for Xbox One and Windows PC) and *Monster Hunter Stories* (a game targeting younger audiences, for the Nintendo 3DS family of systems) underperformed.

In online games and mobile contents, the Company broke new ground amidst ongoing efforts to achieve progress in this static sub-segment by reviewing its development framework and operation methods. This led *Toraware no Paruma* (an enterprising romance game for Android devices and iOS that was developed primarily by female staff) to reach the top of the App Store paid application rankings on its release date.

The resulting net sales were 58,704 million yen (up 11.7% from the previous fiscal year), and operating income was 11,096 million yen (down 8.8% from the previous fiscal year).

② Arcade Operations business

In the Arcade Operations business, signs of recovery to our industry are becoming evident, partly because regulations on the entry into arcades at night were relaxed by the amendments to the Act on Control and Improvement of Amusement Business, etc. effective June 2016. Under such circumstances, efforts were made to capture a broad customer base by securing repeat customers and attracting persons of middle or advanced age and children accompanied by a parent. This was done through community-based arcade marketing to win the support of local residents by holding various events and operating arcades that offer comfortable experiences to customers under the banner of "No. 1 arcade in the community."

To develop new business opportunities, the Company also pushed forward innovative new business formulas, such as opening CharaCap shops, which primarily sell character merchandise inside arcades. During the period under review, three new arcades were opened while one arcade was closed bringing the total number of arcades to 36.

The resulting net sales were 9,525 million yen (up 5.2% from the previous fiscal year) and operating income was 752 million yen (up 7.5% from the previous fiscal year).

③ Amusement Equipments business

In the Pachinko & Pachislo sub-segment, *Monster Hunter Kyoryu Sensen*, this fiscal year's major release, was a mega hit thanks to synergy with home video games, and drove sales expansion. In the Arcade Games Sales sub-segment, the Company launched *Mario Party Fushigi no Challenge World* and focused on repeat sales of existing products.

The resulting net sales were 16,856 million yen (up 26.3% from the previous fiscal year) and operating income was 5,106 million yen (up 81.6% from the previous fiscal year).

④ Other Businesses

The net sales from Other Businesses, mainly consisting of royalty income from licensing and sale of character merchandise, were 2,083 million yen (up 2.0% from the previous fiscal year) and operating income was 969 million yen (up 89.8% from the previous fiscal year).

(2) Financial position overview for the fiscal year under review

(Assets)

Total assets as of the end of the fiscal year ended March 31, 2017 increased by 5,840 million yen from the end of the previous fiscal year to 118,897 million yen.

The primary increase was 10,295 million yen in notes and accounts receivable, trade. The primary decrease was 3,891 million yen in cash on hand and in banks.

(Liabilities)

Total liabilities as of the end of the fiscal year ended March 31, 2017 increased by 3,234 million yen from the end of the previous fiscal year to 41,122 million yen.

The primary increase was 7,825 million yen in short-term borrowings. The primary decrease was 4,323 million yen in long-term borrowings.

(Net assets)

Net assets as of the end of the fiscal year ended March 31, 2017 increased by 2,605 million yen from the end of the previous fiscal year to 77,774 million yen.

The primary increase was 8,879 million yen in net income attributable to owners of the parent. The primary decreases were an increase of 3,302 million yen in treasury stock and 2,774 million yen in cash dividends.

(3) Cash flow overview for the fiscal year under review

Cash and cash equivalents as of the end of the fiscal year ended March 31, 2017 decreased by 4,091 million yen from the end of the previous fiscal year to 24,337 million yen.

Cash flow positions of each activity and their factors are described below.

(Cash flows from operating activities)

Net cash gained from operating activities was 3,200 million yen (4,347 million yen in the previous fiscal year).

The primary items increasing cash flows were 12,489 million yen in net income before income taxes (11,150 million yen in the previous fiscal year), a 5,980 million yen increase in depreciation and amortization (5,712 million yen in the previous fiscal year), and a 2,280 million yen increase in notes and accounts payable, trade (935 million yen in the previous fiscal year). The primary items decreasing cash flows were 10,393 million yen increase in accounts receivable, trade (2,208 million yen in the previous fiscal year) and 6,513 million yen increase in income taxes paid (972 million yen paid in the previous fiscal year).

(Cash flows from investing activities)

Net cash used in investing activities was 3,628 million yen (1,639 million yen in the previous fiscal year).

Primary item used was 3,074 million yen in payment for acquisitions of tangible fixed assets (5,813 million yen in the previous fiscal year).

(Cash flows from financing activities)

Net cash used in investing activities was 3,130 million yen (1,115 million yen invested in the previous fiscal year).

Primary increases used were as follows: 3,302 million yen in payment for repurchase of treasury stock (5 million yen in the previous fiscal year), 2,794 million yen in dividends paid by parent company (2,228 million yen in the previous fiscal year), and 1,497 million yen in repayments of long-term borrowings (883 million yen in the previous fiscal year). The primary decrease was 5,000 million yen increase in short-term borrowings (none in the previous fiscal year).

(4) Outlook

Looking forward, the market environment is changing rapidly with the emergence of new business areas in VR (virtual reality) and AR (augmented reality) as well as further increases in mobile contents and the spread of online games. In addition, Nintendo Switch, a new home video game console, was released in March 2017.

Amidst such structural changes to the industry, the Company will endeavor to increase profitability through business management based on selection and concentration. This will include the allocation of development resources in accordance with the Company's medium-term strategic map to priority divisions, such as home video game software development, which is its core competence, and mobile contents.

In addition to package game sales, the Company will focus its efforts on expanding digital download sales, which promise higher profitability, in order to diversify its profit structure. The Company will also endeavor to further cultivate existing customers while developing new customers by enhancing its product line-up, which includes releasing distribution titles as well as re-releasing or remaking popular titles from its back catalog.

Holding a significant number of popular IP, such as *Monster Hunter* and numerous others, the Company will strive to leverage these valuable assets to generate synergy and break through the current situation of its online games and mobile contents businesses. At the same time, the Company will promote the development of appealing titles in-step with market trends, through the development, marketing and operations departments working as one. Additionally, it will continue to build a value chain, seeking to increase customer satisfaction through the timely provision of additional contents.

Expansion of sales in large overseas markets is essential for the achievement of the Company's growth scenario. The Company is one of the world's leading contents holders with many brands that are popular overseas including *Resident Evil* and *Street Fighter*, both of which have been made into Hollywood films. The Company will promote aggressive global strategies by leveraging these strengths, coordinating with its overseas subsidiaries in releasing software that meet overseas customer demands and increasing its presence through the popularization of the "Capcom Brand."

Meanwhile, the pachinko & pachislo market faces some uncertainty due to the recent revision in the pachislo model certification method and the strengthening of applicable regulations. However, the Company will expeditiously develop compliant equipment and promote business flexibly to enable it to respond promptly to changes in the industry.

As home video game consoles and smart devices continue to advance, offering support for features such as VR and high-definition 4K resolution, enhancing development infrastructure will be crucial to the development of video game software suitable for game consoles with sophisticated functions while satisfying diverse customer needs.

Under the slogan "from Osaka to the world," the Company opened its R&D Building #2 in 2016 as a new game development hub. The Company will continue to engage in aggressive business management, keeping in mind strategic business alliances, mergers and acquisitions, and any other options available for the achievement of sustainable growth and improvement of medium- to long-term corporate value.

Additionally, the Company has been promoting the establishment of a work-life balance through child-rearing support and other initiatives, empowering employees to pursue both their career and childrearing in order to secure and utilize superior talent. As a part of this endeavor, the Company opened onsite childcare facilities in April 2017.

2. Basic policy regarding selection of accounting standards

With consideration for providing consolidated financial documents that can be compared over time and between companies, the Group's policy for the foreseeable future is to prepare consolidated financial documents according to Japanese standards.

We are in consideration whether to adopt the International Financial Reporting Standards (IFRS) in light of the ratio of foreign shareholders and trend of adoption of IFRS by other companies within the games industry in Japan.

3. Summary of consolidated financial statements

(1) Consolidated balance sheets

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
Assets		
Current assets		
Cash on hand and in banks	28,429	24,537
Notes and accounts receivable, trade	9,879	20,175
Merchandise and finished goods	1,704	1,583
Work-in-progress	2,085	2,040
Raw materials and supplies	1,954	2,040
Work-in-progress for game software	24,825	30,150
Deferred tax assets	3,382	2,495
Other	3,673	2,478
Allowance for doubtful accounts	(18)	(21)
Total current assets	75,917	85,480
Fixed assets		
Tangible fixed assets, net of accumulated depreciation		
Buildings and structures, net	11,297	11,004
Machinery and vehicles, net	23	16
Tools, fixtures and furniture, net	1,875	1,932
Equipment for amusement facilities, net	1,342	1,616
Land	5,234	5,234
Leased assets, net	1,042	835
Construction-in-progress	8	128
Total tangible fixed assets	20,825	20,768
Intangible fixed assets		
Online contents in progress	2,395	—
Other	5,740	2,843
Total intangible fixed assets	8,135	2,843
Investments and other assets		
Investments in securities	454	574
Claim in bankruptcy and reorganization	65	67
Lease deposits	3,867	3,920
Deferred tax assets	2,952	4,311
Other	916	1,003
Allowance for doubtful accounts	(78)	(72)
Total investments and other assets	8,179	9,804
Total fixed assets	37,140	33,417
Total assets	113,057	118,897

(Unit: Millions of yen)

	Previous fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	4,053	2,288
Electronically recorded monetary liabilities	888	4,886
Short-term borrowings	1,497	9,323
Lease obligations	525	502
Accrued income taxes	6,470	1,580
Deferred tax liabilities	40	2,308
Accrued bonuses	2,080	2,263
Other	6,799	6,840
Total current liabilities	22,355	29,994
Long-term liabilities		
Long-term borrowings	11,111	6,788
Lease obligations	601	399
Deferred tax liabilities	18	29
Liabilities for retirement benefits	2,323	2,596
Asset retirement obligations	502	509
Other	975	805
Total long-term liabilities	15,532	11,128
Total liabilities	37,888	41,122
Net assets		
Shareholders' equity		
Common stock	33,239	33,239
Capital surplus	21,328	21,328
Retained earnings	39,297	45,402
Treasury stock	(18,145)	(21,448)
Total shareholders' equity	75,719	78,521
Accumulated other comprehensive income		
Net unrealized gain or loss on securities, net of tax	2	107
Cumulative translation adjustments	(278)	(541)
Accumulated liabilities for retirement benefits	(274)	(313)
Total accumulated other comprehensive income	(550)	(747)
Total net assets	75,168	77,774
Total liabilities and net assets	113,057	118,897

(2) Consolidated statements of income and comprehensive income
 Consolidated statements of income

(Unit: Millions of yen)

	Previous fiscal year from April 1, 2015 to March 31, 2016	Current fiscal year from April 1, 2016 to March 31, 2017
Net sales	77,021	87,170
Cost of sales	47,175	56,438
Gross profit	29,846	30,731
Selling, general and administrative expenses	17,816	17,080
Operating income	12,029	13,650
Non-operating income		
Interest income	95	47
Dividend income	13	13
Other	195	130
Total non-operating income	304	192
Non-operating expenses		
Interest expense	119	141
Commissions	59	44
Exchange loss, net	752	746
Other	55	322
Total non-operating expenses	985	1,253
Ordinary income	11,348	12,589
Special losses		
Loss on sales and /or disposal of fixed assets	92	99
Impairment loss	105	—
Total special losses	197	99
Net income before income taxes	11,150	12,489
Income taxes-current	6,377	1,832
Income taxes-deferred	(2,972)	1,777
Total income taxes	3,405	3,610
Net income	7,745	8,879
Net income attributable to owners of the parent	7,745	8,879

Consolidated statements of comprehensive income

(Unit: Millions of yen)

	Previous fiscal year from April 1, 2015 to March 31, 2016	Current fiscal year from April 1, 2016 to March 31, 2017
Net income	7,745	8,879
Other comprehensive income		
Net unrealized gain or loss on securities, net of tax	(168)	105
Cumulative translation adjustments	(1,494)	(262)
Adjustments for retirement benefits	9	(38)
Total other comprehensive income	(1,653)	(196)
Comprehensive income	6,092	8,683
Comprehensive income attributable to:		
Owners of the parent	6,092	8,683
Non-controlling interests	—	—

(3) Consolidated statements of changes in net assets
 Previous fiscal year from April 1, 2015 to March 31, 2016

(Unit: Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of March 31, 2015	33,239	21,328	33,801	(18,140)	70,228
Changes of items during the fiscal year					
Cash dividends			(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 current 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 March 31, 2015	170	1,215	(283)	1,102	71,331
Changes of items during the fiscal year					
Cash dividends					(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 current fiscal year	(168)	(1,494)	9	(1,653)	3,837
Balance as of March 31, 2016	2	(278)	(274)	(550)	75,168

Current fiscal year from April 1, 2016 to March 31, 2017

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2016	33,239	21,328	39,297	(18,145)	75,719
Changes of items during the current fiscal year					
Cash dividends			(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 current 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 March 31, 2016	2	(278)	(274)	(550)	75,168
Changes of items during the previous fiscal year					
Cash dividends					(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 current fiscal year	105	(262)	(38)	(196)	2,605
Balance as of March 31, 2017	107	(541)	(313)	(747)	77,774

(4) Consolidated statements of cash flows

(Unit: Millions of yen)

	Previous fiscal year from April 1, 2015 to March 31, 2016	Current fiscal year from April 1, 2016 to March 31, 2017
Cash flows from operating activities		
Net income before income taxes	11,150	12,489
Depreciation and amortization	5,712	5,980
Impairment loss	105	—
Decrease in allowance for doubtful accounts	(38)	(1)
Increase in accrued bonuses	263	186
Increase in liabilities for retirement benefits	264	204
Interest and dividend income	(109)	(61)
Interest expense	119	141
Exchange loss, net	60	18
Loss on sales and/or disposal of fixed assets	92	99
Increase in accounts receivable, trade	(2,208)	(10,393)
Decrease (increase) in inventories	(1,651)	158
Increase in work-in-progress for game software	(8,778)	(2,266)
(Increase) decrease in online contents in progress	1,479	(704)
Increase in accounts payable, trade	935	2,280
Decrease (increase) in other current assets	(1,260)	875
Increase in other current liabilities	1,718	545
Other	(2,545)	239
Sub total	5,309	9,792
Interest and dividends received	130	62
Interest paid	(120)	(140)
Income taxes paid	(972)	(6,513)
Net cash provided by operating activities	4,347	3,200
Cash flows from investing activities		
Payments into time deposits	—	(200)
Proceeds from time deposits	4,205	—
Payment for acquisitions of tangible fixed assets	(5,813)	(3,074)
Proceeds from sales of tangible fixed assets	4	5
Payment for acquisitions of intangible fixed assets	(290)	(253)
Payment for purchase of investments in securities	(13)	(13)
Payment for other investing activities	(113)	(222)
Proceeds from other investing activities	380	131
Net cash used in investing activities	(1,639)	(3,628)
Cash flows from financing activities		
Net increase in short-term borrowings	—	5,000
Proceeds from long-term borrowings	2,500	—
Repayments of long-term borrowings	(883)	(1,497)
Repayments of lease obligations	(496)	(535)
Payment for repurchase of treasury stock	(5)	(3,302)
Dividends paid by parent company	(2,228)	(2,794)
Net cash used in financing activities	(1,115)	(3,130)
Effect of exchange rate changes on cash and cash equivalents	(1,160)	(533)
Net (decrease) increase in cash and cash equivalents	431	(4,091)
Cash and cash equivalents at beginning of year	27,998	28,429
Cash and cash equivalents at end of year	28,429	24,337

(5) Notes to consolidated financial statements
(Going concern assumptions) Not applicable

(Change 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, Capcom has adopted “Practical Solution on a change in depreciation method due to Tax reform 2016.” (PITF No.32 June 17, 2016), changing depreciation method for equipment attached to buildings and structures purchased on April 1, 2016 and thereafter from declining-balance method to straight-line method.

This change in accounting policies has little impact on income statement.

(Additional information)

(Adoption of “Revised Implementation Guidance on Recoverability of Deferred Tax Assets”)

Effective from the fiscal year ended March 31, 2017, Capcom has adopted “Revised Implementation Guidance on Recoverability of Deffered Tax Assets.” (Revised Guidance No.26 March 28, 2016)

(Segment Information)

1. Outline of business reportable segment

(1) Classification of business reportable segment

The business segments Capcom reports are the business units for which Capcom is able to obtain individual financial information separately in order for the board of directors to conduct periodic investigation to determine distribution of operational resources and evaluate their business performance.

Capcom has several operational headquarters, which plan comprehensive business strategies in domestic and overseas markets for their products and services, and develops its business activities.

Therefore Capcom's reportable segments are based on the products and services its operational headquarters deal in and are composed of the following 3 units; “Digital Contents,” “Arcade Operations” and “Amusement Equipments.”

(2) Product and service line

“Digital Contents” develops and distributes video and mobile games for consumers.

“Arcade Operations” operates amusement facilities which install amusement equipments.

“Amusement Equipments” manufactures arcade game machines and pachinko gambling machines etc. to be distributed 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 procedure for the reportable segment is basically the same with that for the consolidated financial statements.

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

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

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital Contents	Arcade Operations	Amusement Equipments	Total				
Net sales								
(1) Customers	52,577	9,056	13,343	74,978	2,043	77,021	—	77,021
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	52,577	9,056	13,343	74,978	2,043	77,021	—	77,021
Operating income (loss)	12,167	699	2,812	15,679	511	16,190	(4,160)	12,029
Identifiable assets	57,275	6,574	12,314	76,164	4,926	81,090	31,966	113,057
Other items								
Depreciation and amortization	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 business segments reported, including Character Contents business etc.

2. Adjustments are as follows.

- (1) Adjustments of operating income (loss) of -4,160 million yen include unallocated corporate operating expenses of -4,160 million yen. The corporate operating expenses, which do not belong to any reportable segments mainly consist of administrative expenses.
- (2) Adjustments of identifiable assets of 31,966 million yen include unallocated corporate identifiable assets of 31,966 million yen.
- (3) Adjustments of increase in tangible and intangible fixed assets of 3,941 million yen are capital investment by headquarters.

3. Operating income (loss) for segment is adjusted on operating income on the consolidated statements of income.

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

(Unit: Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
	Digital Contents	Arcade Operations	Amusement Equipments	Total				
Net sales								
(1) Customers	58,704	9,525	16,856	85,086	2,083	87,170	—	87,170
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	58,704	9,525	16,856	85,086	2,083	87,170	—	87,170
Operating income (loss)	11,096	752	5,106	16,955	969	17,925	(4,274)	13,650
Identifiable assets	66,691	6,988	16,169	89,849	4,718	94,568	24,328	118,897
Other items								
Depreciation and amortization	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

(Note) 1. "Other" incorporates operations not included in business segments reported, including Character Contents business etc.

2. Adjustments are as follows.

- (1) Adjustments of operating income (loss) of -4,274 million yen include unallocated corporate operating expenses of -4,274 million yen. The corporate operating expenses, which do not belong to any reportable segments mainly consist of administrative expenses.
- (2) Adjustments of identifiable assets of 24,328 million yen include unallocated corporate identifiable assets of 24,328 million yen.
- (3) Adjustments of increase in tangible and intangible fixed assets of 1,055 million yen are capital investment by headquarters.

3. Operating income (loss) for segment is adjusted on operating income on the consolidated statements of income.

(Per share information)

Previous fiscal year 〔 From April 1, 2015 to March 31, 2016 〕		Current fiscal year 〔 From April 1, 2016 to March 31, 2017 〕	
Net assets per share	1,336.86 yen	Net assets per share	1,420.64 yen
Net income per share	137.75 yen	Net income per share	160.33 yen

(Note) 1. The diluted net income per share for the current fiscal year is omitted as the Companies have no residual securities.
2. The basis for computation of net assets per share is as follows:

Item	Previous fiscal year (As of March 31, 2016)	Current fiscal year (As of March 31, 2017)
	(Unit: Millions of yen)	(Unit: Millions of yen)
Total amount of net assets	75,168	77,774
Amounts to be deducted from total amount of net assets	—	—
Ending balance of net assets attributable to common stock	75,168	77,774
Number of shares of common stocks used for computation of net assets per share (thousand shares)	56,228	54,746

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

Item	Previous fiscal year 〔 From April 1, 2015 To March 31, 2016 〕	Current fiscal year 〔 From April 1, 2016 To March 31, 2017 〕
	(Unit: Millions of yen)	(Unit: Millions of yen)
Net income	7,745	8,879
Amount not allocated to common stock	—	—
Net income allocated to common stock	7,745	8,879
Average number of shares of common stock outstanding during the fiscal year (thousand shares)	56,228	55,373

(Significant subsequent events)

Not applicable