

(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.