

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

(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 home video games, online games and mobile games for consumers.

"Arcade Operations" operates amusement facilities which house amusement and arcade game machines.

"Amusement Equipments" develops, manufactures and distributes arcade game machines and amusement machines etc. to arcade and amusement facility operators.

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 in principle 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, 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 (losses) for segments are adjusted on operating income on the consolidated statements of income.

Current fiscal year (from April 1, 2017 to March 31, 2018)

(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	74,141	10,231	7,803	92,176	2,338	94,515	—	94,515
(2) Inter-segment	—	—	—	—	—	—	—	—
Total	74,141	10,231	7,803	92,176	2,338	94,515	—	94,515
Operating income (loss)	19,103	879	(764)	19,218	1,126	20,345	(4,307)	16,037
Identifiable assets	61,661	7,471	10,002	79,136	3,600	82,737	42,836	125,573
Other items								
Depreciation and amortization	2,163	1,141	63	3,368	606	3,975	731	4,706
Increase in tangible and intangible fixed assets	384	1,192	224	1,801	17	1,818	1,222	3,041

(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 -4,307 million yen include unallocated corporate operating expenses of -4,307 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 42,836 million yen include unallocated corporate identifiable assets of 42,836 million yen.
- (3) Adjustments of increase in tangible and intangible fixed assets of 1,222 million yen are capital investment by headquarters.

3. Operating income (losses) for segments are adjusted on operating income on the consolidated statements of income.

(Per share information)

Previous fiscal year 〔 From April 1, 2016 to March 31, 2017 〕		Current fiscal year 〔 From April 1, 2017 to March 31, 2018 〕	
Net assets per share	710.32 yen	Net assets per share	780.18 yen
Net income per share	80.18 yen	Net income per share	99.89 yen

- (Note) 1. The diluted net income per share for the current fiscal year is omitted as Capcom has no residual securities.
 2. With an effective date of April 1, 2018, Capcom performed a 2-for-1 stock split of its common stock. Capcom calculated "Net assets per share" and "Net income per share" assuming that the stock split was implemented with an effective date of April 1, 2017.
 3. The basis for computation of net assets per share is as follows:

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
	(Unit: Millions of yen)	(Unit: Millions of yen)
Total amount of net assets	77,774	85,421
Amounts to be deducted from total amount of net assets	—	—
Ending balance of net assets attributable to common stock	77,774	85,421
Number of shares of common stocks used for computation of net assets per share (thousand shares)	109,492	109,489

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

	Previous fiscal year 〔 From April 1, 2016 To March 31, 2017 〕	Current fiscal year 〔 From April 1, 2017 To March 31, 2018 〕
	(Unit: Millions of yen)	(Unit: Millions of yen)
Net income attributable to owners of the parent	8,879	10,937
Amount not allocated to common stock	—	—
Net income attributable to owners of the parent allocated to common stock	8,879	10,937
Average number of shares of common stock outstanding during the fiscal year (thousand shares)	110,746	109,491

(Significant subsequent events)

(Stock split)

With an effective date of April 1, 2018, Capcom split its stock by the resolution of the board of directors meeting held on March 6, 2018.

1. Purpose

The purpose of the stock split is to improve the liquidity of the Company's stock and expand its investor base by reducing the stock price per investment unit.

2. Summary of the stock split

(1) Method of stock split

Each share of common stock owned by shareholders listed or recorded in the closing register of shareholders on the record date of Saturday, March 31, 2018 were split into two shares.

(2) Number of shares increased by the stock split

1) Total number of issued shares prior to the stock split:	67,723,244 shares
2) Number of shares to be increased by the stock split:	67,723,244 shares
3) Total number of issued shares following the stock split:	135,446,488 shares
4) Total number of authorized shares following the stock split:	300,000,000 shares

3. Schedule of stock split

(1) Public notice of record date:	Wednesday, March 14, 2018
(2) Record date	Saturday, March 31, 2018
(3) Effective date	Sunday, April 1, 2018

4. Other

- (1) Following the above stock split, the total number of authorized shares provided for in article 6 of the Capcom's Articles of Incorporation will be amended from 150 million to 300 million, effective Sunday, April 1, 2018 and in accordance with the provisions of Article 184, Paragraph 2 of the Companies Act.
- (2) Change of capital
No change
- (3) Impact on per share information
The impact of the stock split is described in "Per share information."

4. Others

(1) Change in directors (Scheduled to take effect on June 11, 2018)

- ① Candidates for appointment as new directors (excluding directors who are members of the audit and supervisory committee)

Kunio Neo (Executive Corporate Officer and Head of Global Marketing Group at present)

Yutaka Mizukoshi (Senior Advisor at the Boston Consulting Group at present)

(Note: Mr. Taka Mizukoshi is a candidate for appointment as an external director.)

- ② Retiring directors (excluding directors who are members of the audit and supervisory committee)

Hiroshi Yasuda (External director at present)

- ③ Retiring directors who are members of the audit and supervisory committee

Takayuki Morinaga (External director at present)