

## Summary Second Quarter Financial Statements (Consolidated) for Year Ending March 31, 2009

November 6, 2008

Company name: Amano Corporation  
 Securities code: 6436  
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 Scheduled date of filing of quarterly securities report: November 12, 2008  
 Scheduled date of start of dividend payments: December 2, 2008

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(Amounts less than 1 million yen are rounded down)

### 1. Business results for the first half ended September 30, 2008 (April 1, 2008 to September 30, 2008)

(1) Operating results (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	(% change)	Millions of yen	(% change)	Millions of yen	(% change)	Millions of yen	(% change)
Half ended Sept. 30, 2008	47,855	—	3,060	—	3,283	—	1,720	—
Half ended Sept. 30, 2007	45,307	9.5	5,020	6.8	5,419	15.3	3,145	17.3

	Net income per share	Diluted net income per share
	Yen	Yen
Half ended Sept. 30, 2008	21.46	21.46
Half ended Sept. 30, 2007	39.15	39.14

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
At September 30, 2008	114,471	83,047	71.8	1,035.93
At March 31, 2008	116,950	86,307	73.0	1,062.70

Reference: Equity capital At September 30, 2008: 82,162 million yen At March 31, 2008: 85,431 million yen

### 2. Dividends

(Date of record)	Dividends per share				
	June 30	September 30	December 31	March 31	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2008	—	17.00	—	17.00	34.00
Year ending March 31, 2009	—	17.00	—	—	—
Year ending Mar. 31, 2009 (est.)	—	—	—	17.00	34.00

Note: Estimated dividends revised in this half: No

### 3. Forecast earnings for the year ending March 31, 2009 (April 1, 2008 to March 31, 2009)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	95,100	1.9	6,300	(37.1)	6,600	(37.4)	3,600	(41.0)	45.39

Note: Forecast earnings figures revised in this half: No

### 4. Other matters

(1) Changes among significant subsidiaries

(Changes among specific subsidiaries resulting in changes in the scope of consolidation): No

Newly consolidated companies: \_ (Company name: )

Excluded companies: \_ (Company name: )

(2) Application of simplified accounting procedures and accounting procedures specific to preparation of quarterly consolidated financial statements: Yes

Note: For details, please see page 7: Qualitative Information/Financial Statements, item 5 "Other Matters."

(3) Changes in principles and practices in the preparation of the quarterly consolidated financial statements, or method of presentation (Changes in the basis of presentation of the quarterly consolidated financial statements)

[1] Changes arising from revision of accounting standards: Yes

[2] Other changes: No

Note: For details, please see page 7: Qualitative Information/Financial Statements, item 5 "Other Matters."

(4) No. of shares issued and outstanding (common stock)

[1] No. of shares issued and outstanding at the end of the period (including treasury stock)

At September 30, 2008 81,257,829 shares At March 31, 2008 81,257,829 shares

[2] No. of shares of treasury stock at the end of the period

At September 30, 2008 1,944,565 shares At March 31, 2008 866,647 shares

[3] Average number of shares outstanding

First half ended September 30, 2008 80,137,511 shares First half ended September 30, 2007 80,353,063 shares

Note: Explanation concerning appropriate use of the earnings forecast, and other matters to note

- The full-year earnings forecast issued on May 8, 2008 has been revised. For details, please refer to pages 5 and 6: Qualitative Information/Financial Statements, item 3 "Qualitative Information on Outlook for Consolidated Operating Results" and the statement on earnings forecast revisions (available in Japanese only) issued on October 31, 2008. Please note that the above forecast was determined on the basis of information available at the date when the document was prepared, and may contain numerous uncertainties. Actual results may differ from the above forecast due to changes in business performance and other factors.

- From this fiscal year, the company has adopted the "Accounting Standard for Quarterly Financial Reporting" (Accounting Standards Board of Japan [ASBJ] Statement No.12) and "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No.14). These quarterly consolidated financial statements have been prepared in accordance with the ordinance concerning quarterly consolidated financial statements.

## Qualitative Information/Financial Statements

### 1. Qualitative Information on Consolidated Operating Results (percentage change from previous year's first half results included for reference)

As the slowdown in the world economy became progressively more pronounced during the first half, the Japanese economy also exhibited a stronger sense of reversal. This manifested itself in sluggish corporate capital expenditure, falling personal consumption and slowing exports as raw material and food prices rose sharply.

Amid this operating environment, we pursued Group growth strategies based on our new medium-term management plan, which began in April 2008. The entire company is working in unison to achieve sustained growth driven by global development of products and markets in every business segment and to improve profitability through the cultivation of new business and enhancement of our capacity to propose comprehensive solutions underpinned by cooperation with Group companies in Japan.

During the first half, the Information Systems and Parking Systems business segments recorded increased revenue, while the Time Management Equipment, Environmental Systems, and Clean Systems segments posted reduced earnings. Overall sales were ¥47,855 million, up by 5.6% year-on-year. Operating profit fell by 39.0% to ¥3,060 million, ordinary profit declined by 39.4% to ¥3,283 million, and net income dropped by 45.3% to ¥1,720 million.

The following is an overview of sales by business division.

Sales by business division

(Unit: Millions of yen)

	First half ended September 30, 2007 (April 1, 2007– Sept. 30, 2007)		First half ended September 30, 2008 (April 1, 2008– Sept. 30, 2008)		Change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	%
Time Information System Business		%		%		%
Information Systems	7,734	17.1	10,366	21.7	2,632	34.0
Time Management Equipment	3,465	7.6	2,968	6.2	(497)	(14.3)
Parking Systems	18,883	41.7	19,770	41.3	887	4.7
Subtotal	30,082	66.4	33,105	69.2	3,022	10.0
Environment System Business						
Environmental Systems	10,375	22.9	10,140	21.2	(234)	(2.3)
Clean Systems	4,849	10.7	4,609	9.6	(240)	(5.0)
Subtotal	15,225	33.6	14,749	30.8	(475)	(3.1)
Total	45,307	100.0	47,855	100.0	2,547	5.6

## Time Information System Business

- Information Systems: Time & attendance (T&A), payroll, human-resource management, access control, cafeteria management systems
- Time Management Equipment: Time recorders, time stamps
- Parking Systems: Parking lot and bicycle-parking space management equipment, management services

### • Information Systems

Companies are reviewing and rebuilding T&A systems as the Ministry of Health, Labour and Welfare continues to issue notifications and strengthen administrative guidance on appropriate management of working hours, and this is driving continued demand in the domestic market for this business division. Demand for access control systems connected with T&A systems, which was previously focused in the office building sector, is now spreading to factories and other facilities. However, customers are taking a cautious approach to further investment as the economic slowdown becomes more pronounced, and prospects for the business environment are becoming increasingly uncertain.

In response to this market environment, Amano has been devoting considerable energy to expanding its operations, including by enhancing the functions of its T&A system software, launching new access control systems, making stronger proposals featuring comprehensive IC card systems, and strengthening its marketing strategy for small and medium-scale business establishments.

Hardware sales declined by ¥164 million (4.9%) year-on-year, software sales rose by ¥13 million (0.7%), and sales generated by maintenance and supply operations increased by ¥99 million (6.6%). The reduction in hardware sales was due to falling orders for large-scale solutions, while the rise in revenue from maintenance and supply operations was attributable to increases in IC card sales and maintenance contracts. Broken down by field, T&A system sales were up by ¥35 million (0.7%), while access control system sales slipped by ¥34 million (4.8%).

European sales increased with the assistance of strong growth by Horosmart S.A., acquired in January 2008. Sales fell in North America and remained flat in Asia. Total overseas sales leapt by ¥2,636 million (up 386.7% year-on-year).

As a net result of the above, overall sales in this business division totaled ¥10,366 million, representing an increase of 34.0% from the previous first half.

### • Time Management Equipment

Sales in this segment remained sluggish during the period under review and demand failed to show any signs of recovery as the market witnessed a further shift toward low-priced equipment. With the focus of the Japanese market for time recorders, in particular, shifting to low-priced products, store sales lost ground to Internet sales.

Unit sales and sales revenue declined year-on-year in both the domestic and export markets. Aggregate domestic and export sales fell by ¥396 million (16.8%).

Overseas, revenues declined in North America as the economic slowdown continued. European sales rose marginally, while Asian sales recorded a slight fall. Overall, overseas sales were down by ¥195 million (a year-on-year decrease of 12.9%).

As a result of the above, the Time Management Equipment business division generated sales totaling ¥2,968 million, down 14.3% from the previous first half.

### • Parking Systems

As the domestic parking lot market matures, this segment continues to face a difficult business environment. Parking lot occupancy rates have fallen in the face of gasoline price hikes, leading to lower demand for the construction of new small-scale parking lots and postponement of renewal projects.

However, promising new markets for specialized gate systems are emerging. Sales of crossing gates that permit toll collectors to cross safely on dedicated expressway ETC lanes are expanding on Tokyo's Metropolitan Expressway and in other areas. The introduction of vehicle management systems employing radio frequency identification (RFID)-based gate systems to control vehicle access to university campuses and taxi access to train stations is also projected to create new markets.

Amid this market environment the company has been devoting efforts to expanding its fields of operation, including by developing systems featuring new hardware technologies, strengthening its strategies for renewal markets, expanding its bicycle parking lot business, and cultivating the market for specialized gate systems.

Sales of system devices decreased by ¥1,078 million (12.7%) from a year earlier, while revenues from maintenance and supply operations rose by ¥285 million (7.2%).

The number of parking spaces managed by Group subsidiary Amano Management Service Corporation in its commissioned parking lot management business increased by 17,650 (13.7%) from the end of the previous fiscal year, and the company's performance is making steady progress.

Overseas, North American operations achieved sales growth, buoyed by the impact of the acquisition of Terry McGann and Associates, Inc. (now Amano McGann, Inc). European sales slipped as vigorous demand in the Spanish market fell away. In Asia, although South Korea continued to show strong results with double-digit growth in local-currency terms, exchange rate fluctuations resulted in reduced revenue on a yen basis. Overall, overseas sales rose by ¥1,166 million, up 22.9% year-on-year.

As a net result of the above, the Parking Systems business division achieved sales totaling ¥19,770 million, representing an increase of 4.7% from the previous first half.

## **Environment System Business**

- Environmental Systems: Standard dust collectors, large dust collection systems, pneumatic powder conveyance systems, high-temperature hazardous-gas removal systems, deodorization systems, electrolytic water generators
- Clean Systems: Cleaning equipment, dry-care cleaning systems, cleanliness management services

### **• Environmental Systems**

Affected by Japanese manufacturers' slowing capital expenditure, this business division experienced a year-on-year drop in sales of standard equipment and large-scale systems. However, orders for large-scale systems were generally robust.

In the standard equipment segment sales fell by ¥116 million (3.3%). Although sales of large-scale systems recovered in the second quarter, the rally was not sufficient to fully make up for the shortfall in the first quarter, and revenue declined by ¥111 million (2.9%). Against a backdrop of stricter compliance requirements for environmental management, growth was recorded in maintenance services, and as a result revenue from maintenance and supply operations rose ¥35 million (1.7%).

Overseas operations performed well, because of orders for large-scale systems received primarily from Japanese companies operating in Thailand and Indonesia. Sales rose by ¥91 million (up 15.8% year-on-year).

As a result of the above, sales of this business division totaled ¥10,140 million, down by 2.3% year-on-year.

### **• Clean Systems**

This business division continued to face falling sales of buffing machines as major convenience stores in Japan switched to ceramic flooring materials. The company has been devoting efforts to reigniting demand by launching floor cleaning machines suited to the new flooring materials and cultivating the factory market.

In addition to falling demand for buffing machines, floor cleaning equipment sales were affected by restricted

capital investment in floor cleaning machines for factories. Consequently, year-on-year sales declined by ¥161 million (10.8%). Revenues from maintenance and supply operations were up by ¥19 million (2.2%).

Overseas, sales in this segment declined in North America as the economic slowdown continued, and Asian sales also fell. In consequence, overall sales decreased by ¥254 million (down 17.8% year-on-year).

As a result of the above, sales in this segment totaled ¥4,609 million, down by 5.0% from the previous first half.

## **2. Qualitative Information on Consolidated Financial Position**

### Assets

Total assets at the end of the first half were down by ¥2,479 million from the previous fiscal year-end. This was chiefly due to a ¥1,640 million reduction in current assets resulting from a drop in notes and accounts receivable, and a ¥838 million reduction in fixed assets resulting from a decrease in intangible fixed assets.

### Liabilities

Total liabilities at the end of the first half increased by ¥780 million from the previous fiscal year-end. This was attributable primarily to a ¥735 million rise in long-term liabilities resulting from an increase in long-term accounts payable.

### Net Assets

Total net assets at the end of the first half were down by ¥3,259 million from the previous fiscal year-end. The principal factors behind this were a reduction of ¥1,326 million in retained earnings due to changes in accounting standards at overseas consolidated subsidiaries, a drop of ¥1,004 million due to acquisition of treasury stock, and a fall of ¥834 million resulting from foreign currency translation adjustments.

## **3. Qualitative Information on Outlook for Consolidated Operating Results**

As turmoil in world financial markets impacts on the real economy, and the slowdown in the European and United States economies worsens, recessionary sentiment is likely to spread in the Japanese economy too.

Amid this economic environment, Amano Corporation and its group companies will make unified efforts to expand business and boost profitability. However, restricted capital investment by our customers will have a major impact on both the Time Information System Business and the Environment System Business, and full-year results are predicted to fall short of the initial projections announced on May 8, 2008.

The following business results are now projected for the full fiscal year: sales ¥95,100 million (up 1.9% year-on-year), operating profit ¥6,300 million (down 37.1%), ordinary profit ¥6,600 million (down 37.4%), and net income ¥3,600 million (down 41.0%). Although interest rates in key economies and other factors remain uncertain, the above projections assume currency exchange rates of US\$1 to ¥95 and €1 to ¥115.

The following chart sets out changes from the earnings forecast announced on May 8, 2008.

Revised Full-Year Earnings Forecast for the Year Ending March 31, 2009 (April 1, 2008–March 31, 2009)

(Unit: Millions of yen)

	Net sales	Operating profit	Ordinary profit	Net income	Net income per share (yen)
Previous forecast (A)	101,000	9,800	9,900	5,200	64.68
New forecast (B)	95,100	6,300	6,600	3,600	45.39
Change ( B-A )	(5,900)	(3,500)	(3,300)	(1,600)	-
Percentage change	(5.8)	(35.7)	(33.3)	(30.8)	-
Reference: Results in previous fiscal year (ended March 31, 2008)	93,351	10,011	10,534	6,104	75.96

Notes: 1. The above revised forecasts were announced on October 31, 2008, and have not changed since that time.

2. The above forecasts have been determined on the basis of information available at the date when the document was prepared. Actual results may differ from these forecasts due to various unforeseeable factors.

#### 4. Basic Policy on Distribution of Profits, and Dividend for This Second Quarter

Amano places great importance on its policy for dividends to shareholders. A fundamental policy is to pay a stable dividend, the goal being to make appropriate results-based distributions and maintain on a consolidated basis a payout ratio of at least 35% and a dividend-to-net-asset ratio of at least 2.5%.

In line with this policy, we plan to pay a second quarter dividend of ¥17 per share, the same amount paid as a second quarter dividend last year.

Retained earnings will be used to fund effective investment aimed at the fundamental enhancement of the company's capacity to conduct its business operations. This will include the expansion and strengthening of existing business fields, strategic investment in growth fields, and spending on research and development, as well as the rationalization of production plant and equipment for the purpose of reducing costs and further improving product quality.

## 5. Other Matters

- (1) Changes among significant subsidiaries  
(Changes among specific subsidiaries resulting in changes in the scope of consolidation): No
- (2) Application of simplified accounting procedures and accounting procedures specific to preparation of quarterly consolidated financial statements
  1. Valuation method for inventories  
Write-downs: Net selling price is estimated only for those assets with clearly decreased profitability, and such assets are written down.
  2. Depreciation method for fixed assets  
For assets depreciated using the declining-balance method, applicable annual depreciation expenses are allocated to the term on a pro-rata basis.
  3. Calculation of deferred and accrued accounts  
An estimated amount is booked, calculated by a reasonable method.
  4. Calculation of income taxes, deferred tax assets, and deferred tax liabilities  
These amounts are calculated by multiplying the pre-tax income for the first half by an estimated effective for the year, determined using reasonable methods for pre-tax income for the fiscal year after applying tax-effect accounting.  
Since no significant events such as changes in the business environment or temporary differences were deemed to have occurred since the end of the previous fiscal year, earnings forecasts and tax planning methods adopted during the previous fiscal year have been used to judge recoverability of deferred tax assets.
- (3) Changes to accounting principles, procedures and presentation methods used in preparing quarterly consolidated financial statements
  1. From this fiscal year, the company has adopted the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No.12, issued by the ASBJ on March 14, 2007) and "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No.14, issued by ASBJ on March 14, 2007). These quarterly consolidated financial statements have been prepared in accordance with the ordinance concerning quarterly consolidated financial statements.
  2. From this fiscal year, the company has adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued by ASBJ on July 5, 2006) and changed the measurement standard from a simple cost method to a cost method allowing for write-down of assets due to decreased profitability. This change has no impact on profits.
  3. From this fiscal year, the company has adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No.18, issued on May 17, 2006) and made the necessary revisions to consolidated financial statements.  
As a result, compared to the method formerly adopted, first-half figures have decreased by the following amounts:  
Net sales ¥31 million, operating profit ¥401 million, ordinary profit ¥405 million, and income before income taxes ¥401 million.  
The impact of this change on segment information is noted under the relevant items.

## 6. Consolidated Quarterly Financial Statements

### (1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	Second quarter ended September 30, 2008 (At September 30, 2008)	Summary consolidated balance sheet for the previous fiscal year (At March 31, 2008)
<b>Assets</b>		
Current assets		
Cash and bank deposits	21,029	20,544
Notes and accounts receivable—trade	25,296	28,748
Marketable securities	1,252	1,000
Merchandise	1,424	1,584
Finished goods	2,726	2,361
Work in process	911	824
Raw materials and supplies	3,163	3,055
Deferred tax assets	1,618	1,376
Other current assets	1,887	1,393
Allowance for doubtful accounts	(211)	(150)
Total current assets	59,097	60,738
Fixed assets		
Property, plant and equipment		
Buildings and structures	11,512	11,869
Machinery and vehicles	1,634	1,952
Tools, furniture and fixtures	1,547	1,463
Land	7,203	6,582
Construction in progress	441	183
Total property, plant and equipment	22,338	22,051
Intangible fixed assets		
Goodwill	9,792	12,637
Software	5,045	4,512
Software in progress	1,047	1,443
Other	769	124
Total intangible fixed assets	16,656	18,717
Investments and other assets		
Investment securities	7,207	6,909
Long-term loans receivable	266	210
Claims in bankruptcy and similar claims	502	612
Fixed leasehold deposits	1,079	1,064
Deferred tax assets	2,420	2,232
Long-term deposits	2,306	1,500
Other	3,006	3,380
Allowance for doubtful accounts	(410)	(466)
Total investments and other assets	16,378	15,442
Total fixed assets	55,373	56,212
Total assets	114,471	116,950

(Millions of yen)

	Second quarter ended September 30, 2008 (At September 30, 2008)	Summary consolidated balance sheet for the previous fiscal year (At March 31, 2008)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable—trade	10,795	12,039
Short-term bank loans	81	190
Accrued income taxes	1,824	1,873
Accrued bonuses	1,946	1,940
Accrued officers' bonuses	23	45
Other current liabilities	9,790	8,327
Total current liabilities	24,462	24,417
Long-term liabilities		
Long-term bank loans	72	—
Deferred tax liabilities	476	725
Accrued retirement benefits for employees	4,482	4,371
Accrued officers' retirement benefits	—	714
Long-term accounts payable—other	1,467	—
Other long-term liabilities	462	413
Total long-term liabilities	6,961	6,226
Total liabilities	31,424	30,643
<b>Net assets</b>		
Shareholders' equity		
Common stock	18,239	18,239
Capital surplus	19,567	19,567
Retained earnings	47,899	49,225
Treasury stock	(1,715)	(711)
Total shareholders' equity	83,990	86,321
Valuation and translation adjustments		
Net unrealized gains (losses) on available-for-sale securities	(37)	65
Foreign currency translation adjustments	(1,790)	(955)
Total valuation and translation adjustments	(1,827)	(889)
Minority interests	884	875
Total net assets	83,047	86,307
Total liabilities and net assets	114,471	116,950

## (2) Consolidated Quarterly Statements of Income

(Millions of yen)

	First half ended September 30, 2008 (April 1, 2008–September 30, 2008)
Net sales	47,855
Cost of sales	26,629
Gross profit	21,225
Selling, general and administrative expenses	
Selling expenses	16,055
General and administrative expenses	2,109
Total SG&A expenses	18,165
Operating profit	3,060
Non-operating profit	
Interest income	159
Dividend income	53
Other	290
Total non-operating profit	503
Non-operating expenses	
Interest expenses	16
Other	263
Total non-operating expenses	280
Ordinary profit	3,283
Extraordinary income	
Gain on sale of fixed assets	8
Gain on sale of investment securities	12
Other	1
Total extraordinary income	22
Extraordinary losses	
Loss on disposal of fixed assets	10
Loss on sale of fixed assets	9
Loss on valuation of investments in capital of subsidiaries and affiliates	7
Total extraordinary losses	26
Income before income taxes	3,279
Income taxes—current	1,464
Minority interests	95
Net income	1,720

### (3) Consolidated Quarterly Statement of Cash Flows

(Millions of yen)

	First half ended September 30, 2008 (April 1, 2008– September 30, 2008)
<b>Cash Flows from Operating Activities</b>	
Income before income taxes	3,279
Depreciation and amortization	2,324
Amortization of goodwill	464
Increase in provision for accrued retirement benefits	110
Increase in allowance for doubtful accounts	8
Interest and dividend revenue	(213)
Investment return by equity method	(36)
Interest expenses	16
Foreign currency translation loss (gain)	(6)
Gain on sale of fixed assets	(8)
Loss on disposal of fixed assets	10
Loss on sale of fixed assets	9
Gain on sale of investment securities	(12)
Loss on valuation of investments in capital of subsidiaries and affiliates	7
Decrease in trade notes and accounts receivable	3,221
Increase in inventories	(545)
Decrease in accounts payable	(1,116)
Other	612
Subtotal	8,126
Receipts from interest and dividends	224
Interest paid	(17)
Income taxes paid	(1,577)
Net cash provided by operating activities	6,754
<b>Cash Flows from Investing Activities</b>	
Payment for acquisition of securities	(252)
Payment for purchase of property and equipment	(1,425)
Proceeds from sale of property and equipment	38
Payment for acquisition of intangible fixed assets	(1,939)
Payment for acquisition of investment securities	(1,383)
Proceeds from sale of investment securities	20
Proceeds from maturities of investment securities	500
Payment for business transfers	(329)
Loans to third parties	(2)
Collection of loans	4
Increase in time deposits	(1,142)
Withdrawal of time deposits	3,201
Other	251
Net cash used in investing activities	(2,458)

(Millions of yen)

First half ended September 30, 2008  
(April 1, 2008–  
September 30, 2008)

Cash Flows from Financing Activities	
Proceeds from long-term debt	94
Repayment for long-term debt	(125)
Payment for acquisition of treasury stock	(1,004)
Dividends paid by parent company	(1,275)
Dividends paid to minority interests	(22)
Net cash used in financing activities	<u>(2,333)</u>
Effect of exchange rate changes on cash and cash equivalents	213
Net increase in cash and cash equivalents	2,176
Cash and cash equivalents at beginning of year	17,192
Net increase in cash and cash equivalents due to merger of consolidated and nonconsolidated subsidiaries	6
Cash and cash equivalents at end of period	<u>19,374</u>

From this fiscal year, the company has adopted the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No.12) and "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No.14).

These quarterly consolidated financial statements have been prepared in accordance with the ordinance concerning quarterly consolidated financial statements.

(4) Notes regarding premise of a going concern

Current quarter (July 1, 2008 to September 30, 2008)

Not applicable

(5) Segment information

<Segment information by business>

First half ended September 30, 2008 (April 1, 2008–September 30, 2008) (Millions of yen)

	Time information system	Environment system	Total	Consolidation	Consolidation total
Net sales					
(1) To customers	33,105	14,749	47,855	Bí	47,855
(2) Intersegment	B	í	B	í	B
Total	33,105	14,749	47,855	Bí	47,855
Operating profit	2,740	1,801	4,541	(1,481)	3,060

Notes:

1. As described below, the business segments are formed by the demarcation of business into Time Information System Business and Environment System Business.

From among the units and activities relating to sales and maintenance within the company, it is not possible to apportion selling expenses to particular sales categories, and thus for internal administrative purposes, segmentation has been carried out by business segment.

2. Principal products in each business segment

Business segment	Sales category	Principal products
Time Information System Business	Information Systems	Time & attendance (T&A) systems, payroll systems, human-resource management systems, cafeteria systems, access control systems, proximity IC card solutions, system time recorders, attendance/human-resource and payroll ASP services, time distribution and authentication services
	Time Management Equipment	PC-connectable time recorders, computerized time recorders, standard electronic time recorders, electronic time stamps, numbering machines, patrol recorders
	Parking Systems	Automated fee systems, access control systems, parking lot management systems, bicycle parking systems, time registers, parking tower management systems, Internet parking guidance systems, parking lot total management services
Environment System Business	Environmental Systems	Industrial vacuum cleaners, standard dust collectors, oil mist collectors, fume collectors, large dust collection systems, deodorization systems, high-temperature hazardous-gas removal systems, pneumatic powder conveyance systems, environmental equipment monitoring/maintenance support systems, electrolytic water cleaning systems, alkaline electrolytic water industrial cleaning systems
	Clean Systems	Commercial vacuum cleaners, road and industrial sweepers, automatic floor scrubbers, high-speed buffing machines, dry-care cleaning systems, carpet cleanliness systems, chemical products, supplies and accessories



(6) Notes on significant changes in shareholders' equity

First half ended September 30, 2008 (April 1, 2008–September 30, 2008)

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2008	18,239	19,567	49,225	(711)	86,321
Changes during the half					
Dividends from surplus			(1,366)		(1,366)
Net income			1,720		1,720
Purchase of treasury stock <sup>1</sup>				(1,004)	(1,004)
Decrease in retained earnings due to change in accounting standard for consolidated foreign subsidiaries. <sup>2</sup>			(1,642)		(1,642)
Decrease in retained earnings from merger of consolidated and nonconsolidated subsidiaries			(37)		(37)
Total changes during the half	—	—	(1,326)	(1,004)	(2,330)
Balance at September 30, 2008	18,239	19,567	47,899	(1,715)	83,990

Notes:

1. Treasury stock worth ¥999 million was purchased from the market during this half.
2. Due to application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No.18, issued on May 17, 2006).

**Reference:**

Consolidated Statements of Income for First Half Ended Sept. 30, 2007

(Millions of yen)

Item	First half ended September 30, 2007 (April 1, 2007– September 30, 2007)
	Amount
I Net sales	45,307
II Cost of sales	25,720
Gross profit	19,587
III Selling, general and administrative expenses	14,566
1 Selling expenses	12,379
2 General and administrative expenses	2,186
Operating profit	5,020
IV Non-operating profit	574
1 Interest income	152
2 Dividend income	41
3 Other	380
V Non-operating expenses	175
1 Interest expenses	33
2 Other	142
Ordinary profit	5,419
VI Extraordinary income	12
1 Gain on sale of fixed assets	11
2 Other	1
VII Extraordinary losses	153
1 Loss on disposal of fixed assets	148
2 Other	5
Income before income taxes	5,278
Income taxes—current	2,052
Minority interests	79
Net income	3,145

**Reference:**

Consolidated Statement of Cash Flows for First Half Ended Sept. 30, 2007

(Millions of yen)

	First half ended September 30, 2007 (April 1, 2007–September 30, 2007)
Item	Amount
<b>I Cash Flows from Operating Activities</b>	
1 Income before income taxes	5,278
2 Depreciation and amortization	1,827
3 Increase in provision for accrued retirement benefits	16
4 Increase in allowance for doubtful accounts	68
5 Interest and dividend revenue	(193)
6 Interest expenses	33
7 Foreign currency translation loss (gain)	(107)
8 Gain on sale of fixed assets	(11)
9 Loss on disposal of fixed assets	148
10 Decrease in trade notes and accounts receivable	664
11 Increase in inventories	(81)
12 Decrease in accounts payable	(374)
13 Other	(270)
Subtotal	6,998
14 Receipts from interest and dividends	195
15 Interest paid	(32)
16 Income taxes paid	(2,298)
Net cash provided by operating activities	4,864
<b>II Cash Flows from Investing Activities</b>	
1 Payment for purchase of property and equipment	(2,394)
2 Proceeds from sale of property and equipment	16
3 Payment for acquisition of intangible fixed assets	(1,226)
4 Payment for acquisition of investment securities	(1,086)
5 Payment for acquisition of shares of subsidiaries resulting in change in scope of consolidation	(4,572)
6 Payment for business transfers	(561)
7 Collection of loans	4
8 Increase in time deposits	(3,361)
9 Withdrawal of time deposits	3,000
10 Other	(75)
Net cash used in investing activities	(10,257)
<b>III Cash Flows from Financing Activities</b>	
1 Repayment for short-term bank loans	(19)
2 Proceeds from long-term debt	372
3 Repayment for long-term debt	(109)
4 Payment for acquisition of treasury stock	(4)
5 Proceeds from sale of treasury stock	103
6 Dividends paid by parent company	(1,360)
7 Dividends paid to minority interests	(18)
Net cash used in financing activities	(1,037)
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	(93)
<b>V Net decrease in cash and cash equivalents</b>	(6,524)
<b>VI Cash and cash equivalents at beginning of year</b>	30,690
<b>VII Cash and cash equivalents at end of period</b>	24,165

**Reference:**  
Segment Information

<Segment information by business>

First half ended September 30, 2007 (April 1, 2007–September 30, 2007) (Millions of yen)

	Time Information System	Environment System	Total	Consolidation	Consolidation total
Net sales					
(1) To customers	30,082	15,225	45,307	—	45,307
(2) Intersegment	—	—	—	—	—
Total	30,082	15,225	45,307	—	45,307
Operating profit	4,286	2,151	6,438	(1,417)	5,020

Notes:

- As described below, the business segments are formed by the demarcation of business into Time Information System Business and Environment System Business.  
From among the units and activities relating to sales and maintenance within the company, it is not possible to apportion selling expenses to particular sales categories, and thus for internal administrative purposes, segmentation has been carried out by business segment.
- Principal products in each business segment

Business segment	Sales category	Principal products
Time Information System Business	Information Systems	Time & attendance (T&A) systems, payroll systems, human-resource management systems, cafeteria systems, access control systems, proximity IC card solutions, system time recorders, attendance/human-resource and payroll ASP services, time distribution and authentication services
	Time Management Equipment	PC-connectable time recorders, computerized time recorders, standard electronic time recorders, electronic time stamps, numbering machines, patrol recorders
	Parking Systems	Automated fee systems, access control systems, parking lot management systems, bicycle parking systems, time registers, parking tower management systems, Internet parking guidance systems, parking lot total management services
Environment System Business	Environmental Systems	Industrial vacuum cleaners, standard dust collectors, oil mist collectors, fume collectors, large dust collection systems, deodorization systems, high-temperature hazardous-gas removal systems, pneumatic powder conveyance systems, environmental equipment monitoring/maintenance support systems, electrolytic water cleaning systems, alkaline electrolytic water industrial cleaning systems
	Clean Systems	Commercial vacuum cleaners, road and industrial sweepers, automatic floor scrubbers, high-speed buffing machines, dry-care cleaning systems, carpet cleanliness systems, chemical products, supplies and accessories



## Reference

### Comparison of Consolidated Quarterly Statements of Income

(Millions of yen, %)

Item	First half ended Sept. 30, 2007 (April 1, 2007– September 30, 2007)		First half ended Sept. 30, 2008 (April 1, 2008– September 30, 2008)		Change	
	Amount	Composition Ratio	Amount	Composition Ratio	Amount	Ratio
I Net sales	45,307	100.0	47,855	100.0	2,547	5.6
II Cost of sales	25,720	56.8	26,629	55.6	909	3.5
Gross profit	19,587	43.2	21,225	44.4	1,638	8.4
III Selling, general and administrative expenses	14,566	32.1	18,165	38.0	3,598	24.7
1 Selling expenses	12,379		16,055		3,676	
2 General and administrative expenses	2,186		2,109		(77)	
Operating profit	5,020	11.1	3,060	6.4	(1,960)	(39.0)
IV Non-operating profit	574	1.3	503	1.1	(70)	(12.3)
1 Interest income	152		159		7	
2 Dividend income	41		53		12	
3 Other	380		290		(90)	
V Non-operating expenses	175	0.4	280	0.6	104	59.7
1 Interest expenses	33		16		(17)	
2 Other	142		263		121	
Ordinary profit	5,419	12.0	3,283	6.9	(2,135)	(39.4)
VI Extraordinary income	12	0.0	22	0.0	10	84.0
1 Gain on sale of fixed assets	11		8		(3)	
2 Gain on sale of investment securities	-		12		12	
3 Other	1		1		0	
VII Extraordinary losses	153	0.4	26	0.0	(126)	(82.6)
1 Loss on disposal of fixed assets	148		10		(138)	
2 Loss on sale of fixed assets	-		9		9	
3 Other	5		7		2	
Income before income taxes	5,278	11.6	3,279	6.9	(1,998)	(37.9)
Income taxes—current	2,052	4.5	1,464	3.1	(588)	(28.7)
Minority interests	79	0.2	95	0.2	15	19.8
Net income	3,145	6.9	1,720	3.6	(1,425)	(45.3)