

Summary Financial Statements (Consolidated)
for 3rd Quarter of Fiscal Year 2018 (Year Ending March 31, 2019) (Japan GAAP)

February 1, 2019

Company name: Amano Corporation Listed on: TSE
Securities code: 6436 URL <http://www.amano.co.jp/English/>
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Scheduled date for filing of quarterly securities report: February 5, 2019
Scheduled date for start of dividend payments: —
Supplementary explanation materials prepared for quarterly financial results: None
Briefing held on quarterly financial results: None

(Amounts less than 1 million yen are rounded down)

1. Business results for the 3rd quarter of fiscal year 2018 (April 1, 2018 to December 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q of FY 2018 (year ending March 2019)	92,234	4.7	8,556	(6.4)	9,223	(4.8)	5,274	(20.6)
3Q of FY 2017 (year ended March 2018)	88,124	3.0	9,140	13.1	9,691	12.6	6,647	20.9

Note: Comprehensive income 3rd quarter of FY 2018 (year ending March 2019): ¥ 4,774 million (-35.0 %)
3rd quarter of FY 2017 (year ended March 2018): ¥ 7,343 million (302.1 %)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q of FY 2018 (year ending March 2019)	69.74	—
3Q of FY 2017 (year ended March 2018)	87.61	—

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
3Q of FY 2018 (as of December 31, 2018)	141,693	104,768	73.5	1,384.81
FY 2017 (as of March 31, 2018)	145,439	105,634	72.3	1,381.90

Reference: Equity capital 3rd quarter of FY 2018 (as of December 31, 2018): ¥104,183 million
FY 2017 (as of March 31, 2018): ¥105,091 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2017 (year ended March 2018)	—	23.00	—	34.00	57.00
FY 2018 (year ending March 2019)	—	25.00	—		
FY 2018 (year ending March 2019) (est.)				32.00	57.00

Note: Revisions to most recently released dividend forecast: None

3. Forecast earnings for fiscal year 2018 (April 1, 2018 to March 31, 2019)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent company		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	130,000	4.5	15,000	4.5	15,700	4.2	9,800	(2.2)	131.13

Note: Revisions to most recently released earnings forecast: None

Notes

- (1) Significant changes among subsidiaries during the fiscal year under review : None
 (i.e. changes among specific subsidiaries resulting in a change in the scope of consolidation)
- (2) Application of accounting procedures specific to the preparation of the consolidated quarterly financial statements : Yes
- (3) Changes to accounting policy, changes to accounting forecasts, and restatements
- [1] Changes arising from revision of accounting standards : Yes
- [2] Changes to accounting policy other than those in [1] above : None
- [3] Changes to accounting forecasts : None
- [4] Restatements : None

(4) Number of shares issued and outstanding (common stock)

[1] Number of shares issued and outstanding at the end of the period (including treasury stock)	As of 3Q ended December 31, 2018	76,657,829 shares	As of March 31, 2018	76,657,829 shares
[2] Number of shares of treasury stock at the end of the period	As of 3Q ended December 31, 2018	1,424,483 shares	As of March 31, 2018	923,903 shares
[3] Average number of shares outstanding (over the fiscal year under review up to December 31, 2018)	As of 3Q ended December 31, 2018	75,642,146 shares	As of 3Q ended December 31, 2017	75,874,923 shares

Note: The 314,300 shares held by Amano Corporation as trust property of the Director's Compensation BIP Trust and the Employee Stock Ownership Plan (J-ESOP) are, included in (4)[2] and (4)[3].

Note: These quarterly Summary Financial Statements are not subject to the quarterly review procedures.

Note: Impact of acquiring treasury stock

On October 29, 2018, the Board of Directors of Amano Corporation approved a resolution to repurchase its own shares pursuant to Article 156 of the Companies Act, which is applicable in lieu of Article 165, Paragraph 3 of this act. As a result, the "Net income per share" in the above article 3, "Forecast earnings for fiscal year 2018" is described taking into consideration the impact of this treasury stock acquisition.

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

Earnings forecasts and other forward-looking statements contained in this document are based on information available at the time of this document's preparation and on certain assumptions that are deemed to be reasonable. A variety of factors could cause actual results to differ significantly from the forecasts.

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1. Qualitative Information on Consolidated Financial Results for the Current Quarter

(1) Explanation of Business Results

1. Qualitative Information on Consolidated Financial Results for the Current Quarter

(1) Explanation of Business Results

During the 3rd quarter consolidated accounting period, while the US economy remained firm amid worldwide uncertainties such as trade issues and the Chinese economic slowdown, the Japanese economy also maintained a moderate recovery trend. Japan has overcome the effects of natural disasters and against the backdrop of robust corporate earnings, the employment environment and capital expenditure remained firm.

Amid this business environment, the Amano Group set forth the management concept of “The 2nd Stage Towards a 100-year Company-Innovative Creation of Value for Sustainable Growth” in its seventh Medium Term Business Plan launched in April 2017, which aims to achieve growth in Japan, North America, Europe and Asia. In addition, the Amano Group has also been striving to strengthen management framework through cost reduction activities and promoting Amano-way work style reform.

As a result of the above, the 3rd quarter consolidated accounting period under review the Company recorded higher sales but lower profit. Although sales were up 4.7% year-on-year at ¥92,234 million, operating profit was down 6.4% at ¥8,556 million, ordinary profit was down 4.8% at ¥9,223 million and net income attributable to owners of the parent company was also down 20.6% at ¥5,274 million.

Information Systems in Japan remained firm tail-winded by the demand generated by “work style reform” initiatives. However, there were two factors causing the decline in profits, (i) the recovery of North American business remained slow, and (ii) the sale of low utilization real estate, which aimed to improve asset efficiency, resulted in the posting of extraordinary losses.

The following are business results by business segment:

Sales by business division

(Millions of yen)

Category	3Q of FY 2017 (year ended March 2018)		3Q of FY 2018 (year ending March 2019)		Change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	%
Time Information System business:						
Information Systems	18,182	20.6	19,494	21.1	1,312	7.2
Time Management Products	2,663	3.0	2,529	2.8	(133)	(5.0)
Parking Systems	43,349	49.2	45,546	49.4	2,196	5.1
Subtotal	64,195	72.8	67,569	73.3	3,374	5.3
Environment System business:						
Environmental Systems	15,412	17.5	16,132	17.5	720	4.7
Clean Systems	8,516	9.7	8,531	9.2	15	0.2
Subtotal	23,928	27.2	24,664	26.7	735	3.1
Total	88,124	100.0	92,234	100.0	4,110	4.7

Time Information System business

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

The sales in this business totaled ¥67,569 million, up by ¥3,374 million (up 5.3% year-on-year). The following is a sales breakdown by business unit.

- Information Systems ¥19,494 million, (up 7.2% year-on-year)

In Japan, unconsolidated Amano extended its sales for both of software and information terminals. The cloud services business engaged by Amano Business Solutions Co., Ltd. remained firm. Overseas, sales in Europe increased while sales in North America decreased, and overall sales increased.

- Time Management Products ¥2,529 million, (down 5.0% year-on-year)

In Japan, although time recorders equipped with aggregation software compatible with PCs remained firm, sales decreased due to weaker sales of standard devices. Overseas sales also declined.

- Parking Systems ¥45,546 million, (up 5.1% year-on-year)

In Japan, due to a whip-lash decline of large-scale projects sales at unconsolidated Amano were down year-on-year. Amano Management Service Corporation, engaged in parking lot management business, steadily expanded and increased revenue. Overseas, parking lot management business mainly in Korea expanded and overall sales increased.

Environment System business

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

The sales in this business totaled ¥24,664 million, up by ¥735 million (up 3.1% year-on-year). The following is a sales breakdown by business unit.

- Environmental Systems ¥16,132 million, (up 4.7% year-on-year)

In Japan, unconsolidated Amano extended its sales for both standard equipment and large-scale systems. Overseas, sales were higher in the Asian region driven mainly by China, Thailand and the Philippines.

- Clean Systems ¥8,531 million, (up 0.2% year-on-year)

In Japan, unconsolidated Amano extended its sales in cleaning equipment such as polishers, carpet cleaners and scrubbers. Overseas, although the wood floor sanding equipment business in North America remained firm, other cleaning equipment sales were sluggish and sales decreased.

Reference information

Information by area

(Millions of yen)

	Net sales				Operating profit/loss			
	3Q of FY 2017 (year ended March 2018)	3Q of FY 2018 (year ending March 2019)	Change	Percentage change (%)	3Q of FY 2017 (year ended March 2018)	3Q of FY 2018 (year ending March 2019)	Change	Percentage change (%)
Japan	59,838	61,481	1,642	2.7	10,529	10,842	312	3.0
Other Asia	9,948	12,395	2,447	24.6	888	1,090	202	22.7
North America	13,935	13,442	(492)	(3.5)	(41)	(931)	(889)	—
Europe	6,018	6,634	615	10.2	449	436	(13)	(3.0)
Total	89,741	93,953	4,212	4.7	11,827	11,438	(388)	(3.3)
Eliminations/ Corporate	(1,616)	(1,718)	—	—	(2,686)	(2,882)	—	—
Consolidated	88,124	92,234	4,110	4.7	9,140	8,556	(584)	(6.4)

- Notes: 1. The national and regional demarcations are based on the degree of geographical proximity.
2. Major countries and territories included in areas other than Japan:
(1) Other Asia: Singapore, Thailand, Malaysia, Indonesia, South Korea, China, and Philippines
(2) North America: United States, Canada and Mexico
(3) Europe: France, Belgium and Spain

Overseas sales

(Millions of yen)

	Overseas sales				Proportion of consolidated net sales accounted for by overseas sales (%)		
	3Q of FY 2017 (year ended March 2018)	3Q of FY 2018 (year ending March 2019)	Change	Percentage change (%)	3Q of FY 2017 (year ended March 2018)	3Q of FY 2018 (year ending March 2019)	Change
Other Asia	9,886	12,553	2,667	27.0	11.2	13.6	2.4
North America	12,664	12,469	(194)	(1.5)	14.4	13.5	(0.9)
Europe	5,837	6,440	602	10.3	6.6	7.0	0.4
Other regions	1,266	1,102	(164)	(13.0)	1.5	1.2	(0.3)
Total	29,655	32,565	2,910	9.8	33.7	35.3	1.6
Consolidated net sales	88,124	92,234					

- Notes: 1. The national and regional demarcations are based on the degree of geographical proximity.
2. Major countries and territories included in areas other than Japan:
(1) Other Asia: Singapore, Thailand, Malaysia, Indonesia, South Korea, China, and Philippines
(2) North America: United States and Canada
(3) Europe: France, Belgium and Spain
(4) Other regions: Central and South America
3. Overseas sales comprise sales by the Company and its consolidated subsidiaries to countries and regions other than Japan.

(2) Explanation of Financial Condition

(i) Assets, liabilities, and net assets

Since the 1st quarter consolidated accounting period, the representation has been changed for deferred tax assets and deferred tax liabilities, and the figures after the reclassification reflecting the change were compared and analyzed with the figures as of end of the previous consolidated fiscal year.

Assets

Total assets at the end of the 3rd quarter consolidated accounting period amounted to ¥141,693 million, a drop of ¥3,746 million from the previous fiscal year-end. This was attributable primarily to a decrease of ¥3,235 million in current assets due to a decrease in notes and accounts receivables and a decrease of ¥510 million in fixed assets namely buildings, structures and land.

Liabilities

Total liabilities at the end of the 3rd quarter consolidated accounting period amounted to ¥36,925 million, a drop of ¥2,880 million from the previous fiscal year-end. This was attributable primarily to a decrease of ¥2,758 million in current liabilities due to a decrease in accrued income taxes, and also to a decrease of ¥121 million in long-term liabilities due to a decrease in long-term lease obligation and retirement benefits.

Net assets

Total net assets at the end of the 3rd quarter consolidated accounting period amounted to ¥104,768 million, a drop of ¥865 million from the previous fiscal year-end. This was primarily attributable to a decrease of ¥319 million in shareholders' equity due to the payment of dividends and acquisition of treasury stock, and also a decrease of ¥587 million in accumulated other comprehensive income due to a decrease in unrealized gains on other securities.

(ii) Cash flows

Consolidated cash and cash equivalents at the end of the 3rd quarter consolidated accounting period decreased by ¥2,302 million from the previous fiscal year-end, to a total of ¥37,928 million. More specifically, the status and the underlying factors of each type of cash flow during this accounting period are as follows:

Cash flow from operating activities

Net cash provided by operating activities totaled ¥9,649 million.

This was primarily attributable to the posting of income before income taxes amounting to ¥8,045 million and a decrease in accounts receivable amounting to ¥4,967 million despite the posting of increase in Inventory assets amounting to ¥2,111 million, and income tax payments amounting to ¥5,322 million.

Cash flow from investing activities

Net cash used in investing activities totaled -¥6,114 million. This is mainly because, despite the incoming proceeds from the withdrawal of time deposits of ¥7,216 million, expenditures amounting to ¥7,476 million in time deposits, expenditures for acquiring tangible fixed assets amounted to ¥1,864 million and expenditures for business transfers amounted to ¥2,112 million.

Cash flow from financial activities

Net cash used in financial activities amounted to -¥5,538 million. This was chiefly due to the posting of expenditures amounting to ¥4,486 million in payment of dividends and ¥1,178 million in payment for acquisition of treasury stock, despite the posting of ¥916 million in proceeds from sale and leaseback.

(3) Explanation of Forward-looking Information, Including Outlook for Consolidated Operating Results

At present, there is no change in the forecast earnings for fiscal year 2018 (April 1, 2018 to March 31, 2019) as announced on April 25, 2018. However, in the event of changes in the business environment that may affect future prospects, the Company will disclose revised earnings forecasts as necessary.

2. Consolidated Quarterly Financial Statements and Primary Explanatory Notes

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	FY 2017 (as March of 31, 2018)	FY 2018 (as of December 31, 2018)
Assets		
Current assets		
Cash and bank deposits	44,525	42,569
Notes and accounts receivable—trade	33,632	28,769
Marketable securities	1,377	1,240
Merchandise and finished goods	3,699	4,191
Work in process	535	1,514
Raw materials and supplies	5,495	6,154
Other current assets	3,267	4,837
Allowance for doubtful accounts	(467)	(447)
Total current assets	92,065	88,829
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	10,977	10,283
Machinery and vehicles (net)	923	904
Tools, furniture and fixtures (net)	2,127	2,358
Land	7,135	6,096
Lease assets (net)	2,638	2,393
Construction in progress	177	96
Total tangible fixed assets	23,980	22,132
Intangible fixed assets		
Goodwill	2,895	2,982
Software	4,385	4,673
Software in progress	2,261	2,057
Other	2,824	3,821
Total intangible fixed assets	12,367	13,534
Investments and other assets		
Investment securities	9,363	9,499
Long-term loans receivable	10	-
Claims in bankruptcy and similar claims	529	546
Fixed leasehold deposits	1,287	1,386
Long-term deposits	1,500	1,500
Net defined benefit assets	96	98
Deferred tax assets	2,770	2,808
Other	2,011	1,915
Allowance for doubtful accounts	(542)	(558)
Total investments and other assets	17,026	17,197
Total fixed assets	53,374	52,864
Total assets	145,439	141,693

(Millions of yen)

	FY 2017 (as of March 31, 2018)	FY 2018 (as of December 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	7,034	6,602
Electronically recorded obligations	6,454	6,477
Short-term bank loans	169	477
Lease obligations	1,296	1,149
Accrued income taxes	3,472	1,027
Accrued bonuses	2,477	1,040
Accrued officers' bonuses	130	-
Other current liabilities	13,335	14,836
Total current liabilities	34,370	31,612
Long-term liabilities		
Long-term accounts payable—other	33	2
Lease obligations	2,590	2,429
Deferred tax liabilities	5	7
Net defined benefit liabilities	2,446	2,295
Provision for stock benefit	-	95
Provision for directors' stock benefit	-	83
Asset retirement obligations	31	32
Other long-term liabilities	326	366
Total long-term liabilities	5,434	5,313
Total liabilities	39,805	36,925
Net assets		
Shareholders' equity		
Common stock	18,239	18,239
Capital surplus	19,293	19,293
Retained earnings	71,140	71,999
Treasury stock	(1,892)	(3,070)
Total shareholders' equity	106,780	106,461
Accumulated other comprehensive income		
Net unrealized gains (losses) on available- for-sale securities	2,225	1,828
Foreign currency translation adjustments	(2,997)	(3,321)
Remeasurements of defined benefit plans	(917)	(784)
Total accumulated other comprehensive income	(1,689)	(2,277)
Non-controlling shareholders' interests	543	584
Total net assets	105,634	104,768
Total liabilities and net assets	145,439	141,693

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income
Consolidated Quarterly Statements of Income
3rd quarter ended December 31, 2018

(Millions of yen)

	FY 2017 (April 1, 2017- December 31, 2017)	FY 2018 (April 1, 2018- December 31, 2018)
Net sales	88,124	92,234
Cost of sales	49,051	51,897
Gross profit	39,072	40,337
Selling, general and administrative expenses		
Selling expenses	26,981	28,636
General and administrative expenses	2,951	3,144
Total selling, general and administrative expenses	29,932	31,780
Operating profit	9,140	8,556
Non-operating profit		
Interest income	74	92
Dividend income	106	148
Insurance income	61	37
Foreign exchange gains	-	9
Equity in earnings of affiliates	32	97
Other	356	356
Total non-operating profit	631	741
Non-operating expenses		
Interest expenses	24	20
Loss on foreign exchange	8	-
Foreign withholding tax	1	0
Other	46	52
Total non-operating expenses	80	74
Ordinary profit	9,691	9,223
Extraordinary income		
Gain on sale of fixed assets	4	13
Gain on sales of investment securities	250	-
Total extraordinary income	255	13
Extraordinary losses		
Loss on disposal of fixed assets	23	15
Loss on sale of fixed assets	1	1,145
Special retirement expenses	-	30
Total extraordinary losses	24	1,191
Income before income taxes	9,922	8,045
Income taxes	3,210	2,689
Net income	6,712	5,356
Net income attributable to non-controlling shareholders	64	81
Net income attributable to owners of the parent company	6,647	5,274

Consolidated Quarterly Statements of Comprehensive Income
3rd quarter ended December 31, 2018

(Millions of yen)

	FY 2017 (April 1, 2017- December 31, 2017)	FY 2018 (April 1, 2018- December 31, 2018)
Net income	6,712	5,356
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	491	(396)
Foreign currency translation adjustment	(18)	(317)
Remeasurements of defined benefit plans	158	133
Share of other comprehensive income of associates accounted for using equity method	0	0
Total other comprehensive income	631	(581)
Comprehensive income	7,343	4,774
(Breakdown)		
Comprehensive income attributable to owners of the parent company	7,262	4,687
Comprehensive income attributable to non-controlling shareholders	81	87

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	FY 2017 (April 1, 2017- December 31, 2017)	FY 2018 (April 1, 2018- December 31, 2018)
Cash flows from operating activities		
Income before income taxes	9,922	8,045
Depreciation and amortization	3,667	4,312
Amortization of goodwill	413	405
Increase (decrease) in net defined benefit liabilities	94	52
Increase (decrease) in provision for stock benefit	-	95
Increase (decrease) in provision for directors' stock benefit	-	83
Increase (decrease) in allowance for doubtful accounts	166	2
Interest and dividend revenue	(180)	(240)
Equity in (earnings) losses of affiliates	(32)	(97)
Interest expenses	24	20
Foreign currency translation loss (gain)	(11)	54
Loss (gain) on sale of fixed assets	(3)	1,131
Loss on retirement of non-current assets	23	15
Loss (gain) on sales of investment securities	(250)	-
Extra retirement payment	-	30
(Increase) decrease in trade notes and accounts receivable	6,240	4,967
(Increase) decrease in inventories	(1,327)	(2,111)
Increase (decrease) in accounts payable	(2,728)	(399)
Increase (decrease) in other current liabilities	1,522	984
Other	(2,301)	(2,662)
Subtotal	15,240	14,690
Receipts from interest and dividends	229	313
Interest paid	(28)	(24)
Extra retirement payments	-	(17)
Income taxes paid	(3,947)	(5,322)
Income taxes refunded	35	10
Net cash provided by operating activities	11,529	9,649
Cash flows from investing activities		
Payment for acquisition of securities	(1,000)	(1,000)
Proceeds from redemption of securities	1,150	1,000
Payment for purchase of tangible fixed assets	(1,924)	(1,864)
Proceeds from sale of tangible fixed assets	22	448
Payment for acquisition of intangible fixed assets	(1,789)	(1,625)
Payment for acquisition of investment securities	(766)	(603)
Proceeds from sales of investment securities	300	-
Proceeds from liquidation of subsidiaries	46	-
Payments for transfer of business	(168)	(2,112)
Collection of loans receivable	0	-
Increase in time deposits	(5,797)	(7,476)
Proceeds from withdrawal of time deposits	5,318	7,216
Other	(9)	(95)
Net cash used in investing activities	(4,615)	(6,114)

(Millions of yen)

	FY 2017 (April 1, 2017- December 31, 2017)	FY 2018 (April 1, 2018- December 31, 2018)
Cash flows from financing activities		
Increase in short-term loans payable	158	469
Repayment for short-term bank loans	(27)	(160)
Payment for acquisition of treasury stock	(831)	(1,178)
Repayment of finance/lease obligations	(1,168)	(1,052)
Proceeds from sale and leaseback	1,072	916
Dividends paid	(3,954)	(4,486)
Payment of dividends to non-controlling shareholders	(41)	(46)
Cash flows from financing activities	(4,792)	(5,538)
Effect of exchange rate changes on cash and cash equivalents	(81)	(299)
Net increase (decrease) in cash and cash equivalents	2,040	(2,302)
Cash and cash equivalents at beginning of period	35,270	40,231
Cash and cash equivalents at end of period	37,310	37,928

(4) Notes on Quarterly Consolidated Financial Statements

Notes Regarding the Premise of a Going Concern

None

Notes on Significant Changes in Shareholders' Equity

Based on the resolution of the Board of Directors meeting held on October 29, 2018, the Company has acquired 500,000 shares of treasury stock. As a result, treasury stock increased by ¥1,176 million during the 3rd quarter consolidated accounting period and reached 3,070 million at the end of the same period.

The 314,300 shares held by Amano Corporation as trust property of the Director's Compensation BIP Trust and the Employee Stock Ownership Plan (J-ESOP) are included in the balance of treasury shares at the end of the 3rd quarter consolidated accounting period.

Application of Accounting Procedures Specific to the Preparation of the Consolidated Quarterly Financial Statements

(Calculation of tax expenses)

These amounts of tax expenses are calculated by multiplying the pre-tax net income and loss by an estimated effective tax rate for the year, determined using reasonable methods for pre-tax income for the fiscal year including this 3rd quarter consolidated accounting period, after applying tax-effect accounting. In cases where an estimated effective tax rate cannot be adopted, the amounts are calculated by multiplying the legal effective tax rate after adjusting significant differences that are not in the scope of temporary differences from pre-tax net income and loss.

Change in accounting policy

(Application of IFRS 15 "Revenue from Contracts with Customers")

For our subsidiaries that are subject to IFRS accounting, we have applied IFRS 15 "Revenue from Contracts with Customers" from the 1st quarter of this consolidated accounting period. In adopting this accounting standard, we adopted the permitted transitional measure whereby the cumulative effect when applying this standard, is recognized on the effective date of application.

As a result, compared with the previous accounting standard, the balance of retained earnings increased by ¥70 million. In the 3rd quarter consolidated accounting period of the current fiscal year, net sales decreased by ¥22 million, income tax adjustments decreased by ¥7 million, and net income attributable to parent company shareholders decreased by ¥15 million.

Additional information

(Officers' Remuneration BIP Trust and Employee Stock Ownership Plan (J-ESOP) Trust)

In order to raise the motivation to contribute to the improvement of medium / long-term business performance and to increase corporate value, Amano Corporation and some of its subsidiaries adopted the Officers' Remuneration BIP Trust system for officers (excluding external directors and expatriates) and operating officers (excluding expatriates), as well as the Employee Stock Ownership Plan (J-ESOP) system for employees who meet the prescribed requirements.

[1] Outline of the system

Under this Plan, a trust is established funded by money contributed from Amano Corporation and through this trust Amano stocks are acquired, which are then distributed to eligible persons.

Under the Officers' Remuneration BIP Trust, Amano stocks are allocated by the trust to directors and operating officers in accordance with the stock distribution rules and based on merit points granted according to the attainment level of numerical targets related to their positions and management indicators.

Under the Employee Stock Ownership Plan (J-ESOP) Trust, Amano stocks are allocated by the trust to employees who meet the prescribed requirements in accordance with the stock distribution rules and based on merit points granted according to their positions and operating performance.

[2] Residual Amano Stocks that remain in the trust

Amano Stocks that remain in the trust are posted at book value of the trust (excluding incidental expenses) as treasury stock in the net assets section.

Book value of the treasury stock and the number of shares

¥827 million, 314,300 shares as of the end of 3rd quarter consolidated accounting period

(Application of Partial Amendments to “Accounting Standard for Tax Effect Accounting”)

Partial Amendments to "Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) have been applied from the beginning of the 1st quarter consolidated accounting period. Deferred tax assets are presented in the category of investments and other assets, and deferred tax liabilities are presented in the category of long-term liabilities.

Segment Information

[Segment Information]

I. 3rd quarter ended December 31, 2017 (April 1, 2017– December 31, 2017)

1. Information on Net Sales and Profit/Loss for Each Reporting Segment

(Millions of yen)

	Reporting segments			Adjustments (Note 1)	Amounts reported in consolidated financial statements (Note 2)
	Time Information System business	Environment System business	Total		
Net sales					
To customers	64,195	23,928	88,124	—	88,124
Intersegment	—	—	—	—	—
Total	64,195	23,928	88,124	—	88,124
Segment profit (loss)	8,367	3,536	11,903	(2,762)	9,140

Notes: 1. The ¥2,762 million adjustment in segment profit indicates company-wide expenses not allocated to the reporting segments. Company-wide expenses consist mainly of general and administrative expenses that do not belong to any of the reporting segments.

2. Segment profit is reconciled with operating profit in the consolidated statement of income.

2. Information on Impairment Loss in Fixed Assets or Goodwill for Each Reporting Segment

None

II. 3rd quarter ended December 31, 2018 (April 1, 2018– December 31, 2018)

1. Information on Net Sales and Profit/Loss for Each Reporting Segment

(Millions of yen)

	Reporting segments			Adjustments (Note 1)	Amounts reported in consolidated financial statements (Note 2)
	Time Information System business	Environment System business	Total		
Net sales					
To customers	67,569	24,664	92,234	—	92,234
Intersegment	—	—	—	—	—
Total	67,569	24,664	92,234	—	92,234
Segment profit (loss)	7,758	3,715	11,473	(2,917)	8,556

Notes: 1. The ¥2,917 million adjustment in segment profit indicates company-wide expenses not allocated to the reporting segments. Company-wide expenses consist mainly of general and administrative expenses that do not belong to any of the reporting segments.

2. Segment profit is reconciled with operating profit in the consolidated statement of income.

2. Information on Impairment Loss in Fixed Assets or Goodwill for Each Reporting Segment

None

Significant Subsequent Events

None