

Summary Financial Statements (Consolidated)
for 3rd Quarter of Fiscal Year 2019 (Year Ending March 31, 2020) (Japan GAAP)

January 31, 2020

Company name: Amano Corporation Listed on: TSE
Securities code: 6436 URL <http://www.amano.co.jp/english/>
Representative: Hiroyuki Tsuda, President & Representative Director
Inquiries: Kunihiro Ihara, Director & Operating Officer Phone: +81 (45) 439-1591
General Manager, Corporate Planning
Scheduled date for filing of quarterly securities report: February 4, 2020
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 3rd Quarter of fiscal year 2019 (April 1, 2019 to December 31, 2019)

(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 2019 (year ending March 2020)	95,590	3.6	10,651	24.5	11,175	21.2	7,150	35.6
3Q of FY 2018 (year ended March 2019)	92,234	4.7	8,556	(6.4)	9,223	(4.8)	5,274	(20.6)

Note: Comprehensive income 3rd Quarter of FY 2019 (year ending March 2020): ¥6,191 million (29.7%)
3rd Quarter of FY 2018 (year ended March 2019): ¥4,774 million (-35.0 %)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q of FY 2019 (year ending March 2020)	95.68	—
3Q of FY 2018 (year ended March 2019)	69.74	—

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
3Q of FY 2019 (as of December 31, 2019)	146,309	106,493	72.3	1,415.06
FY 2018 (as of March 31, 2019)	147,609	106,592	71.8	1,417.86

Reference: Equity capital 3rd Quarter of FY 2019 (as of December 31, 2019): ¥105,750 million
FY 2018 (as of March 31, 2019): ¥105,961 million

2. Dividends

	Annual dividends				
	1st Quarter-end	2nd Quarter-end	3rd Quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2018 (year ended March 2019)	—	25.00	—	55.00	80.00
FY 2019 (year ending March 2020)	—	28.00			
FY 2019 (year ending March 2020) (est.)			—	36.00	64.00

Note: Revisions to most recently released dividend forecast: None

*The detail of year-end dividend of FY2018(year ended March 2019): ordinary dividend ¥35.00, special dividend ¥20.00

3. Forecast earnings for fiscal year 2019 (April 1, 2019 to March 31, 2020)

(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	138,000	4.8	16,500	8.8	16,900	5.0	11,000	20.3	147.19

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, 2019	76,657,829 shares	As of March 31, 2019	76,657,829 shares
[2] Number of shares of treasury stock at the end of the period	As of 3Q ended December 31, 2019	1,925,648 shares	As of March 31, 2019	1,924,625 shares
[3] Average number of shares outstanding (over the fiscal year under review up to December 31, 2019)	As of 3Q ended December 31, 2019	74,732,700 shares	As of 3Q ended December 31, 2018	75,642,146 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: Explanation concerning appropriate use of the earnings forecast, and other matters to note

Caution regarding forward-looking statements

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

During the first nine months of the consolidated fiscal year under review, the global economy continued its downward trend due to the impact of the US-China trade war. In this situation, the Japanese economy is likely to be uncertain about the outlook as the manufacturing industry remained stagnant due to a slowdown in exports despite the employment environment continuing to be solid.

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 the 7th Medium-term Business Plan launched in April 2017, aiming at achieving growth in Japan, North America, Europe and Asia, respectively. The Amano Group has also been striving to strengthen management practices through cost reduction activities and Amano's work style reform methodology.

As a result of the above, during the first nine months under review, the Company recorded sales of ¥95,590 million, up by 3.6% year-on-year. Operating profit increased by 24.5% to ¥10,651 million, ordinary profit went up by 21.2% to ¥11,175 million, and net income attributable to owners of the parent company increased by 35.6% to ¥7,150 million, resulting in increases in both sales and profit.

(Main factors behind the business results)

- (i) For Amano, on an unconsolidated basis, sales of time & attendance (T&A) management software, which is its mainstay product, remained firm, boosted by the demand generated by "work style reform." The Parking Systems grew mainly with regard to projects for management firms.
- (ii) In Japan, the Group companies remained firm with the commissioned parking lot management business and cloud service for time & attendance management.
- (iii) Overall overseas profits increased as the Group companies in Asia remained favorable and the loss of Amano McGann, Inc. in North America reduced on a cumulative basis.
- (iv) Profits for the first nine months of the previous fiscal year on a consolidated basis decreased as a result of an increase in the loss of Amano McGann, Inc. in North America. In reaction to the decrease in profits, the year-on-year growth rate of operating profit for the current first nine months of fiscal year is greater than the past years.

The following are business results by segment:

Sales by business division

(Millions of yen)

Category	3Q of FY 2018 (year ended March 2019)		3Q of FY 2019 (year ending March 2020)		Change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	%
Time Information System business:						
Information Systems	19,494	21.1	21,344	22.3	1,849	9.5
Time Management Products	2,529	2.8	2,535	2.7	6	0.2
Parking Systems	45,546	49.4	47,455	49.6	1,909	4.2
Subtotal	67,569	73.3	71,335	74.6	3,765	5.6
Environment System business:						
Environmental Systems	16,132	17.5	16,319	17.1	186	1.2
Clean Systems	8,531	9.2	7,935	8.3	(595)	(7.0)
Subtotal	24,664	26.7	24,254	25.4	(409)	(1.7)
Total	92,234	100.0	95,590	100.0	3,355	3.6

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 ¥71,335 million, up by ¥3,765 million (5.6%) year-on-year. The following is a breakdown of sales by business division.

- Information Systems ¥21,344 million, (up 9.5% year-on-year)

Domestic sales were as follows: for Amano, on an unconsolidated basis, sales increased due to an increase in software sales; the cloud services developed by Amano Business Solutions Corporation continued to perform strongly. Overall overseas sales declined, as the sales in North America increased while those in Europe decreased due to the impact of exchange rates.

- Time Management Products ¥2,535 million, (up 0.2% year-on-year)

Domestic sales increased due to a continued increase in sales of time recorders equipped with aggregation software compatible with PCs, while overseas sales declined.

- Parking Systems ¥47,455 million, (up 4.2% year-on-year)

Domestic sales were as follows: for Amano, on an unconsolidated basis, sales increased due to an increase in projects for management firms; Amano Management Service Corporation, which is engaged in commissioned parking lot management business, has been steadily expanding with increased sales. Overall overseas sales increased, as the sales in North America increased, while the commissioned parking lot management business has been expanding in the Asian region, mainly in Korea.

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 ¥24,254 million, down by ¥409 million (1.7%) year-on-year. The following is a breakdown of sales by business division.

- Environmental Systems ¥16,319 million, (up 1.2% year-on-year)

Domestic sales declined due to a decrease in sales of standard equipment despite increased sales on an unconsolidated basis of large-scale systems for Amano. Overseas sales increased due to sales growth in Asia, mainly led by Thailand and China.

- Clean Systems ¥7,935 million, (down 7.0% year-on-year)

Domestic sales declined because for Amano, on an unconsolidated basis, sales of equipment other than cleaning robots were sluggish despite increased sales of cleaning robots. As for overseas, sales declined in North America.

Reference information

Information by area

(Millions of yen)

	Net sales				Operating profit/loss			
	3Q of FY 2018 (year ended March 2019)	3Q of FY 2019 (year ending March 2020)	Change	Percentage change (%)	3Q of FY 2018 (year ended March 2019)	3Q of FY 2019 (year ending March 2020)	Change	Percentage change (%)
Japan	61,481	63,173	1,692	2.8	10,842	11,983	1,140	10.5
Other Asia	12,395	14,257	1,861	15.0	1,090	1,515	424	38.9
North America	13,442	13,147	(294)	(2.2)	(931)	(480)	450	—
Europe	6,634	6,380	(253)	(3.8)	436	553	116	26.8
Total	93,953	96,959	3,006	3.2	11,438	13,571	2,133	18.6
Eliminations/Corporate	(1,718)	(1,369)	—	—	(2,882)	(2,920)	—	—
Consolidated	92,234	95,590	3,355	3.6	8,556	10,651	2,095	24.5

- 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, Philippines, and Vietnam
(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 2018 (year ended March 2019)	3Q of FY 2019 (year ending March 2020)	Change	Percentage change (%)	3Q of FY 2018 (year ended March 2019)	3Q of FY 2019 (year ending March 2020)	Change
Other Asia	12,553	14,450	1,896	15.1	13.6	15.1	1.5
North America	12,469	12,103	(366)	(2.9)	13.5	12.7	(0.8)
Europe	6,440	6,319	(120)	(1.9)	7.0	6.6	(0.4)
Other regions	1,102	821	(280)	(25.4)	1.2	0.8	(0.4)
Total	32,565	33,695	1,129	3.5	35.3	35.2	(0.1)
Consolidated net sales	92,234	95,590					

- 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, Philippines, and Vietnam
(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

Total assets amounted to ¥146,309 million (down ¥1,300 million from the previous consolidated fiscal year-end).

- Current assets: a decrease of ¥2,192 million due to a decrease in notes and accounts receivable-trade, etc.
- Fixed assets: an increase of ¥892 million due to an increase in lease assets (net), etc.

Total liabilities amounted to ¥39,816 million (down ¥1,201 million from the previous consolidated fiscal year-end).

- Current liabilities: a decrease of ¥2,693 million due to decreases in notes and accounts payable-trade and accrued income taxes, etc.
- Long-term liabilities: an increase of ¥1,492 million due to an increase in lease obligations, etc.

Net assets amounted to ¥106,493 million (down ¥99 million from the previous consolidated fiscal year-end).

- Shareholders' equity: an increase of ¥918 million due to posting of net income attributable to owners of the parent company, etc.
- Accumulated other comprehensive income: a decrease of ¥1,128 million due to a decrease in foreign currency translation adjustments, etc.

(ii) Cash flows

Consolidated cash and cash equivalents increased by ¥2,970 million from the previous fiscal year-end, to a total of ¥45,458 million at the end of the third quarter. More specifically, the status of each type of cash flow during the third quarter and the underlying factors are as follows:

Net cash provided by operating activities totaled ¥14,390 million (an increase in income of ¥4,741 million year-on-year).

- Main income factors:
 - Posting of income before income taxes amounting to ¥11,007 million and posting of a decrease in trade notes and accounts receivable amounting to ¥6,903 million.
 - Posting of depreciation and amortization amounting to ¥5,184 million.
- Main expenditure factors:
 - Posting of income taxes paid amounting to ¥5,005 million and posting of a decrease in trade payables amounting to ¥2,238 million.

Net cash used in investing activities totaled -¥4,112 million (a decrease in cash outflow of ¥2,001 million year-on-year).

- Main income factors:
 - Posting of proceeds from withdrawal of time deposits amounting to ¥2,728 million.
- Main expenditure factors:
 - Posting of increase in time deposits amounting to ¥3,067 million and posting of payment for purchase of tangible fixed assets amounting to ¥2,228 million.

Net cash used in financing activities amounted to -¥6,806 million (an increase in cash outflow of ¥1,268 million year-on-year).

- Main income factors:
 - Posting of proceeds from sale and leaseback amounting to ¥1,030 million.
- Main expenditure factors:
 - Posting of dividends paid amounting to ¥6,228 million and posting of repayments of lease obligations amounting to ¥1,771 million.

(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 2019 (April 1, 2019 to March 31, 2020) as announced on April 24, 2019, due to the following being taken into account: although the performance of the current first nine months of the fiscal year resulted in increases in both sales and profit in reaction to the results of the first nine months of previous fiscal year which recorded a decrease in profits, orders for domestic parking systems continue to be weak toward the end of the term compared to the same period of the last year; the impact of the US-China trade war on environmental systems in and outside Japan has surfaced; and recovery in the performance of Amano McGann, Inc. in North America has been stagnant since the second half of the current fiscal year. 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 Financial Statements and Primary Explanatory Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2018 (as of March 31, 2019)	FY 2019 (as of December 31, 2019)
Assets		
Current assets		
Cash and bank deposits	45,558	48,248
Notes and accounts receivable—trade	35,367	27,935
Marketable securities	1,184	1,721
Merchandise and finished goods	4,381	5,349
Work in process	767	901
Raw materials and supplies	5,036	5,339
Other current assets	3,630	4,170
Allowance for doubtful accounts	(476)	(409)
Total current assets	95,449	93,256
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	10,130	10,264
Machinery and vehicles (net)	896	910
Tools, furniture and fixtures (net)	2,430	2,366
Land	6,125	6,102
Lease assets (net)	2,293	4,603
Construction in progress	236	96
Total tangible fixed assets	22,111	24,343
Intangible fixed assets		
Goodwill	2,734	2,171
Software	4,552	4,757
Software in progress	1,985	1,161
Other	3,510	3,184
Total intangible fixed assets	12,782	11,276
Investments and other assets		
Investment securities	10,046	10,411
Claims in bankruptcy and similar claims	496	586
Fixed leasehold deposits	1,420	1,489
Long-term deposits	1,500	1,500
Net defined benefit assets	102	101
Deferred tax assets	2,320	2,167
Other	1,887	1,777
Allowance for doubtful accounts	(509)	(600)
Total investments and other assets	17,266	17,432
Total fixed assets	52,160	53,052
Total assets	147,609	146,309

(Millions of yen)

	FY 2018 (as of March 31, 2019)	FY 2019 (as of December 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	7,264	5,408
Electronically recorded obligations	7,015	6,484
Short-term bank loans	463	644
Lease obligations	1,105	2,049
Accrued income taxes	3,135	1,541
Accrued bonuses	2,531	1,190
Accrued officers' bonuses	130	-
Other current liabilities	13,924	15,556
Total current liabilities	35,569	32,875
Long-term liabilities		
Long-term accounts payable—other	1	0
Lease obligations	2,354	3,681
Deferred tax liabilities	43	42
Net defined benefit liabilities	2,478	2,446
Provision for stock benefit	95	198
Provision for directors' stock benefit	83	162
Asset retirement obligations	32	32
Other long-term liabilities	358	375
Total long-term liabilities	5,447	6,940
Total liabilities	41,017	39,816
Net assets		
Shareholders' equity		
Common stock	18,239	18,239
Capital surplus	19,293	19,293
Retained earnings	75,866	76,787
Treasury stock	(4,220)	(4,223)
Total shareholders' equity	109,178	110,096
Accumulated other comprehensive income		
Net unrealized gains (losses) on available- for-sale securities	1,921	2,169
Foreign currency translation adjustments	(4,189)	(5,674)
Remeasurements of defined benefit plans	(948)	(840)
Total accumulated other comprehensive income	(3,216)	(4,345)
Non-controlling shareholders' interests	630	742
Total net assets	106,592	106,493
Total liabilities and net assets	147,609	146,309

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Millions of yen)

	FY 2018 (April 1, 2018- December 31, 2018)	FY 2019 (April 1, 2019- December 31, 2019)
Net sales	92,234	95,590
Cost of sales	51,897	52,977
Gross profit	40,337	42,612
Selling, general and administrative expenses		
Selling expenses	28,636	28,825
General and administrative expenses	3,144	3,134
Total selling, general and administrative expenses	31,780	31,960
Operating profit	8,556	10,651
Non-operating profit		
Interest income	92	130
Dividend income	148	150
Insurance income	37	71
Foreign exchange gains	9	-
Equity in earnings of affiliates	97	134
Other	356	241
Total non-operating profit	741	728
Non-operating expenses		
Interest expenses	20	68
Loss on foreign exchange	-	75
Foreign withholding tax	0	3
Other	52	58
Total non-operating expenses	74	205
Ordinary profit	9,223	11,175
Extraordinary income		
Gain on sale of fixed assets	13	5
Total extraordinary income	13	5
Extraordinary losses		
Loss on disposal of fixed assets	15	25
Loss on sale of fixed assets	1,145	0
Loss on valuation of investment securities	-	111
Special retirement payments	30	36
Total extraordinary losses	1,191	173
Income before income taxes	8,045	11,007
Income taxes	2,689	3,710
Net income	5,356	7,296
Net income attributable to non-controlling shareholders	81	146
Net income attributable to owners of the parent company	5,274	7,150

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY 2018 (April 1, 2018- December 31, 2018)	FY 2019 (April 1, 2019- December 31, 2019)
Net income	5,356	7,296
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	(396)	248
Foreign currency translation adjustment	(317)	(1,461)
Remeasurements of defined benefit plans	133	108
Share of other comprehensive income of associates accounted for using equity method	0	0
Total other comprehensive income	(581)	(1,105)
Comprehensive income	4,774	6,191
(Breakdown)		
Comprehensive income attributable to owners of the parent company	4,687	6,021
Comprehensive income attributable to non-controlling shareholders	87	169

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	FY 2018 (April 1, 2018- December 31, 2018)	FY 2019 (April 1, 2019- December 31, 2019)
Cash flows from operating activities		
Income before income taxes	8,045	11,007
Depreciation and amortization	4,312	5,184
Amortization of goodwill	405	404
Increase (decrease) in net defined benefit liabilities	52	157
Increase (decrease) in provision for stock benefit	95	103
Increase (decrease) in provision for directors' stock benefit	83	78
Increase (decrease) in allowance for doubtful accounts	2	58
Interest and dividend revenue	(240)	(281)
Equity in (earnings) losses of affiliates	(97)	(134)
Interest expenses	20	68
Foreign currency translation loss (gain)	54	25
Loss (gain) on sale of fixed assets	1,131	(5)
Loss on disposal of fixed assets	15	25
Loss (gain) on valuation of investment securities	-	111
Special retirement payments	30	36
(Increase) decrease in trade notes and accounts receivable	4,967	6,903
(Increase) decrease in inventories	(2,111)	(1,651)
Increase (decrease) in trade payables	(399)	(2,238)
Increase (decrease) in other current liabilities	984	1,203
Other	(2,662)	(2,172)
Subtotal	14,690	18,886
Receipts from interest and dividends	313	365
Interest paid	(24)	(72)
Special retirement payments	(17)	(21)
Income taxes paid	(5,322)	(5,005)
Income taxes refunded	10	238
Net cash provided by operating activities	9,649	14,390
Cash flows from investing activities		
Payment for acquisition of securities	(1,000)	(1,000)
Proceeds from redemption of securities	1,000	1,000
Payment for purchase of tangible fixed assets	(1,864)	(2,228)
Proceeds from sale of tangible fixed assets	448	7
Payment for acquisition of intangible fixed assets	(1,625)	(1,366)
Payment for acquisition of investment securities	(603)	(54)
Payments for acquisition of businesses	(2,112)	-
Increase in time deposits	(7,476)	(3,067)
Proceeds from withdrawal of time deposits	7,216	2,728
Other	(95)	(131)
Net cash used in investing activities	(6,114)	(4,112)
Cash flows from financing activities		
Increase in short-term loans payable	469	716
Repayment for short-term bank loans	(160)	(491)
Payment for acquisition of treasury stock	(1,178)	(3)
Repayments of lease obligations	(1,052)	(1,771)
Proceeds from sale and leaseback	916	1,030
Dividends paid	(4,486)	(6,228)
Payment of dividends to non-controlling shareholders	(46)	(58)
Cash flows from financing activities	(5,538)	(6,806)
Effect of exchange rate changes on cash and cash equivalents	(299)	(500)
Net increase (decrease) in cash and cash equivalents	(2,302)	2,970
Cash and cash equivalents at the beginning of the year	40,231	42,487
Cash and cash equivalents at end of period	37,928	45,458

(4) Notes on Quarterly Consolidated Financial Statements

Notes Regarding the Premise of a Going Concern

None

Notes on Significant Changes in Shareholders' Equity

None

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 second quarter 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 16 "Leases")

For those of our subsidiaries that are subject to IFRS accounting, we have applied IFRS 16 "Leases" from the first quarter consolidated accounting period. Accordingly, in principle, lessees recognize all leases on the quarterly consolidated balance sheet as assets and liabilities. 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 lease assets under tangible fixed assets increased by ¥2,456 million, lease obligations under current liabilities by ¥1,028 million, and lease obligations under long-term liabilities by ¥1,214 million, while the balance of other current assets under current assets decreased by ¥74 million and other under investments and other assets by ¥140 million at the beginning of the first quarter of consolidated fiscal year. The effect this change has on our profits and losses during the third quarter of the current fiscal year is negligible.

Additional information

(Directors' Compensation BIP Trust and Employee Stock Ownership Plan (J-ESOP))

In Amano Corporation and some of its subsidiaries, for the purpose of enhancing the motivation to contribute to the improvement of medium- to long-term business performance and to increase corporate value, the Directors' Compensation BIP Trust system for directors (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 have been introduced.

[1] Outline of the system

Under the system, a trust is established with money contributed by Amano Corporation as a source, stocks of Amano Corporation are acquired by the trust, and the stocks are provided to eligible persons.

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

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

[2] Stocks of Amano Corporation that remain in the trust

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

Book value of the treasury stock and the number of shares

third quarter of the current fiscal year ¥827 million, 314,300 shares

Segment Information

[Segment Information]

I. 3rd Quarter of fiscal year 2018 (April 1, 2018 to December 31, 2018)

	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

II. 3rd Quarter of fiscal year 2019 (April 1, 2019 to December 31, 2019)

	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	71,335	24,254	95,590	—	95,590
Intersegment	—	—	—	—	—
Total	71,335	24,254	95,590	—	95,590
Segment profit (loss)	10,258	3,405	13,663	(3,012)	10,651

Notes: 1. The -¥3,012 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