

Summary Financial Statements (Consolidated)
for 1st Quarter of Fiscal Year 2021 (Year Ending March 31, 2022) (Japan GAAP)

July 27, 2021

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: August 4, 2021
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 1st quarter of fiscal year 2021 (April 1, 2021 to June 30, 2021)

(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	%
1Q of FY 2021 (year ending March 2022)	25,532	0.6	925	—	1,163	—	403	18.2
1Q of FY 2020 (year ended March 2021)	25,390	(16.6)	(82)	—	85	(96.5)	341	(76.0)

Note: Comprehensive income 1st quarter of FY 2021 (year ending March 2022): ¥1,648 million (—%)
1st quarter of FY 2020 (year ended March 2021): ¥-321 million (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
1Q of FY 2021 (year ending March 2022)	5.43	—
1Q of FY 2020 (year ended March 2021)	4.57	—

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
1Q of FY 2021 (as of June 30, 2021)	149,528	108,705	72.2	1,454.23
FY 2020 (as of March 31, 2021)	150,559	111,585	73.6	1,485.46

Reference: Equity capital 1st quarter of FY 2021 (as of June 30, 2021): ¥107,966 million
FY 2020 (as of March 31, 2021): ¥110,851 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2020 (year ended March 2021)	—	20.00	—	45.00	65.00
FY 2021 (year ending March 2022)	—				
FY 2021 (year ending March 2022) (est.)		25.00	—	45.00	70.00

Note: Revisions to most recently released dividend forecast: None

3. Forecast earnings for fiscal year 2021 (April 1, 2021 to March 31, 2022)

(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
First half	55,900	5.0	3,500	31.3	4,000	29.6	2,800	1.9	37.90
Full year	120,000	5.6	12,500	25.8	13,500	22.5	9,000	24.2	121.81

Note: Revisions to most recently released earnings forecast: None

Notes

- (1) Significant changes among subsidiaries during the fiscal year under review (i.e. changes among specific subsidiaries resulting in a change in the scope of consolidation) : None
- (2) Application of accounting procedures specific to the preparation of the consolidated quarterly financial statement : 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 1Q ended June 30, 2021	76,657,829 shares	As of March 31, 2021	76,657,829 shares
[2] Number of shares of treasury stock at the end of the period	As of 1Q ended June 30, 2021	2,414,537 Shares	As of March 31, 2021	2,033,401 shares
[3] Average number of shares outstanding (over the fiscal year under review up to June 30, 2021)	As of 1Q ended June 30, 2021	74,340,408 shares	As of 1Q ended June 30, 2020	74,731,921 shares

Note: The number of shares of treasury stock as of March 31, 2021, includes the Company's shares held by the Director's Compensation BIP Trust and the Employee Stock Ownership Plan (J-ESOP).

(412,019 shares as of June 30, 2021 and 421,314 shares as of March 31, 2021 respectively)

In addition, these Company's shares are included in the treasury stock which is deducted in calculating the average number of shares outstanding.

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

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.

Note: Impact of acquiring treasury stock

On April 26, 2021, the Board of Directors of Amano Corporation approved a resolution to repurchase our 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 2021" is described taking into consideration the impact of this treasury stock acquisition.

○ Table of Contents for Attachment

1.	Qualitative Information on Consolidated Financial Results for the Current Quarter.....	2
(1)	Explanation of Business Results	2
(2)	Explanation of Financial Condition	5
(3)	Explanation of Forward-looking Information, Including Outlook for Consolidated Operating Results.....	5
2.	Consolidated Quarterly Financial Statements and Primary Explanatory Notes.....	6
(1)	Consolidated Quarterly Balance Sheets	6
(2)	Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income.....	8
(3)	Consolidated Quarterly Statements of Cash Flows	10
(4)	Notes on Quarterly Consolidated Financial Statements	12
	Notes Regarding the Premise of a Going Concern.....	12
	Notes on Significant Changes in Shareholders' Equity.....	12
	Application of Accounting Procedures Specific to the Preparation of the Consolidated Quarterly Financial Statements.....	12
	Change of Accounting Policy.....	12
	Additional information	13
	Segment Information	14
	Significant Subsequent Events.....	14

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

(1) Explanation of Business Results

During the first quarter of the current consolidated cumulative period, the effect of COVID-19 continues, but the world economy showed some signs of recovery triggered by the recovery in the Chinese economy and the resumption of economic activities with the COVID-19 vaccination proceeding forward in Europe and U.S.. However, it seems that the future outlook for the Japanese economy continues to be uncertain due to the global shortage of semiconductors, the prolonged U.S.-China trade friction, and the continuation of various social and economic restrictions to cope with the worldwide resurgence of COVID-19.

Amid this business environment, we the Amano Group set forth the management concept of "The 3rd Stage Towards a 100-year Company-Establishing a solid business foundation that leads to sustainable growth" in our 8th Medium-term Business Plan launched in April 2020, in which we will promote strategic investments in to growth drivers in order to respond to digital transformation (DX), and we shall establish unrivaled competitive advantage by raising the synergistic effects of the strengths of each of our business divisions.

As a result, during the first quarter under review, net sales were ¥25,532 million (up 0.6% year-on-year), operating profit was ¥925 million (operating loss for the same period last year was -¥82 million), ordinary profit was ¥1,163 million (ordinary profit for the same period last year was ¥85 million), and net income attributable to owners of the parent company was ¥403 million (up 18.2% yoy).

(Main factors behind the business results)

- (i) At non-consolidated Amano, although the tailwind of "work style reform" continues, revenue decreased due to the issuance of a national emergency declaration. Particularly, sales in the Parking Systems declined greatly, because major parking lot management firms and owners of parking lots have less motivation to invest machines under the situation that people were imposed restrictions on their movement. On the other hand, the Environmental Systems remained firm with the recovery in the Chinese economy, and the Clean Systems also showed a recovering trend as demand for cleanliness expands.
- (ii) In domestic group companies, parking management service business was getting better. In addition, cloud services continued to grow reflecting the rising customer interest in T&A cloud services.
- (iii) In overseas markets, sales in North America decreased mainly due to Amano McGann, Inc. decreased their sales. On the other hand, sales increased in Europe and Asia. Especially, Horoquartz, S.A. in France has grown their business results by mainly cloud services, whose sales exceeded that as of 1Q ended June 30, 2019, which was before COVID-19 spreading.

The following are business results by segment:

Category	1Q of FY 2020 (year ended March 2021)		1Q of FY 2021 (year ending March 2022)		Change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	%
Time Information System business:						
Information Systems	5,977	23.6	6,163	24.2	185	3.1
Time Management Products	669	2.6	647	2.5	(22)	(3.3)
Parking Systems	12,798	50.4	11,798	46.2	(999)	(7.8)
Subtotal	19,445	76.6	18,609	72.9	(836)	(4.3)
Environment System business:						
Environmental Systems	3,654	14.4	4,193	16.4	538	14.7
Clean Systems	2,290	9.0	2,730	10.7	440	19.2
Subtotal	5,944	23.4	6,923	27.1	978	16.5
Total	25,390	100.0	25,532	100.0	142	0.6

Time Information System business

- Information Systems: Time & Attendance (T&A), Human Resources (HR) systems, Payroll information systems, access control, and digital time stamps
- Time Management Products: PC-linked time recorders, online time recorders, and time stamps
- Parking Systems: Parking lot management systems, bicycle parking lot management systems, and consigned parking lot management service

The sales in this business totaled ¥18,609 million, down by ¥836 million (4.3%) year-on-year. The following is a breakdown of sales by business division.

- Information Systems ¥6,163 million, (up 3.1% year-on-year)

In Japan, non-consolidated Amano sales declined slightly due to a lower sales in software. On the other hand, the cloud service business deployed by Amano Business Solutions continued to grow owing to the increasing number of users through telework. Overseas, although sales in North America were down, sales in Europe increased and overall sales increased.

- Time Management Products ¥647 million, (down 3.3% year-on-year)

In Japan, sales for both standard and PC-linked time recorders were down. Overseas sales for time management products were also down.

- Parking Systems ¥11,798 million, (down 7.8% year-on-year)

In Japan, non-consolidated Amano sales were down due to sluggish investment in machines. On the other hand, sales for Amano Management Service increased recovering their sales gradually while remaining adversely affected by COVID-19.

Overseas, although sales in North America were down, sales in other Asia sales increased and overall sales decreased.

Environment System business

- Environmental Systems: Standard dust collectors, mist collectors, large dust collectors, pneumatic conveyors, deodorizing equipment, and industrial air purifiers
- Clean Systems: Industrial vacuum cleaners, automatic floor scrubbers, robotic floor scrubbers, wooden floor polishers, consigned janitorial management services, and electrolyzed water generators

The sales in this business totaled ¥6,923 million, up by ¥978 million (16.5%) year-on-year. The following is a breakdown of sales by business division.

- Environmental Systems ¥4,193 million, (up 14.7% year-on-year)

In Japan, non-consolidated Amano sales increased due to recovering sales for standard machines and sales for large-scale systems increased.

Overseas, sales in Asia such as China and Indonesia increased.

- Clean Systems ¥2,730 million, (up 19.2% year-on-year)

In Japan, non-consolidated Amano sales increased due to an increase of scrubbing machines.

Overseas, sales in North America increased due to recovery of a wooden floor sanding business.

Reference information

Information by area

(Millions of yen)

	Net sales				Operating profit/loss			
	1Q of FY 2020 (year ended March 2021)	1Q of FY 2021 (year ending March 2022)	Change	Percentage change (%)	1Q of FY 2020 (year ended March 2021)	1Q of FY 2021 (year ending March 2022)	Change	Percentage change (%)
Japan	15,707	15,517	(189)	(1.2)	1,057	1,549	492	46.5
Other Asia	4,013	4,226	213	5.3	180	29	(150)	(83.7)
North America	3,880	3,649	(230)	(5.9)	(473)	(125)	347	—
Europe	2,084	2,404	320	15.4	106	342	235	219.9
Total	25,684	25,799	114	0.4	871	1,795	924	106.1
Eliminations/ Corporate	(294)	(266)	—	—	(953)	(869)	—	—
Consolidated	25,390	25,532	142	0.6	(82)	925	1,008	—

- 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 (%)		
	1Q of FY 2020 (year ended March 2021)	1Q of FY 2021 (year ending March 2022)	Change	Percentage change (%)	1Q of FY 2020 (year ended March 2021)	1Q of FY 2021 (year ending March 2022)	Change
Other Asia	3,975	4,254	278	7.0	15.6	16.6	1.0
North America	3,668	3,471	(196)	(5.3)	14.4	13.6	(0.8)
Europe	2,036	2,371	335	16.5	8.0	9.3	1.3
Other regions	209	210	1	0.6	0.9	0.9	0.0
Total	9,888	10,307	418	4.2	38.9	40.4	1.5
Consolidated net sales	25,390	25,532					

- 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 Amano Corporation and our consolidated subsidiaries to countries and regions other than Japan.

(2) Explanation of Financial Condition

(i) Assets, liabilities, and net assets

Total assets amounted to ¥149,528 million (down ¥1,031 million from the previous consolidated fiscal year-end).

- Current assets: a decrease of ¥1,000 million due to a decrease in notes and accounts receivable-trade and contract assets, etc.
- Fixed assets: a decrease of ¥30 million due to a decrease in investment securities, etc.

Total liabilities amounted to ¥40,823 million (up ¥1,849 million from the previous consolidated fiscal year-end).

- Current liabilities: an increase of ¥1,762 million due to increases in electronically recorded obligations and lease obligations, etc.
- Long-term liabilities: an increase of ¥86 million due to an increase in provision for stock benefit, etc.

Net assets amounted to ¥108,705 million (down ¥2,880 million from the previous consolidated fiscal year-end).

- Shareholders' equity: a decrease of ¥4,099 million due to dividends paid and acquisition of treasury stock, etc.
- Accumulated other comprehensive income: an increase of ¥1,215 million due to an increase in foreign currency translation adjustments, etc.

(ii) Cash flows

Consolidated cash and cash equivalents increased by ¥578 million from the previous fiscal year-end, to a total of ¥53,124 million at the end of the first quarter. More specifically, the status of each type of cash flow during the first quarter and the underlying factors are as follows:

Net cash provided by operating activities totaled ¥7,365 million (an increase in income of ¥3,525 million year-on-year).

- Main income factors:
Posting of a decrease in trade notes and accounts receivable and contract assets amounting to ¥5,541 million, posting of depreciation and amortization amounting to ¥1,950 million, and posting of income before income taxes to ¥1,148 million.
- Main expenditure factors:
Posting of income taxes paid amounting to ¥1,122 million.

Net cash used in investing activities totaled -¥2,085 million (a decrease in cash outflow of ¥395 million year-on-year).

- Main income factors:
Posting of proceeds from withdrawal of time deposits amounting to ¥694 million.
- Main expenditure factors:
Posting of increase in time deposits amounting to ¥1,384 million.

Net cash used in financing activities amounted to -¥5,283 million (an increase in cash outflow of ¥645 million year-on-year).

- Main income factors:
Posting of proceeds from sale and leaseback amounting to ¥467 million.
- Main expenditure factors:
Posting of dividends paid amounting to ¥3,377 million, posting of repayments of lease obligations amounting to ¥1,174 million, and posting of payments of acquisition treasury stock to ¥1,144 million.

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

Although the first quarter ended with an increase both in sales and an operating profit, we believe it is within the expectations of the initial business plan formulated at the beginning of the fiscal year. Therefore, at this time, we will not change the forecast for the second quarter (cumulative) and full-year forecast ending March 31, 2022, which were announced on April 26, 2021. However, due to the uncertainties surrounding the business environment, such as when the effects of COVID-19 will settle and how the subsequent economic recovery will progress in each country, we plan to review the numerical plan timely when it is necessary.

2. Consolidated Quarterly Financial Statements and Primary Explanatory Notes

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	FY 2020 (as of March 31, 2021)	FY 2021 (as of June 30, 2021)
Assets		
Current assets		
Cash and bank deposits	56,432	57,774
Notes and accounts receivable—trade	27,175	-
Notes and accounts receivable—trade and contract assets	-	21,981
Marketable securities	2,556	2,827
Merchandise and finished goods	3,883	4,287
Work in process	540	837
Raw materials and supplies	4,429	4,880
Other current assets	3,981	5,418
Allowance for doubtful accounts	(399)	(409)
Total current assets	98,600	97,599
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	9,578	9,500
Machinery and vehicles (net)	898	866
Tools, furniture and fixtures (net)	2,298	2,353
Land	5,896	5,912
Lease assets (net)	6,683	7,011
Construction in progress	237	123
Total tangible fixed assets	25,592	25,766
Intangible fixed assets		
Goodwill	1,612	1,650
Software	3,760	3,731
Software in progress	922	862
Other	1,811	1,854
Total intangible fixed assets	8,107	8,098
Investments and other assets		
Investment securities	12,250	11,948
Claims in bankruptcy and similar claims	576	571
Fixed leasehold deposits	1,724	1,731
Net defined benefit assets	122	125
Deferred tax assets	2,403	2,510
Other	1,770	1,757
Allowance for doubtful accounts	(589)	(582)
Total investments and other assets	18,259	18,063
Total fixed assets	51,959	51,929
Total assets	150,559	149,528

(Millions of yen)

	FY 2020 (as of March 31, 2021)	FY 2021 (as of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	5,371	4,913
Electronically recorded obligations	5,073	5,168
Short-term bank loans	520	504
Lease obligations	2,843	3,039
Accrued income taxes	1,445	1,069
Accrued bonuses	2,379	1,171
Accrued officers' bonuses	90	-
Other current liabilities	13,086	16,705
Total current liabilities	30,809	32,572
Long-term liabilities		
Lease obligations	4,856	4,820
Deferred tax liabilities	128	130
Net defined benefit liabilities	2,308	2,328
Provision for stock benefit	245	327
Provision for directors' stock benefit	186	203
Asset retirement obligations	33	33
Other long-term liabilities	405	406
Total long-term liabilities	8,164	8,250
Total liabilities	38,974	40,823
Net assets		
Shareholders' equity		
Common stock	18,239	18,239
Capital surplus	19,293	19,293
Retained earnings	81,749	78,771
Treasury stock	(4,443)	(5,565)
Total shareholders' equity	114,838	110,738
Accumulated other comprehensive income		
Net unrealized gains (losses) on available- for-sale securities	1,875	1,708
Foreign currency translation adjustments	(5,242)	(3,900)
Remeasurements of defined benefit plans	(620)	(579)
Total accumulated other comprehensive income	(3,986)	(2,771)
Non-controlling shareholders' interests	733	738
Total net assets	111,585	108,705
Total liabilities and net assets	150,559	149,528

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

Consolidated Quarterly Statements of Income

First quarter ended June 30, 2021

(Millions of yen)

	FY 2020 (April 1, 2020- June 30, 2020)	FY 2021 (April 1, 2021- June 30, 2021)
Net sales	25,390	25,532
Cost of sales	14,897	14,559
Gross profit	10,493	10,973
Selling, general and administrative expenses		
Selling expenses	9,596	9,149
General and administrative expenses	979	898
Total selling, general and administrative expenses	10,575	10,047
Operating profit (loss)	(82)	925
Non-operating profit		
Interest income	51	45
Dividend income	75	75
Insurance income	31	11
Foreign exchange gains	-	23
Equity in earnings of affiliates	6	37
Other	87	94
Total non-operating profit	251	288
Non-operating expenses		
Interest expenses	38	32
Loss on foreign exchange	30	-
Foreign withholding tax	0	0
Other	14	19
Total non-operating expenses	83	51
Ordinary profit	85	1,163
Extraordinary income		
Gain on sale of fixed assets	2	1
Total extraordinary income	2	1
Extraordinary losses		
Loss on disposal of fixed assets	0	15
Total extraordinary losses	0	15
Income before income taxes	86	1,148
Income taxes	(286)	737
Net income	372	411
Net income attributable to non-controlling shareholders	31	8
Net income attributable to owners of the parent company	341	403

Consolidated Quarterly Statements of Comprehensive Income
 First quarter ended June 30, 2021

(Millions of yen)

	FY 2020 (April 1, 2020- June 30, 2020)	FY 2021 (April 1, 2021- June 30, 2021)
Net income	372	411
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	132	(167)
Foreign currency translation adjustment	(878)	1,362
Remeasurements of defined benefit plans	51	41
Share of other comprehensive income of associates accounted for using equity method	0	0
Total other comprehensive income	(694)	1,236
Comprehensive income	(321)	1,648
(Breakdown)		
Comprehensive income attributable to owners of the parent company	(288)	1,618
Comprehensive income attributable to non-controlling shareholders	(32)	29

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	FY 2020 (April 1, 2020- June 30, 2020)	FY 2021 (April 1, 2021- June 30, 2021)
Cash flows from operating activities		
Income before income taxes	86	1,148
Depreciation and amortization	2,076	1,950
Amortization of goodwill	88	107
Increase (decrease) in net defined benefit liabilities	68	66
Increase (decrease) in provision for stock benefit	75	88
Increase (decrease) in provision for directors' stock benefit	50	32
Increase (decrease) in allowance for doubtful accounts	(23)	(26)
Interest and dividend revenue	(126)	(121)
Equity in (earnings) losses of affiliates	(6)	(37)
Interest expenses	38	32
Foreign currency translation loss (gain)	13	(13)
Loss (gain) on sale of fixed assets	(2)	(1)
Loss on disposal of fixed assets	0	15
(Increase) decrease in trade notes and accounts receivable	7,368	-
(Increase) decrease in trade notes and accounts receivable and contract assets	-	5,541
(Increase) decrease in inventories	(816)	(838)
Increase (decrease) in trade payables	(1,949)	(462)
Increase (decrease) in other current liabilities	2,314	2,217
Other	(2,588)	(1,498)
Subtotal	6,667	8,203
Receipts from interest and dividends	219	268
Interest paid	(43)	(37)
Special retirement payments	(11)	-
Income taxes paid	(2,998)	(1,122)
Income taxes refunded	4	53
Net cash provided by operating activities	3,839	7,365
Cash flows from investing activities		
Payment for acquisition of securities	-	(250)
Payment for purchase of tangible fixed assets	(515)	(439)
Proceeds from sale of tangible fixed assets	3	1
Payment for acquisition of intangible fixed assets	(495)	(437)
Payment for acquisition of investment securities	(1)	(1)
Payments for acquisition of businesses	-	(200)
Increase in time deposits	(2,288)	(1,384)
Proceeds from withdrawal of time deposits	681	694
Other	136	(68)
Net cash used in investing activities	(2,480)	(2,085)

(Millions of yen)

	FY 2020 (April 1, 2020- June 30, 2020)	FY 2021 (April 1, 2021- June 30, 2021)
Cash flows from financing activities		
Increase in short-term loans payable	57	30
Repayment for short-term bank loans	(86)	(61)
Payment for acquisition of treasury stock	0	(1,144)
Repayments of lease obligations	(882)	(1,174)
Proceeds from sale and leaseback	540	467
Dividends paid	(4,202)	(3,377)
Payment of dividends to non-controlling shareholders	(63)	(25)
Cash flows from financing activities	(4,637)	(5,283)
Effect of exchange rate changes on cash and cash equivalents	(480)	580
Net increase (decrease) in cash and cash equivalents	(3,758)	578
Cash and cash equivalents at the beginning of the year	52,134	52,546
Cash and cash equivalents at end of period	48,376	53,124

(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 the first 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 of Accounting Policy

(Application of "Accounting Standard for Revenue Recognition")

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the first quarter under review. The Company now recognizes revenue as the amount expected to be received in exchange for promised goods or services when control of said goods or services is transferred to the customer.

With regard to construction contracts, in the past, "Percent-of-Completion Method" was applied to construction work for which the certainty of the progress was recognized, and the "Completed-contract Method" was applied to other construction work. By applying the revenue recognition accounting standard, for construction works for which performance obligations are fulfilled over a certain period of time, the level of progress is now estimated. Provided that the result of the performance obligation can be reasonably measured, the level of progress is estimated based on the ratio of Actual Cost against Total Estimated Cost (accounting input method). As for construction with a very short construction period, revenue is recognized upon completely satisfying the performance obligations.

For the application of the revenue recognition accounting standard, the Company has followed the transitional treatment prescribed in Article 84 proviso of the standard. Accordingly, the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first quarter under review has been added to or subtracted from retained earnings at the beginning of the quarter. However, for the contracts for which almost all revenues have been recognized under the previous accounting method before the beginning of this consolidated first quarter, the method stipulated in Article 86 of the Revenue Recognition Accounting Standard is not applied retroactively. In addition, in accordance to Provision (1) stipulated in Section 86 of the Accounting Standard for Revenue Recognition, the accounts have been processed reflecting all contract modifications on all contracts made prior to the beginning of this consolidated first quarter, and the cumulative impact amount was either added to or subtracted from retained earnings at the beginning of this consolidated first quarter. The impact of this change on the beginning balance of retained earnings, profit & loss for the first quarter of the current consolidated cumulative period, segment information, etc. and per share information was insignificant.

Due to the application of revenue recognition accounting standards, "Notes and accounts receivable-trade", which was indicated in "Current assets" in the previous year's consolidated balance sheet, is now indicated in "Notes and accounts receivable-trade and contract assets" from this current consolidated first quarter. In addition, the "(increase) decrease in trade notes and accounts receivables" which was indicated in the "cash flow from operating activities" of the consolidated cash flow statement for the previous consolidated fiscal year, is now included in the "(increase) decrease in trade notes and accounts receivables and contract assets" from the first quarter of this consolidated fiscal year. Furthermore, in accordance with the transitional treatment stipulated in

Article 89-2 of the Accounting Standard for Revenue Recognition, the previous consolidated fiscal year has not been reclassified using the new presentation method.

(Application of “Accounting Standard for Fair Value Measurement”)

The "Accounting Standard for Market Value Calculation" (Corporate Accounting Standard No. 30, July 4, 2019; hereinafter referred to as "Market Value Calculation Accounting Standard"), etc. has been applied from the beginning of this consolidated first quarter and in accordance with the transitional treatment stipulated in Paragraph 19 of the Standard and "Accounting Standard for Financial Instruments" (Corporate Accounting Standard No. 10, July 4, 2019), Paragraph 44-2. shall be applied in the future. Moreover, there is no impact on the quarterly consolidated financial statements.

Additional information

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

In Amano Corporation and some of our 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, we have adopted the Directors' Compensation BIP Trust system for directors (excluding outside directors and expatriates) and operating officers (excluding expatriates). We have also adopted the Employee Stock Ownership Plan (J-ESOP) system for employees who meet the prescribed requirements.

[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 granted to the eligible persons. Furthermore, as for the executive compensation BIP trust, the trust period will be extended for the same period as the initial trust period as a stock compensation plan linked to the period of the 8th Medium-term Business Plan which started in April 2020.

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.

[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

As at the end of the first quarter of the current fiscal year ¥1,023 million, 412,019 shares

(The status of COVID-19 initiatives and the estimated accounting impact)

As an effort to ensure the health and safety of employees, Amano Corporation and our domestic group companies have adopted flexible work such as telework (work from home) and staggered working hours as well as workplace vaccination in limited areas.

Overseas group companies respond in accordance with instructions given, such as a curfew, by the local authorities of the countries or the states where they are located, and they generally work from home where a curfew is imposed.

As for our factory operations, domestic factories are now operating normally. Our U.S. factories are currently operating normally depending on enforcements issued by their local authorities.

There are no significant changes concerning an assumption and accounting estimates on the basis of the impact and severity of COVID-19 on our group reported in the consolidated financial statements for fiscal year 2020 ended March 2021.

Segment Information

[Segment Information]

I. 1st Quarter of fiscal year 2020 (April 1, 2020 to June 30, 2020)

(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	19,445	5,944	25,390	—	25,390
Intersegment	—	—	—	—	—
Total	19,445	5,944	25,390	—	25,390
Segment profit (loss)	532	341	873	(956)	(82)

Notes: 1. The ¥956 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 loss in the consolidated statement of income.

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

None

II. 1st Quarter of fiscal year 2021 (April 1, 2021 to June 30, 2021)

(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	18,609	6,923	25,532	—	25,532
Intersegment	—	—	—	—	—
Total	18,609	6,923	25,532	—	25,532
Segment profit (loss)	1,133	675	1,808	(882)	925

Notes: 1. The ¥882 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

Omitted due to lack of importance

Significant Subsequent Events

None