

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

October 29, 2018

Company name: Amano Corporation Listed on: TSE
Securities code: 6436 URL <http://www.amano.co.jp/English/>
Representative: Hiroyuki Tsuda, President & Representative Director
Kunihiro Ihara, Director & Operating Officer
Inquiries: General Manager, Corporate Planning Phone: +81 (45) 439-1591
Scheduled date for filing of quarterly securities report: November 5, 2018
Scheduled date for start of dividend payments: December 4, 2018
Supplementary explanation materials prepared for quarterly financial results: Yes
Briefing held on quarterly financial results: Yes (for institutional investors and analysts)

(Amounts less than 1 million yen are rounded down)

1. Business results for second quarter of fiscal year 2018 (April 1, 2018 to September 30, 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	%
2Q of FY 2018 (year ending March 2019)	61,008	5.3	5,502	(2.2)	5,924	(1.0)	3,828	(6.0)
2Q of FY 2017 (year ended March 2018)	57,962	2.4	5,628	10.4	5,982	14.2	4,071	24.9

Note: Comprehensive income Second quarter of FY 2018 (year ending March 2019): ¥3,351 million (-9.6%)
Second quarter of FY 2017 (year ended March 2018): ¥3,708 million (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q of FY 2018 (year ending March 2019)	50.55	—
2Q of FY 2017 (year ended March 2018)	53.61	—

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2Q of FY 2018 (as of September 30, 2018)	144,388	106,423	73.3	1,398.34
FY 2017 (as of March 31, 2018)	145,439	105,634	72.3	1,381.90

Reference: Equity capital Second quarter of FY 2018 (as of September 30, 2018): ¥105,901 million
FY 2017 (as of March 31, 2018): ¥105,091 million

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third 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 2Q ended September 30, 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 2Q ended September 30, 2018	924,278 shares	As of March 31, 2018	923,903 shares
[3] Average number of shares outstanding (over the fiscal year under review up to September 30, 2018)	As of 2Q ended September 30, 2018	75,733,729 shares	As of 2Q ended September 30, 2017	75,945,020 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], but excluded from (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.

(How to obtain the materials used in the briefing on financial results)

The briefing on financial results for institutional investors and corporate analysts is scheduled for Wednesday, October 31, 2018. The reference materials that are distributed at this briefing shall be uploaded onto our website immediately after the briefing.

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

(1) Explanation of Business Results

During the first half of the current fiscal year, the Japanese economy remained firm in light of the steady U.S. economy and the recovering Chinese economy, despite the political and economical uncertainties, such as international trade policy. In Japan, while being wary of the effects of successive natural disasters, the Japanese economy is expected to remain on a bullish trend against the backdrop of robust corporate performances evidenced by the solid employment environment, capital expenditure, and increasing exports.

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 management 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 practices through cost reduction activities and promoting Amano-way work style reform.

As a result of the above, during the first half under review, the Company recorded higher sales but lower profit. Although sales were up 5.3% year-on-year at ¥61,008 million, operating profit was down 2.2% at ¥5,502 million, ordinary profit was down 1.0% at ¥5,924 million, and net income attributable to owners of the parent company was also down 6.0% at ¥3,828 million.

Although the profits of unconsolidated Amano were on a bullish trend and the performance of Group companies in Japan, Europe and Asia were robust, the primary factor for consolidated profit decline was the slower-than-expected recovery of North American business.

The following are business results by segment:

Sales by business division

(Millions of yen)

Category	2Q of FY 2017 (year ended March 2018)		2Q of FY 2018 (year ending March 2019)		Change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	%
Time Information System business:						
Information Systems	12,261	21.2	13,251	21.7	989	8.1
Time Management Products	1,773	3.1	1,696	2.8	(77)	(4.3)
Parking Systems	27,955	48.2	29,765	48.8	1,809	6.5
Subtotal	41,989	72.5	44,712	73.3	2,722	6.5
Environment System business:						
Environmental Systems	10,212	17.6	10,466	17.1	253	2.5
Clean Systems	5,759	9.9	5,829	9.6	70	1.2
Subtotal	15,972	27.5	16,296	26.7	324	2.0
Total	57,962	100.0	61,008	100.0	3,046	5.3

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 ¥44,712 million, up by ¥2,722 million (6.5%) year-on-year. The following is a breakdown of sales by business division.

- Information Systems ¥13,251 million, (up 8.1% year-on-year)

In this business division, against the backdrop of enacted the bills related to the “work style reform” promoted by the Japanese government, attention is turning to the future trends of companies’ efforts to address long working hours, improve productivity and make full use of diverse human resources.

In response to these market conditions, the Company, being “Amano—active in the area of HR (Human Resources),” added access control and security to the list of its “3-in-1” proposal, comprising time & attendance (T&A), payroll, and human-resource management, thus striving to bolster its activities to provide total solutions from system ownership to system use.

Domestic sales for the current term were as follows. For Amano, on an unconsolidated basis, software sales increased by ¥233 million (7.9%), hardware sales increased by ¥231 million (12.6%), and sales generated by maintenance contracts and supplies services increased by ¥166 million (8.6%) year-on-year. The increase in software sales was mainly attributable to increased orders for “TimePro-VG,” which is a software for medium and large businesses. The increase in hardware sales was due to increased orders from the public sector and several projects requiring multiple units. The cloud services developed by Amano Business Solutions Corporation continued to perform strongly.

Overseas sales increased by ¥ 468 million (9.7%) year-on-year, due to the increased sales of Horoquartz S.A. in Europe despite the decreased sales of Accu-Time Systems Inc. in North America.

- Time Management Products ¥1,696 million, (down 4.3% year-on-year)

Although there is constant demand for standard devices, this business division continues to cope with the current trend toward lower prices.

In this market environment, the Company has been working on expanding sales of time recorders “TimeP@CK series” equipped with aggregation software compatible with PCs, offering improved usability and functionality, as well as concentrating on expanding its customer base through the promotion of the “User-club” (a fee-based service for members).

Overall domestic sales for the current term increased by ¥25 million (1.9%) year-on-year, due to increased sales of “TimeP@CK-iC IV CL”, and increased exports.

Overall overseas sales decreased by ¥86 million (18.9%) year-on-year, as sales in North America and Asia fell while sales in Europe were flat.

- Parking Systems ¥29,765 million, (up 6.5% year-on-year)

To respond to the increasingly diverse needs of parking lot management in Japan, the Parking Systems business division has been working on improving the efficiency and reducing the cost of parking lot management, increasing the level of convenience for parking lot users, ensuring safety and security in parking lots, and integration with the Internet.

In response to these market conditions, the Company further strengthened its cooperation with major parking lot management firms and, at the same time, concentrated on offering various services to small to medium-sized parking lot management firms through its parking lot data centers. The Company has also worked to improve the functionality and usability of its system equipment and made efforts to expand into new markets, such as bicycle parking systems, security-gate systems and toll road systems, as well as strengthening proposals for improving parking lot management efficiency and making new proposals for enhancing parking lot services to users.

During the current term for unconsolidated Amano, domestic parking equipment sales increased by ¥231 million (2.7%) year-on-year, due to increased orders from projects for management companies and renewal projects to replace old pay stations. Domestic sales generated from maintenance contracts and supplies services increased by ¥45 million (1.0%). Amano Management Service Corporation’s commissioned parking

lot management business has been steadily expanding with increased sales, and the number of parking spaces under management increased by 13,200 (3.1%) from the end of the previous fiscal year.

Overall overseas sales increased by ¥1,284 million (14.2%) year-on-year due to an increase in sales in the Asian region led mainly by the steady expansion of commissioned parking lot management business in Korea, while sales of Amano McGann Inc. decreased in North America.

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 ¥16,296 million, up by ¥324 million (2.0%) year-on-year. The following is a breakdown of sales by business division.

- Environmental Systems ¥10,466 million, (up 2.5% year-on-year)

In this market environment, the Company's domestic strategy focused on capitalizing the demand for its standard equipment by strengthening proposals, mainly targeting companies related to machine tools, electronic parts and automobiles, while seeking to win additional orders from customers in the pharmaceutical, foods and cosmetics markets.

Meanwhile, the Company enhanced cooperation with its overseas Group companies, reinforced its platforms for engineering, sales and services. Furthermore, the Company endeavored to achieve greater cost competitiveness by expanding its local procurement, while observing the investment trend of Japanese companies operating overseas.

During the current term for unconsolidated Amano, domestic sales of standard equipment increased by ¥204 million (5.6%), sales of large-scale systems decreased by ¥145 million (5.3%) and sales generated by maintenance contracts and supplies services decreased by ¥22 million (1.0%) year-on-year.

Overall overseas sales increased by ¥302 million (20.7%), sales in Asia increased mainly in China, Thailand and the Philippines.

- Clean Systems ¥5,829 million, (up 1.2% year-on-year)

In Clean Systems, while the trend of companies trying to reduce cleaning costs continues domestically amid a shortage of sanitary workers in the building maintenance industry, needs for proposals that lead to higher cleaning efficiency and improved quality have been increasing.

In response to these market conditions, we strengthened our proposals to address the cleaning issues companies are facing through the implementation of new cleaning techniques using cleaning robots and the expansion of sales of compact cordless polishers and automatic floor scrubbers the "EG series", featuring higher levels of safety and improved usability.

During the current term for unconsolidated Amano, domestic sales for cleaning equipment grew by ¥51 million (5.0%) due to increased sales of polishers, carpet cleaners and scrubbers but sales generated by maintenance contracts and supplies services decreased by ¥24 million (2.1%) year-on-year.

Overall overseas sales increased by ¥38 million (1.2%) as sales for North America grew owing to a steady increase in the wood floor sanding equipment business.

Reference information

Information by area

(Millions of yen)

	Net sales				Operating profit/loss			
	2Q of FY 2017 (year ended March 2018)	2Q of FY 2018 (year ending March 2019)	Change	Percentage change (%)	2Q of FY 2017 (year ended March 2018)	2Q of FY 2018 (year ending March 2019)	Change	Percentage change (%)
Japan	39,631	40,908	1,277	3.2	6,828	7,146	318	4.7
Other Asia	6,107	7,759	1,651	27.0	441	682	241	54.6
North America	9,183	8,798	(385)	(4.2)	(111)	(685)	(573)	—
Europe	3,961	4,609	647	16.4	247	313	65	26.6
Total	58,884	62,075	3,190	5.4	7,405	7,457	51	0.7
Eliminations/ Corporate	(921)	(1,066)	—	—	(1,777)	(1,954)	—	—
Consolidated	57,962	61,008	3,046	5.3	5,628	5,502	(125)	(2.2)

- 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 (%)		
	2Q of FY 2017 (year ended March 2018)	2Q of FY 2018 (year ending March 2019)	Change	Percentage change (%)	2Q of FY 2017 (year ended March 2018)	2Q of FY 2018 (year ending March 2019)	Change
Other Asia	6,070	7,783	1,713	28.2	10.5	12.8	2.3
North America	8,434	8,173	(260)	(3.1)	14.5	13.4	(1.1)
Europe	3,843	4,485	641	16.7	6.6	7.3	0.7
Other regions	782	766	(16)	(2.1)	1.4	1.3	(0.1)
Total	19,130	21,208	2,077	10.9	33.0	34.8	1.8
Consolidated net sales	57,962	61,008					

- 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, 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 first 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 first half of the fiscal year amounted to ¥144,388 million, a drop of ¥1,051 million from the previous fiscal year-end. This was attributable primarily to a decrease of ¥2,609 million in current assets due to a decrease in notes and accounts receivable trade, despite an increase of ¥1,558 million in fixed assets due to increase in intangible fixed assets accompanying a business acquisition.

Liabilities

Total liabilities at the end of the first half of the fiscal year amounted to ¥37,964 million, a drop of ¥1,840 million from the previous fiscal year-end. This was attributable primarily to a decrease of ¥1,720 million in current liabilities due to a decrease in accrued income taxes, notes and accounts payable trade, and also to a decrease of ¥120 million in long-term liabilities due to a decrease in long-term lease obligation.

Net assets

Total net assets at the end of the first half of the fiscal year amounted to ¥106,423 million, up by ¥789 million from the previous fiscal year-end. This was primarily attributable to an increase of ¥1,312 million in shareholders' equity due to the posting of net income attributable to owners of the parent company, despite a decrease of ¥502 million in accumulated other comprehensive income due to a decrease in foreign currency translation adjustments.

(ii) Cash flows

Consolidated cash and cash equivalents decreased by ¥1,353 million from the previous fiscal year-end, to a total of ¥38,878 million at the end of the first half. More specifically, the status of each type of cash flow during the first half and the underlying factors are as follows:

Cash flow from operating activities

Net cash provided by operating activities totaled ¥6,755 million. This was primarily attributable to the posting of income before income taxes amounting to ¥5,922 million and a decrease in accounts receivable amounting to ¥3,240 million despite the posting of increase in Inventory assets amounting to ¥1,257 million, and income tax payments amounting to ¥3,042 million.

Cash flow from investing activities

Net cash used in investing activities totaled -¥4,801 million. This is mainly because, despite the incoming proceeds from the withdrawal of time deposits of ¥4,970 million, expenditures amounting to ¥5,117 million in time deposits and expenditures amounting to ¥2,112 million related to a business acquisition.

Cash flow from financing activities

Net cash used in financing activities amounted to -¥2,814 million. This was chiefly due to the posting of expenditures amounting to ¥2,585 million in payment of dividends and ¥707 million in payment for finance lease obligation, despite the posting of ¥558 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.

(4) Basic Policy on Distribution of Profits and Payment of Dividends for This Second Quarter

Amano places great importance on its policy for the payment of dividends to shareholders. Fundamental to this is its policy for the return of profit to shareholders, based on maintaining a stable ordinary dividend, together with appropriate results-based distributions of profits and flexible purchasing of treasury stock. The Company aims to maintain a payout ratio of at least 40% on a consolidated basis and a ratio of dividend to net assets of at least 2.5%.

In line with this policy, the Company plans to pay a second-quarter dividend of ¥25 per share as expected at the beginning of the period.

In addition, the Board of Directors of Amano Corporation approved a resolution to repurchase its own shares on October 29, 2018. Please refer to our website for more information.

(https://www.amano.co.jp/English/ir/dl/news/2018/20181029_2.pdf)

2. Consolidated Quarterly Financial Statements and Primary Explanatory Notes

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	FY 2017 (as of March 31, 2018)	FY 2018 (as of September 30, 2018)
Assets		
Current assets		
Cash and bank deposits	44,525	43,341
Notes and accounts receivable—trade	33,632	30,205
Marketable securities	1,377	1,228
Merchandise and finished goods	3,699	3,999
Work in process	535	935
Raw materials and supplies	5,495	5,906
Other current assets	3,267	4,315
Allowance for doubtful accounts	(467)	(476)
Total current assets	92,065	89,455
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	10,977	10,784
Machinery and vehicles (net)	923	898
Tools, furniture and fixtures (net)	2,127	2,216
Land	7,135	7,120
Lease assets (net)	2,638	2,448
Construction in progress	177	194
Total tangible fixed assets	23,980	23,663
Intangible fixed assets		
Goodwill	2,895	3,028
Software	4,385	4,761
Software in progress	2,261	2,136
Other	2,824	3,829
Total intangible fixed assets	12,367	13,754
Investments and other assets		
Investment securities	9,363	10,178
Long-term loans receivable	10	10
Claims in bankruptcy and similar claims	529	507
Fixed leasehold deposits	1,287	1,347
Long-term deposits	1,500	1,500
Net defined benefit assets	96	99
Deferred tax assets	2,770	2,414
Other	2,011	1,977
Allowance for doubtful accounts	(542)	(520)
Total investments and other assets	17,026	17,515
Total fixed assets	53,374	54,933
Total assets	145,439	144,388

(Millions of yen)

	FY 2017 (as of March 31, 2018)	FY 2018 (as of September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	7,034	6,264
Electronically recorded obligations	6,454	6,090
Short-term bank loans	169	126
Lease obligations	1,296	1,195
Accrued income taxes	3,472	2,665
Accrued bonuses	2,477	2,118
Accrued officers' bonuses	130	-
Other current liabilities		
Total current liabilities	34,370	32,649
Long-term liabilities		
Long-term accounts payable—other	33	8
Lease obligations	2,590	2,445
Deferred tax liabilities	5	7
Net defined benefit liabilities	2,446	2,318
Provision for stock benefit	-	95
Provision for directors' stock benefit	-	83
Asset retirement obligations	31	31
Other long-term liabilities	326	323
Total long-term liabilities	5,434	5,314
Total liabilities	39,805	37,964
Net assets		
Shareholders' equity		
Common stock	18,239	18,239
Capital surplus	19,293	19,293
Retained earnings	71,140	72,453
Treasury stock	(1,892)	(1,893)
Total shareholders' equity	106,780	108,093
Accumulated other comprehensive income		
Net unrealized gains (losses) on available- for-sale securities	2,225	2,802
Foreign currency translation adjustments	(2,997)	(4,165)
Remeasurements of defined benefit plans	(917)	(828)
Total accumulated other comprehensive income	(1,689)	(2,191)
Non-controlling shareholders' interests	543	522
Total net assets	105,634	106,423
Total liabilities and net assets	145,439	144,388

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income
Consolidated Quarterly Statements of Income
Second quarter ended September 30, 2018

	FY 2017 (April 1, 2017- September 30, 2017)	FY 2018 (April 1, 2018- September 30, 2018)
Net sales	57,962	61,008
Cost of sales	32,235	33,972
Gross profit	25,726	27,036
Selling, general and administrative expenses		
Selling expenses	18,153	19,322
General and administrative expenses	1,945	2,210
Total selling, general and administrative expenses	20,098	21,533
Operating profit	5,628	5,502
Non-operating profit		
Interest income	50	62
Dividend income	61	74
Insurance income	43	28
Foreign exchange gains	5	33
Equity in earnings of affiliates	7	32
Other	240	239
Total non-operating profit	408	470
Non-operating expenses		
Interest expenses	15	13
Foreign withholding tax	1	0
Other	37	34
Total non-operating expenses	54	48
Ordinary profit	5,982	5,924
Extraordinary income		
Gain on sale of fixed assets	3	8
Gain on sales of investment securities	250	-
Total extraordinary income	253	8
Extraordinary losses		
Loss on disposal of fixed assets	4	10
Loss on sale of fixed assets	0	0
Total extraordinary losses	5	10
Income before income taxes	6,230	5,922
Income taxes	2,128	2,047
Net income	4,102	3,874
Net income attributable to non-controlling shareholders	30	46
Net income attributable to owners of the parent company	4,071	3,828

Consolidated Quarterly Statements of Comprehensive Income
Second quarter ended September 30, 2018

(Millions of yen)

	FY 2017 (April 1, 2017- September 30, 2017)	FY 2018 (April 1, 2018- September 30, 2018)
Net income	4,102	3,874
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	1	577
Foreign currency translation adjustment	(500)	(1,189)
Remeasurements of defined benefit plans	105	88
Share of other comprehensive income of associates accounted for using equity method	(0)	0
Total other comprehensive income	(393)	(523)
Comprehensive income	3,708	3,351
(Breakdown)		
Comprehensive income attributable to owners of the parent company	3,672	3,326
Comprehensive income attributable to non-controlling shareholders	35	25

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	FY 2017 (April 1, 2017- September 30, 2017)	FY 2018 (April 1, 2018- September 30, 2018)
Cash flows from operating activities		
Income before income taxes	6,230	5,922
Depreciation and amortization	2,355	2,803
Amortization of goodwill	316	264
Increase (decrease) in net defined benefit liabilities	58	26
Increase (decrease) in provision for stock benefit	-	95
Increase (decrease) in provision for directors' stock benefit	-	83
Increase (decrease) in allowance for doubtful accounts	133	13
Interest and dividend revenue	(111)	(137)
Equity in (earnings) losses of affiliates	(7)	(32)
Interest expenses	15	13
Foreign currency translation loss (gain)	(16)	25
Loss (gain) on sale of fixed assets	(2)	(8)
Loss on retirement of non-current assets	4	10
Loss (gain) on sales of investment securities	(250)	-
(Increase) decrease in trade notes and accounts receivable	4,100	3,240
(Increase) decrease in inventories	(1,142)	(1,257)
Increase (decrease) in accounts payable	(2,253)	(1,044)
Increase (decrease) in other current liabilities	1,077	641
Other	(1,079)	(1,067)
Subtotal	9,430	9,592
Receipts from interest and dividends	160	209
Interest paid	(15)	(13)
Income taxes paid	(2,062)	(3,042)
Income taxes refunded	35	9
Net cash provided by operating activities	7,549	6,755
Cash flows from investing activities		
Payment for acquisition of securities	(1,000)	(1,000)
Proceeds from redemption of securities	1,050	1,000
Payment for purchase of tangible fixed assets	(1,391)	(1,314)
Proceeds from sale of tangible fixed assets	19	9
Payment for acquisition of intangible fixed assets	(1,169)	(1,110)
Payment for acquisition of investment securities	(664)	(3)
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	(3,679)	(5,117)
Proceeds from withdrawal of time deposits	3,593	4,970
Other	42	(123)
Net cash used in investing activities	(3,018)	(4,801)

(Millions of yen)

	FY 2017 (April 1, 2017- September 30, 2017)	FY 2018 (April 1, 2018- September 30, 2018)
Cash flows from financing activities		
Increase in short-term loans payable	158	128
Repayment for short-term bank loans	(17)	(160)
Payment for acquisition of treasury stock	(829)	(0)
Repayment of finance/lease obligations	(790)	(707)
Proceeds from sale and leaseback	617	558
Dividends paid	(2,205)	(2,585)
Payment of dividends to non-controlling shareholders	(41)	(46)
Cash flows from financing activities	(3,107)	(2,814)
Effect of exchange rate changes on cash and cash equivalents	(236)	(492)
Net increase (decrease) in cash and cash equivalents	1,187	(1,353)
Cash and cash equivalents at the beginning of the year	35,270	40,231
Cash and cash equivalents at end of period	36,457	38,878

(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 15 "Revenue from Contracts with Customers")

From the first quarter consolidated accounting period, the Group's subsidiary applicable to IFRS adopted the IFRS 15 "Revenue from Contracts with Customers". In adopting this accounting standard, transitional measures are permitted, the method to recognize the cumulative effect of applying this standard on the application start date is adopted.

As a result, compared with the previous accounting standard, the balance of retained earnings increased by ¥70 million. In the second quarter consolidated cumulative second quarter of the current consolidated fiscal year, net sales decreased by ¥13 million, income tax adjustments decreased by ¥4 million, and net income attributable to parent company shareholders decreased by ¥8 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 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 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

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

(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 first 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. Second quarter ended September 30, 2017 (April 1, 2017–September 30, 2017)

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

	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	41,989	15,972	57,962	—	57,962
Intersegment	—	—	—	—	—
Total	41,989	15,972	57,962	—	57,962
Segment profit (loss)	5,115	2,334	7,450	(1,822)	5,628

Notes: 1. The –¥1,822 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. Second quarter ended September 30, 2018 (April 1, 2018–September 30, 2018)

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

	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	44,712	16,296	61,008	—	61,008
Intersegment	—	—	—	—	—
Total	44,712	16,296	61,008	—	61,008
Segment profit (loss)	5,137	2,364	7,502	(1,999)	5,502

Notes: 1. The –¥1,999 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

On October 29, 2018, the Board of Directors of the "Company approved the resolution to acquire treasury stock pursuant to the provisions of Article 156 of the Companies Act as applied by replacing certain terms under the provisions of Article 165, Paragraph 3 of the same Act.

1. Reasons for acquisition of treasury stock

While strengthening shareholder returns, treasury stock is acquired in order to flexibly carry out its capital management strategies and to improve capital efficiency in response to changes in the business environment.

2. Details of the acquisition

(1) Class of shares to be acquired	Common stock of the Company
(2) Total number of shares to be acquired	Up to 1,000,000 shares (upper limit) [Representing 1.31% of the Total number of shares issued (excluding treasury stock)]
(3) Total acquisition cost	Up to 2,500,000,000 yen (upper limit)
(4) Acquisition period	From October 30, 2018 to March 29, 2019