

Summary Financial Statements (Consolidated)
for 2nd Quarter of Fiscal Year 2019 (Year Ending March 31, 2020) (Japan GAAP)

October 28, 2019

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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 2nd Quarter of fiscal year 2019 (April 1, 2019 to September 30, 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	%
2Q of FY 2019 (year ending March 2020)	64,874	6.3	7,174	30.4	7,459	25.9	4,679	22.2
2Q of FY 2018 (year ended March 2019)	61,008	5.3	5,502	(2.2)	5,924	(1.0)	3,828	(6.0)

Note: Comprehensive income 2nd Quarter of FY 2019 (year ending March 2020): ¥3,920 million (17.0%)
2nd Quarter of FY 2018 (year ended March 2019): ¥3,351 million (-9.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q of FY 2019 (year ending March 2020)	62.61	—
2Q of FY 2018 (year ended March 2019)	50.55	—

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2Q of FY 2019 (as of September 30, 2019)	148,025	106,325	71.4	1,413.48
FY 2018 (as of March 31, 2019)	147,609	106,592	71.8	1,417.86

Reference: Equity capital 2nd Quarter of FY 2019 (as of September 30, 2019): ¥105,633 million
FY 2018 (as of March 31, 2019): ¥105,961 million

2. Dividends

	Annual dividends				
	First quarter-end	2nd Quarter-end	Third 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 2Q ended September 30, 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 2Q ended September 30, 2019	1,925,279 shares	As of March 31, 2019	1,924,625 shares
[3] Average number of shares outstanding (over the fiscal year under review up to September 30, 2019)	As of 2Q ended September 30, 2019	74,732,862 shares	As of 2Q ended September 30, 2018	75,733,729 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.

Obtaining supplementary financial results materials and information on the scheduled financial results briefing

Supplementary financial results materials are disclosed via TDnet on the same day as the date of this document. Also, a financial results briefing for institutional investors and analysts is scheduled for Wednesday, October 30, 2019. The financial results materials to be distributed at this briefing are due to be published on the Amano Corporation website immediately following the meeting.

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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 consolidated fiscal year under review, the global economy showed signs of slowdown 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 half under review, the Company recorded sales of ¥64,874 million, up by 6.3% year-on-year. Operating profit increased by 30.4% to ¥7,174 million, ordinary profit went up by 25.9% to ¥7,459 million, and net income attributable to owners of the parent company increased by 22.2% to ¥4,679 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 large-scale projects and other projects for management firms, and the Environmental Systems also remained strong with large-scale systems.
- (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.
- (iv) Profits for the first half 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 half of fiscal year is greater than the past years.

The following are business results by segment:

Sales by business division

(Millions of yen)

Category	2Q of FY 2018 (year ended March 2019)		2Q of FY 2019 (year ending March 2020)		Change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	%
Time Information System business:						
Information Systems	13,251	21.7	14,445	22.3	1,194	9.0
Time Management Products	1,696	2.8	1,722	2.7	25	1.5
Parking Systems	29,765	48.8	32,131	49.5	2,366	8.0
Subtotal	44,712	73.3	48,299	74.5	3,586	8.0
Environment System business:						
Environmental Systems	10,466	17.1	11,238	17.3	771	7.4
Clean Systems	5,829	9.6	5,337	8.2	(492)	(8.4)
Subtotal	16,296	26.7	16,575	25.5	279	1.7
Total	61,008	100.0	64,874	100.0	3,866	6.3

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 ¥48,299 million, up by ¥3,586 million (8.0%) year-on-year. The following is a breakdown of sales by business division.

• Information Systems ¥14,445 million (up 9.0% year-on-year)

In this business, against the backdrop of the enforcement of the law related to work style reform in April, attention in Japan 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, with its motto "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 ¥1,143 million (up 36.1%), hardware sales decreased by ¥81 million (down 3.9%), and sales generated by maintenance contracts and supplies services increased by ¥136 million (up 6.5%) year-on-year. The increase in software sales was mainly attributable to favorable orders for "TimePro-VG," a piece of software for medium-sized and large corporation, and "TimePro-NX" for small to medium-sized corporation. The decrease in hardware sales was due to a reaction to several projects requiring multiple units in the previous term. The cloud services developed by Amano Business Solutions Corporation continued to perform strongly. Overall overseas sales increased by ¥42 million (up 0.8%), as the sales of Accu-Time Systems, Inc. in North America increased while those of Horoquartz S.A. in Europe decreased due to the impact of exchange rates.

• Time Management Products ¥1,722 million (up 1.5% year-on-year)

Although there is constant demand for the standard devices, the trend toward lower prices has continued in this business.

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

Overall domestic sales for the current term increased by ¥51 million (up 3.6%) year-on-year due to an increase in the number of "TimeP@CK-iC IV CL" units sold owing to an increase in orders from industries that had been using an attendance book for attendance management, despite a decrease in sales of standard time recorders.

Overall overseas sales decreased by ¥28 million (down 7.6%), as sales in North America and Asia fell while sales in Europe were flat.

• Parking Systems ¥32,131 million (up 8.0% year-on-year)

To respond to the increasingly diverse needs of parking lot management in Japan, the Parking Systems 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.

Domestic sales for the current term were as follows. For Amano, on an unconsolidated basis, domestic parking equipment sales increased by ¥299 million (up 3.4%) due to an increase in large-scale projects and other projects for management firms compared to the previous term, and sales generated by maintenance contracts and supplies services increased by ¥129 million (up 2.7%). 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 15,300 (up 3.3%) from the end of the previous fiscal year.

Overall overseas sales increased by ¥1,604 million (up 15.5%) due to the steadily expanding commissioned parking lot management business in the Asian region, mainly in Korea and Malaysia as well as to an increase in sales at Amano McGann, Inc. 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 ¥16,575 million, up by ¥279 million (1.7%) year-on-year. The following is a breakdown of sales by business division.

- Environmental Systems ¥11,238 million (up 7.4% year-on-year)

In Environmental Systems, while the domestic trends of investment for energy-saving and labor-saving have remained solid, there is a concern over the impact of the US-China trade war. Therefore, we believe that the business environment remains uncertain.

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, and endeavored to achieve greater cost competitiveness by expanding its local procurement, while observing the investment trends of Japanese companies operating overseas.

During the current term for Amano, on an unconsolidated basis, although domestic sales of standard equipment decreased by ¥121 million (down 3.2%), sales of large-scale systems increased by ¥468 million (up 18.1%), and sales generated by maintenance contracts and supplies services decreased by ¥227 million (down 9.8%) year-on-year.

Overall overseas sales increased by ¥548 million (up 31.1%) due to sales increases in Asia, mainly led by Thailand and China.

- Clean Systems ¥5,337 million (down 8.4% year-on-year)

In Clean Systems, while the trend of companies trying to reduce cleaning costs continues 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 addressing cleaning issues companies are facing, by introducing new cleaning techniques using cleaning robots and by promoting the new automatic floor scrubbers "EG series" along with compact cordless polishers which feature improved safety and usability.

During the current term for Amano, on an unconsolidated basis, overall domestic sales of cleaning equipment decreased by ¥54 million (down 5.1%) and domestic sales generated by maintenance contracts and supplies services increased by ¥57 million (up 4.9%) year-on-year because, despite Amano's increased sales of cleaning robots, sales of other equipment were sluggish.

Overall overseas sales decreased by ¥493 million (down 15.5%) due to sales decreases in North America.

Reference information

Information by area

(Millions of yen)

	Net sales				Operating profit/loss			
	2Q of FY 2018 (year ended March 2019)	2Q of FY 2019 (year ending March 2020)	Change	Percentage change (%)	2Q of FY 2018 (year ended March 2019)	2Q of FY 2019 (year ending March 2020)	Change	Percentage change (%)
Japan	40,908	42,908	2,000	4.9	7,146	8,140	993	13.9
Other Asia	7,759	9,629	1,870	24.1	682	890	208	30.5
North America	8,798	8,947	149	1.7	(685)	(195)	489	—
Europe	4,609	4,380	(229)	(5.0)	313	299	(13)	(4.4)
Total	62,075	65,865	3,790	6.1	7,457	9,134	1,677	22.5
Eliminations/ Corporate	(1,066)	(990)	—	—	(1,954)	(1,960)	—	—
Consolidated	61,008	64,874	3,866	6.3	5,502	7,174	1,671	30.4

- Notes: 1. The national and regional demarcations are based on the degree of geographical proximity.
2. Major countries and territories included in areas other than Japan:
(1) Other Asia: Singapore, Thailand, Malaysia, Indonesia, South Korea, China, 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 (%)		
	2Q of FY 2018 (year ended March 2019)	2Q of FY 2019 (year ending March 2020)	Change	Percentage change (%)	2Q of FY 2018 (year ended March 2019)	2Q of FY 2019 (year ending March 2020)	Change
Other Asia	7,783	10,202	2,419	31.1	12.8	15.7	2.9
North America	8,173	8,316	142	1.7	13.4	12.8	(0.6)
Europe	4,485	4,355	(129)	(2.9)	7.3	6.7	(0.6)
Other regions	766	498	(267)	(34.9)	1.3	0.8	(0.5)
Total	21,208	23,373	2,164	10.2	34.8	36.0	1.2
Consolidated net sales	61,008	64,874					

- 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 ¥148,025 million (up ¥416 million from the previous consolidated fiscal year-end).

- Current assets: a decrease of ¥950 million due to a decrease in notes and accounts receivables-trade, etc.
- Fixed assets: an increase of ¥1,366 million due to an increase in lease assets (net), etc.

Total liabilities amounted to ¥41,700 million (up ¥683 million from the previous consolidated fiscal year-end).

- Current liabilities: a decrease of ¥921 million due to decreases in notes and accounts payable-trade and electronically recorded obligations, etc.
- Long-term liabilities: an increase of ¥1,604 million due to an increase in lease obligations, etc.

Net assets amounted to ¥106,325 million (down ¥267 million from the previous consolidated fiscal year-end).

- Shareholders' equity: an increase of ¥549 million due to posting of net income attributable to owners of the parent company, etc.
- Accumulated other comprehensive income: a decrease of ¥877 million due to a decrease in foreign currency translation adjustments, etc.

(ii) Cash flows

Consolidated cash and cash equivalents increased by ¥2,059 million from the previous fiscal year-end, to a total of ¥44,547 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:

Net cash provided by operating activities totaled ¥9,699 million (an increase in income of ¥2,943 million year-on-year).

- Main income factors:
 - Posting of income before income taxes amounting to ¥7,314 million and posting of a decrease in trade notes and accounts receivable amounting to ¥4,303 million.
 - Posting of depreciation and amortization amounting to ¥3,377 million.
- Main expenditure factors:
 - Posting of income taxes paid amounting to ¥2,694 million and posting of a decrease in trade payable amounting to ¥1,664 million.

Net cash used in investing activities totaled -¥2,667 million (a decrease in cash outflow of ¥2,134 million year-on-year).

- Main income factors:
 - Posting of proceeds from withdrawal of time deposits amounting to ¥2,013 million.
- Main expenditure factors:
 - Posting of increase in time deposits amounting to ¥2,352 million and posting of payment for purchase of tangible fixed assets amounting to ¥1,472 million.

Net cash used in financing activities amounted to -¥4,697 million (an increase in cash outflow of ¥1,883 million year-on-year).

- Main income factors:
 - Posting of proceeds from sale and leaseback amounting to ¥675 million.
- Main expenditure factors:
 - Posting of dividends paid amounting to ¥4,127 million and posting of repayment of lease obligations amounting to ¥1,157 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 half of the fiscal year resulted in increases in both sales and profit, this is an increase in reaction to the results of the first half of previous fiscal year which recorded a decrease in profits; domestic demand for parking systems from the Tokyo Olympic will run its course in the second half of the fiscal year onward; the impact of the US-China trade war on environmental systems in and outside Japan is anticipated; and while losses at Amano McGann, Inc. in North America have reduced from the same period of the last year, it is not certain that there will be a full-scale recovery in operation toward the end of the term. 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 of paying dividends to shareholders. Its fundamental policy to return profits to shareholders is to continue to make stable ordinary dividend payments, make appropriate performance-based distributions, and buy back shares, as it deems necessary. The Company aims to maintain a dividend payout ratio of at least 40% on a consolidated basis, a total return ratio of at least 55%, and a net asset dividend rate of at least 2.5%.

In line with this policy, we plan to pay a dividend of ¥28 per share at the end of the current first half of the consolidated fiscal year, as expected at the beginning of the term.

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 September 30, 2019)
Assets		
Current assets		
Cash and bank deposits	45,558	47,905
Notes and accounts receivable—trade	35,367	30,715
Marketable securities	1,184	1,190
Merchandise and finished goods	4,381	4,842
Work in process	767	766
Raw materials and supplies	5,036	5,402
Other current assets	3,630	4,026
Allowance for doubtful accounts	(476)	(350)
Total current assets	95,449	94,498
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	10,130	10,132
Machinery and vehicles (net)	896	958
Tools, furniture and fixtures (net)	2,430	2,409
Land	6,125	6,109
Lease assets (net)	2,293	4,880
Construction in progress	236	201
Total tangible fixed assets	22,111	24,690
Intangible fixed assets		
Goodwill	2,734	2,374
Software	4,552	5,277
Software in progress	1,985	831
Other	3,510	3,261
Total intangible fixed assets	12,782	11,745
Investments and other assets		
Investment securities	10,046	10,047
Claims in bankruptcy and similar claims	496	577
Fixed leasehold deposits	1,420	1,403
Long-term deposits	1,500	1,500
Net defined benefit assets	102	102
Deferred tax assets	2,320	2,272
Other	1,887	1,778
Allowance for doubtful accounts	(509)	(591)
Total investments and other assets	17,266	17,091
Total fixed assets	52,160	53,526
Total assets	147,609	148,025

(Millions of yen)

	FY 2018 (as of March 31, 2019)	FY 2019 (as of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	7,264	6,153
Electronically recorded obligations	7,015	6,367
Short-term bank loans	463	406
Lease obligations	1,105	2,163
Accrued income taxes	3,135	2,863
Accrued bonuses	2,531	2,257
Accrued officers' bonuses	130	-
Other current liabilities	13,924	14,437
Total current liabilities	35,569	34,648
Long-term liabilities		
Long-term accounts payable—other	1	0
Lease obligations	2,354	3,772
Deferred tax liabilities	43	50
Net defined benefit liabilities	2,478	2,442
Provision for stock benefit	95	198
Provision for directors' stock benefit	83	162
Asset retirement obligations	32	32
Other long-term liabilities	358	391
Total long-term liabilities	5,447	7,052
Total liabilities	41,017	41,700
Net assets		
Shareholders' equity		
Common stock	18,239	18,239
Capital surplus	19,293	19,293
Retained earnings	75,866	76,418
Treasury stock	(4,220)	(4,222)
Total shareholders' equity	109,178	109,728
Accumulated other comprehensive income		
Net unrealized gains (losses) on available- for-sale securities	1,921	1,939
Foreign currency translation adjustments	(4,189)	(5,157)
Remeasurements of defined benefit plans	(948)	(876)
Total accumulated other comprehensive income	(3,216)	(4,094)
Non-controlling shareholders' interests	630	691
Total net assets	106,592	106,325
Total liabilities and net assets	147,609	148,025

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

(Millions of yen)

	FY 2018 (April 1, 2018- September 30, 2018)	FY 2019 (April 1, 2019- September 30, 2019)
Net sales	61,008	64,874
Cost of sales	33,972	36,054
Gross profit	27,036	28,820
Selling, general and administrative expenses		
Selling expenses	19,322	19,538
General and administrative expenses	2,210	2,108
Total selling, general and administrative expenses	21,533	21,646
Operating profit	5,502	7,174
Non-operating profit		
Interest income	62	86
Dividend income	74	78
Insurance income	28	59
Foreign exchange gains	33	-
Equity in earnings of affiliates	32	101
Other	239	140
Total non-operating profit	470	466
Non-operating expenses		
Interest expenses	13	46
Loss on foreign exchange	-	89
Foreign withholding tax	0	1
Other	34	43
Total non-operating expenses	48	180
Ordinary profit	5,924	7,459
Extraordinary income		
Gain on sale of fixed assets	8	3
Total extraordinary income	8	3
Extraordinary losses		
Loss on disposal of fixed assets	10	12
Loss on sale of fixed assets	0	0
Loss on valuation of investment securities	-	111
Special retirement payments	-	25
Total extraordinary losses	10	149
Income before income taxes	5,922	7,314
Income taxes	2,047	2,534
Net income	3,874	4,780
Net income attributable to non-controlling shareholders	46	100
Net income attributable to owners of the parent company	3,828	4,679

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY 2018 (April 1, 2018- September 30, 2018)	FY 2019 (April 1, 2019- September 30, 2019)
Net income	3,874	4,780
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	577	17
Foreign currency translation adjustment	(1,189)	(949)
Remeasurements of defined benefit plans	88	72
Share of other comprehensive income of associates accounted for using equity method	0	0
Total other comprehensive income	(523)	(859)
Comprehensive income	3,351	3,920
(Breakdown)		
Comprehensive income attributable to owners of the parent company	3,326	3,801
Comprehensive income attributable to non-controlling shareholders	25	119

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	FY 2018 (April 1, 2018- September 30, 2018)	FY 2019 (April 1, 2019- September 30, 2019)
Cash flows from operating activities		
Income before income taxes	5,922	7,314
Depreciation and amortization	2,803	3,377
Amortization of goodwill	264	272
Increase (decrease) in net defined benefit liabilities	26	88
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	13	(19)
Interest and dividend revenue	(137)	(164)
Equity in (earnings) losses of affiliates	(32)	(101)
Interest expenses	13	46
Foreign currency translation loss (gain)	25	39
Loss (gain) on sale of fixed assets	(8)	(3)
Loss on disposal of fixed assets	10	12
Loss (gain) on valuation of investment securities	-	111
Special retirement payments	-	25
(Increase) decrease in trade notes and accounts receivable	3,240	4,303
(Increase) decrease in inventories	(1,257)	(1,017)
Increase (decrease) in trade payables	(1,044)	(1,664)
Increase (decrease) in other current liabilities	641	56
Other	(1,067)	(889)
Subtotal	9,592	11,968
Receipts from interest and dividends	209	248
Interest paid	(13)	(46)
Special retirement payments	-	(9)
Income taxes paid	(3,042)	(2,694)
Income taxes refunded	9	233
Net cash provided by operating activities	6,755	9,699
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	(1,314)	(1,472)
Proceeds from sale of tangible fixed assets	9	5
Payment for acquisition of intangible fixed assets	(1,110)	(796)
Payment for acquisition of investment securities	(3)	(53)
Payments for acquisition of businesses	(2,112)	-
Increase in time deposits	(5,117)	(2,352)
Proceeds from withdrawal of time deposits	4,970	2,013
Other	(123)	(10)
Net cash used in investing activities	(4,801)	(2,667)
Cash flows from financing activities		
Increase in short-term loans payable	128	157
Repayment for short-term bank loans	(160)	(185)
Payment for acquisition of treasury stock	(0)	(1)
Repayments of lease obligations	(707)	(1,157)
Proceeds from sale and leaseback	558	675
Dividends paid	(2,585)	(4,127)
Payment of dividends to non-controlling shareholders	(46)	(58)
Cash flows from financing activities	(2,814)	(4,697)
Effect of exchange rate changes on cash and cash equivalents	(492)	(274)
Net increase (decrease) in cash and cash equivalents	(1,353)	2,059
Cash and cash equivalents at the beginning of the year	40,231	42,487
Cash and cash equivalents at end of period	38,878	44,547

(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 first half 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

2nd quarter of the current fiscal year ¥827 million, 314,300 shares

Segment Information

[Segment Information]

I. 2nd Quarter of fiscal year 2018 (April 1, 2018 to September 30, 2018)

(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	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

II. 2nd Quarter of fiscal year 2019 (April 1, 2019 to September 30, 2019)

(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	48,299	16,575	64,874	—	64,874
Intersegment	—	—	—	—	—
Total	48,299	16,575	64,874	—	64,874
Segment profit (loss)	6,862	2,359	9,222	(2,048)	7,174

Notes: 1. The -¥2,048 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