TIME & ECOLOGY
AMANO

Summary Financial Statements (Consolidated)
for Fiscal Year 2016 (Year Ended March 31, 2017) (Japan GAAP)

April 26, 2017

Company name: Amano Corporation Listed on: TSE
Securities code: 6436 URL http://www.amano.co.jp/
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Scheduled date for Ordinary General Meeting of Shareholders: June 29, 2017
Scheduled date for filing of securities report: June 29, 2017
Scheduled date for start of dividend payments: June 30, 2017
Supplementary explanation materials prepared for financial results: Yes
Briefing held on financial results: Yes (for institutional investors and analysts)

(Amounts less than 1 million yen are rounded down)

1. Business results for fiscal year 2016 (April 1, 2016 to March 31, 2017)

(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	(% change)	Millions of yen	(% change)	Millions of yen	(% change)	Millions of yen	(% change)
FY 2016 (year ended March 2017)	120,124	0.5	13,165	1.7	13,806	1.0	9,223	9.7
FY 2015 (year ended March 2016)	119,506	8.8	12,942	38.3	13,665	34.1	8,405	23.7

Note: Comprehensive income FY 2016 (year ended March 2017): 8,765 million yen (29.0%)
FY 2015 (year ended March 2016): 6,793 million yen (−34.4%)

	Net income per share	Diluted net income per share	Ratio of net income to equity capital	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
FY 2016 (year ended March 2017)	120.79	—	9.5	10.0	11.0
FY 2015 (year ended March 2016)	109.75	—	9.0	10.2	10.8

Reference: Equity in earnings of affiliates FY 2016 (year ended March 2017): 71 million yen
FY 2015 (year ended March 2016): 148 million yen

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY 2016 (year ended March 2017)	137,888	99,421	71.8	1,301.29
FY 2015 (year ended March 2016)	136,965	95,606	69.5	1,242.86

Reference: Equity capital As of March 31, 2017: 98,963 million yen As of March 31, 2016: 95,190 million yen

(3) Cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2016 (year ended March 2017)	13,734	(4,684)	(6,256)	35,270
FY 2015 (year ended March 2016)	13,420	(6,608)	(4,308)	32,725

2. Dividends

	Annual dividends					Total dividend amount (Year)	Payout ratio (Consolidated)	Ratio of dividend to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY 2015 (year ended March 2016)	—	20.00	—	28.00	48.00	3,676	43.7	3.9
FY 2016 (year ended March 2017)	—	23.00	—	29.00	52.00	3,966	43.0	4.1
FY 2017 (year ending March 2018) (est.)	—	23.00	—	29.00	52.00		42.1	

3. Forecast earnings for fiscal year 2017 (April 1, 2017 to March 31, 2018)

(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	59,300	4.8	5,300	3.9	5,500	5.0	3,400	4.3	44.71
Full year	126,000	4.9	13,800	4.8	14,300	3.6	9,400	1.9	123.60

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) 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 : Yes
[3] Changes to accounting forecasts : None
[4] Restatements : None

Note: For details, please see Attachment, page 22: "(5) Notes to Consolidated Financial Statements," which is in the section entitled "5. Consolidated Financial Statements and Primary Explanatory Notes."

(3) 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 March 31, 2017	76,657,829 shares	As of March 31, 2016	76,657,829 shares
[2] Number of shares of treasury stock at the end of the period	As of March 31, 2017	607,651 shares	As of March 31, 2016	68,109 shares
[3] Average number of shares outstanding	As of March 31, 2017	76,364,626 shares	As of March 31, 2016	76,590,480 shares

Reference: Non-consolidated results

1. Business results for fiscal year 2016 (April 1, 2016 to March 31, 2017)

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

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2016 (year ended March 2017)	71,059	4.0	8,550	8.1	10,222	9.9	7,319	20.4
FY 2015 (year ended March 2016)	68,328	3.2	7,913	22.4	9,301	17.5	6,077	19.8

	Net income per share	Diluted net income per share
	Yen	Yen
FY 2016 (year ended March 2017)	95.85	—
FY 2015 (year ended March 2016)	79.35	—

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY 2016 (year ended March 2017)	118,215	96,011	81.2	1,262.47
FY 2015 (year ended March 2016)	115,118	93,116	80.9	1,215.79

Reference: Equity capital As of March 31, 2017: 96,011 million yen As of March 31, 2016: 93,116 million yen

2. Forecast earnings for fiscal year 2017 (April 1, 2017 to March 31, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	34,100	3.7	3,300	3.9	4,400	8.0	3,000	4.8	39.45
Full year	73,500	3.4	8,800	2.9	10,500	2.7	7,500	2.5	98.62

Note: Summary Financial Statements are not subject to audits.

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. For notes on the use of the earnings forecasts and assumptions used for the forecasts, please see Attachment, page 2: "1. General Business Results."

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 Friday, April 28, 2017. 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. General Business Results

(1) General Business Results for This Fiscal Year

During the fiscal year under review, while the US economy remained steady amid the lingering uncertainties arising from the slowdown of emerging economies such as China, UK's withdrawal from the EU, and concerns over policy administration of the new US government regime, the Japanese economy remained on a gradual recovery trend. In Japan, employment and capital expenditures remained firm and in the second half of the fiscal year, exports showed signs of recovery spurred by the weakening of the yen and rising stock prices.

Amid this business environment, the Amano Group worked on global marketing and product deployment as well as the enhancement of its capacity to provide holistic solutions, based on its 6th medium-term business plan launched in April 2014. Under this plan, the Group set forth the management concept of "Challenge to a New Stage," a concept aimed at making the organization a "100-year company." The Amano Group also concentrated on thoroughly uncovering customer needs and strove to reduce the costs of goods sold (COGS) and selling, general, and administrative (SG&A) expenses.

As a result of the above, during the fiscal year under review, the Company recorded sales of ¥120,124 million, up by 0.5% year-on-year. Operating profit increased by 1.7% to ¥13,165 million, ordinary profit went up by 1.0% to ¥13,806 million, and net income, which is attributable to parent company shareholders, increased by 9.7% to ¥9,223 million, resulting in increases in both sales and profit.

The following is a breakdown of sales by business division.

Sales by business division (Millions of yen)

Category	FY 2015 (April 1, 2015– March 31, 2016)		FY 2016 (April 1, 2016– March 31, 2017)		Change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	%
Time Information System business:						
Information Systems	25,512	21.3	24,789	20.6	(723)	(2.8)
Time Management Products	4,165	3.5	3,818	3.2	(346)	(8.3)
Parking Systems	55,784	46.7	58,402	48.6	2,618	4.7
Subtotal	85,462	71.5	87,010	72.4	1,548	1.8
Environment System business:						
Environmental Systems	21,830	18.3	21,712	18.1	(117)	(0.5)
Clean Systems	12,213	10.2	11,401	9.5	(812)	(6.7)
Subtotal	34,044	28.5	33,113	27.6	(930)	(2.7)
Total	119,506	100.0	120,124	100.0	617	0.5

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

Sales in this business division totaled ¥87,010 million, representing an increase of ¥1,548 million (1.8%) year-on-year. The following is a breakdown of sales by business division.

• Information Systems

In this business division, against the backdrop of 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 this fiscal year were as follows. For Amano, on an unconsolidated basis, hardware sales decreased by ¥182 million (4.1%), software sales declined by ¥464 million (7.6%), and sales generated by maintenance contracts and supplies services increased by ¥183 million (4.8%) year-on-year. The decrease in hardware sales was a result of a slowdown in demand for renewing older model terminals in the first half of this fiscal year while the lower software sales were attributable to the delay in marketing activities for "TimePro-NX," which is a new piece of software for small and medium businesses launched last April. Sales at Amano Business Solutions Corporation, which provides cloud services, achieved double-digit growth owing to a steady increase in demand.

Overall overseas sales decreased by ¥395 million (4.0%) year-on-year as sales at Accu-Time Systems, Inc. in North America decreased and sales at Horosmart, S.A. in Europe remained at the same level on a yen basis due to the effect of exchange rates even though its sales increased on a local currency basis owing to the contribution from the access control business acquired in the previous fiscal year.

As a result of the above, sales in this business division totaled ¥24,789 million, representing a decrease of 2.8% year-on-year.

• Time Management Products

Although there is a constant demand for standard devices, this business division continues to cope with the current trend toward lower prices as well as the need for improved functions.

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

Overall domestic sales for this fiscal year decreased by ¥94 million (3.0%) year-on-year as sales of supply goods such as time cards declined. Overall overseas sales fell by ¥294 million (22.7%) year-on-year as sales in North America and Europe decreased although sales in Asia remained at the same level.

As a result of the above, sales in this business division totaled ¥3,818 million, representing a decrease of 8.3% year-on-year.

• Parking Systems

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 Amano, on an unconsolidated basis, domestic parking equipment sales increased by ¥2,532 million (14.6%) year-on-year, due to increased orders for small to medium-sized parking lots and bicycle parking lots, and domestic sales generated by maintenance contracts and supplies services increased by ¥21 million (0.2%) year-on-year. 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 41,300 (12.0%) from the end of the previous fiscal year.

Overall overseas sales decreased by ¥647 million (3.4%) year-on-year as sales at Amano McGann, Inc. in North America declined on a yen basis due to the effect of exchange rates even though its sales increased on a local currency basis and the commissioned parking lot management business in Korea, Malaysia and Hong Kong grew steadily.

As a net result of the above, the Parking Systems business division provided sales totaling ¥58,402 million, up by 4.7% year-on-year.

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 ¥33,113 million, down by ¥930 million (2.7%) year-on-year. The following is a breakdown of sales by business division.

• Environmental Systems

In this business division, although the Company's capital investment has remained solid in Japan, the overseas business environment remained harsh as investment by Japanese companies was sluggish partly due to a slowdown of the Chinese economy.

In this market environment, the Company's domestic strategy focused on capitalizing the demand for its standard equipment by strengthening proposals, mainly targeting automobile-related companies, 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 Amano, on an unconsolidated basis, domestic sales of standard equipment increased by ¥157 million (2.2%), sales of large-scale systems increased by ¥308 million (4.8%) and sales generated by maintenance contracts and supplies services increased by ¥448 million (10.5%) year-on-year.

Overall overseas sales decreased by ¥957 million (24.9%) year-on-year as sales in Asia declined partly due to the strengthening of the yen.

As a result of the above, sales of this business division totaled ¥21,712 million, down by 0.5% year-on-year.

• Clean Systems

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 proposal, addressing cleaning issues companies are facing, through implementation of new cleaning techniques using cleaning robots and the launch of the new EG series automatic floor scrubbers, which further increased safety levels and improved usability.

For this fiscal year, even though Amano's domestic sales of new products on an unconsolidated basis fared well, overall domestic sales of cleaning equipment decreased by ¥28 million (1.3%) and domestic sales generated by maintenance contracts and supplies services declined by ¥128 million (4.8%) year-on-year.

Overall overseas sales decreased by ¥584 million (9.1%) as sales in North America declined on a yen basis due to the effect of exchange rates even though sales in the region grew on a local currency basis owing to a steady increase in the wooden floor sanding equipment business.

As a net result of the above, sales of this business division totaled ¥11,401 million, down by 6.7% year-on-year.

Reference information

Information by area

(Millions of yen)

	Net sales				Operating profit			
	FY 2015 (year ended March 2016)	FY 2016 (year ended March 2017)	Change	Percentage change (%)	FY 2015 (year ended March 2016)	FY 2016 (year ended March 2017)	Change	Percentage change (%)
Japan	80,756	84,315	3,558	4.4	13,307	14,408	1,101	8.3
Other Asia	12,791	12,021	(769)	(6.0)	840	896	56	6.7
North America	20,566	18,858	(1,708)	(8.3)	1,868	852	(1,015)	(54.4)
Europe	7,329	7,383	54	0.7	536	490	(45)	(8.5)
Total	121,444	122,579	1,135	0.9	16,551	16,648	96	0.6
Eliminations/ Corporate	(1,937)	(2,455)	—	—	(3,608)	(3,483)	—	—
Consolidated	119,506	120,124	617	0.5	12,942	13,165	222	1.7

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, and China
(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 (%)		
	FY 2015 (year ended March 2016)	FY 2016 (year ended March 2017)	Change	Percentage change (%)	FY 2015 (year ended March 2016)	FY 2016 (year ended March 2017)	Change
Other Asia	12,880	12,404	(475)	(3.7)	10.8	10.3	(0.5)
North America	18,996	17,141	(1,854)	(9.8)	15.9	14.3	(1.6)
Europe	7,286	7,357	71	1.0	6.1	6.1	0.0
Other regions	1,510	1,184	(325)	(21.6)	1.2	1.0	(0.2)
Total	40,673	38,088	(2,584)	(6.4)	34.0	31.7	(2.3)
Consolidated net sales	119,506	120,124					

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, and China
(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) General Financial Condition for This Fiscal Year

Assets

Total assets as of March 31, 2017 amounted to ¥137,888 million, up by ¥922 million from the previous fiscal year-end. Current assets increased by ¥1,762 million year-on-year. This was attributable primarily to increases of ¥2,052 million in cash and bank deposits and ¥556 million in merchandise and finished goods despite a decrease of ¥865 million in notes and accounts receivable. Fixed assets decreased by ¥840 million year-on-year. This was attributable primarily to a decrease of ¥786 million in intangible fixed assets due to a decline in goodwill despite an increase of ¥99 million in tangible fixed assets.

Liabilities

Total liabilities as of March 31, 2017 amounted to ¥38,467 million, down by ¥2,891 million year-on-year. Current liabilities decreased by ¥1,899 million year-on-year. This was attributable primarily to decreases of ¥1,213 million in short-term bank loans and ¥750 million in accrued income taxes. Fixed liabilities decreased by ¥991 million year-on-year. This was attributable primarily to decreases of ¥540 million in net defined benefit liabilities and ¥301 million in lease obligations.

Net Assets

Total net assets as of March 31, 2017 amounted to ¥99,421 million, up by ¥3,814 million from the previous fiscal year-end. This was attributable primarily to an increase of ¥4,314 million in shareholders' equity resulting from the recording of net income attributable to owners of the parent company, despite a decrease of ¥541 million in accumulated other comprehensive income owing to lower foreign currency translation adjustments, among other factors.

(3) General Cash Flows for This Fiscal Year

Consolidated cash and cash equivalents increased by ¥2,544 million from the previous fiscal year-end to a total of ¥35,270 million as of March 31, 2017. The status of each type of cash flow at year-end and the underlying factors are as follows.

Cash flow from operating activities

Net cash provided by operating activities totaled ¥13,734 million. This was attributable primarily to income before income taxes amounting to ¥13,831 million, and depreciation and amortization amounting to ¥4,933 million, despite income taxes payments amounting to ¥5,488 million.

Cash flow from investing activities

Net cash used in investing activities totaled −¥4,684 million. This was mainly because, despite the recording of ¥9,011 million in proceeds from withdrawal of time deposits and ¥2,300 million in proceeds from redemption of securities, the Company recorded expenditures amounting to ¥8,601 million in time deposits, ¥3,109 million to purchase tangible fixed assets, ¥2,464 million to purchase intangible fixed assets, and ¥2,000 million yen to purchase securities.

Cash flow from financing activities

Net cash used in financing activities amounted to −¥6,256 million. This was chiefly due to the recording of expenditures amounting to ¥3,906 million in payment of dividends, ¥1,713 million in repayment of finance lease obligations, and ¥1,195 million in repayment of short-term bank loans, despite the recording of ¥1,602 million yen in proceeds from sale and leaseback.

Reference: Trend of cash flow indicators

	As of Mar. 31, 2013	As of Mar. 31, 2014	As of Mar. 31, 2015	As of Mar. 31, 2016	As of Mar. 31, 2017
Equity ratio (%)	69.8	67.6	69.8	69.5	71.8
Fair value equity ratio (%)	62.3	66.5	83.7	99.4	122.6
Ratio of cash flow to interest-bearing liabilities (%)	34.7	37.3	52.2	25.5	16.0
Interest coverage ratio	207.7	219.7	122.9	292.2	447.8

Notes: Equity ratio: Equity capital/Total assets
Fair value equity ratio: Gross market capitalization/Total assets
Ratio of cash flow to interest-bearing liabilities: Interest-bearing liabilities/Cash flow from operating activities
Interest coverage ratio: Cash flow from operating activities/Interest payments

Assumptions:

* All indicators are calculated on the basis of consolidated financial values.
* Gross market capitalization is calculated by multiplying the closing price of the Company's shares at the year-end by the number of shares of common stock issued and outstanding at the year-end (less treasury stock).
* The term "cash flow from operating activities" refers to cash flow from operating activities posted under the consolidated statements of cash flows. The term "interest-bearing liabilities" refers to those liabilities stated in the consolidated balance sheets on which interest is paid. Interest payments equate with the interest paid recorded in the consolidated statements of cash flows

(4) Future Outlook

In the next fiscal year ending March 31, 2018, the Japanese economy will likely remain on a moderate recovery trend as capital investment as well as employment and wages will be on a firm footing owing to Olympic Games-related demand and economic policies by the Japanese government while overseas, uncertainties about the future of economic situations and exchange rates will remain due to policy management by the U.S. administration and political situations in European countries.

Amid this business environment, Amano Corporation and its Group companies will set "The 2nd Stage Towards a 100-year Company-Innovative Creation of Value for Sustainable Growth" as its management concept and work to address key issues in the new medium-term management plan described in "3. Business Policies" on page 10 with a view to maximizing the corporate value of Amano Corporation.

The following business results are projected for the next fiscal year ending March 31, 2018: net sales of ¥126,000 million, operating profit of ¥13,800 million, ordinary profit of ¥14,300 million, and net income attributable to parent company shareholders of ¥9,400 million. These projections assume currency exchange rates of ¥105 to the US dollar and ¥114 to the euro.

(5) Basic Policy on Distribution of Profits and Payment of Dividends for This Fiscal Year and the Next

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, taking into account our current-year operations results, we plan to pay a year-end dividend of ¥29 per share. As a result, the annual per-share dividend for this fiscal year will be ¥52 (including ¥23 per share paid as the interim dividend), an increase of ¥4 compared with the previous fiscal year. This corresponds to a dividend payout ratio of 43.0% and a 4.1% ratio of dividends to net assets on a consolidated basis.

With regard to the dividend for the next fiscal year, in line with our Basic Policy on Distribution of Profits and in view of our Outlook for Fiscal Year Ending March 31, 2018, we aim to pay an annual per-share dividend of ¥52 (with an interim dividend of ¥23 and a year-end dividend of ¥29).

Retained earnings will be earmarked to fund effective investment aimed at the fundamental enhancement of the Company's capacity to conduct its business operations. This will include the expansion and strengthening of existing business fields, strategic investment in growth fields, and spending on research and development, as well as the rationalization of production plants and equipment for the purpose of reducing costs and further improving product quality.

(6) Operating and Other Risk Factors

Matters relating to the qualitative information contained in these summary financial statements and relating to the consolidated financial statements that could be envisaged as having a possible material impact on investors are described below.

Every effort are made to identify factors that may now or in the future pose a risk to the undertaking of business by the Amano Group, and these risk factors are then eliminated or otherwise managed in the course of business.

Forward-looking statements are current as of the date of the release of these financial results (April 26, 2017).

(i) Impact on earnings due to changes in the business environment

The Amano Group uses the unique technologies and know-how it has accumulated to provide customers with high-quality products, services and solutions, thereby gaining large market shares in each sphere of business in Japan, North America, Europe, and Asia, and developing its business globally.

In the year ended March 31, 2017, the Time Information System business accounted for 72.4% of total sales, and the Environment System business accounted for 27.6%. Before the deduction of unallocated expenses, the Time Information System business contributed 70.8% to operating profit, while the Environment System business contributed 29.2%. In terms of weighted average sales over the last five years, the Time Information System business accounted for 72.6% of total sales and 74.3% of operating profit.

One future risk factor is that if market expansion is forecast for a business activity within the Time Information System business segment (which accounts for a large proportion of the Group's business) for such reasons as a significant change in the demand structure or the creation of a new market, entities in other industries or other powerful competitors may be tempted to enter the market. In such an event, if a competitor were to enter with innovative products or solutions that surpass Amano's, the Amano Group's market advantage would decline, which may have a material impact on its business performance.

(ii) Fluctuations in exchange rates

The Group engages in business activities on a global scale and has production and sales bases overseas. In view of this, the Group's business results may be impacted by fluctuations in exchange rates when the proceeds for overseas transactions are converted into yen.

(iii) Information security

In the course of providing system solutions and developing cloud business services (e.g., ASP, SaaS, and hosting services), the Amano Group handles confidential information, such as personal information concerning, or provided by, customers. In view of this, the Company has strengthened and thoroughly implemented security control measures based on the Information Security Management Rules. Specifically, the Company has implemented measures to protect confidential information (e.g., encrypting hard disk drives and external media) as well as provided periodic staff training through e-learning. Furthermore, the Company obtained the Privacy Mark certification in February 2014 and has implemented all possible measures to ensure information security, including supervision of service providers and thorough compliance with internal rules. Nevertheless, the occurrence of an unforeseen situation that results in loss or leakage of confidential or personal information as described above could have an adverse material impact on the Group's business performance due to factors such as loss of confidence.

(iv) Natural disasters

Natural disasters (e.g., large-scale earthquakes, windstorms, or floods) may damage human lives or property. The Amano Group continues to take necessary measures at ordinary times comprising: 1) imposition of requirement for employees to carry a disaster emergency contact card at all times; 2) development of emergency contact networks and personnel safety check system; 3) relocation of file servers to external data centers; 4) development of a preparedness for setting up the disaster management headquarters at the time an emergency occurs. However, in the event of a natural disaster, the Group may temporarily lose the ability to continue to perform its operating activities due to damage to its sales business sites and production bases, or to employees experiencing difficulties in carrying out their duties.

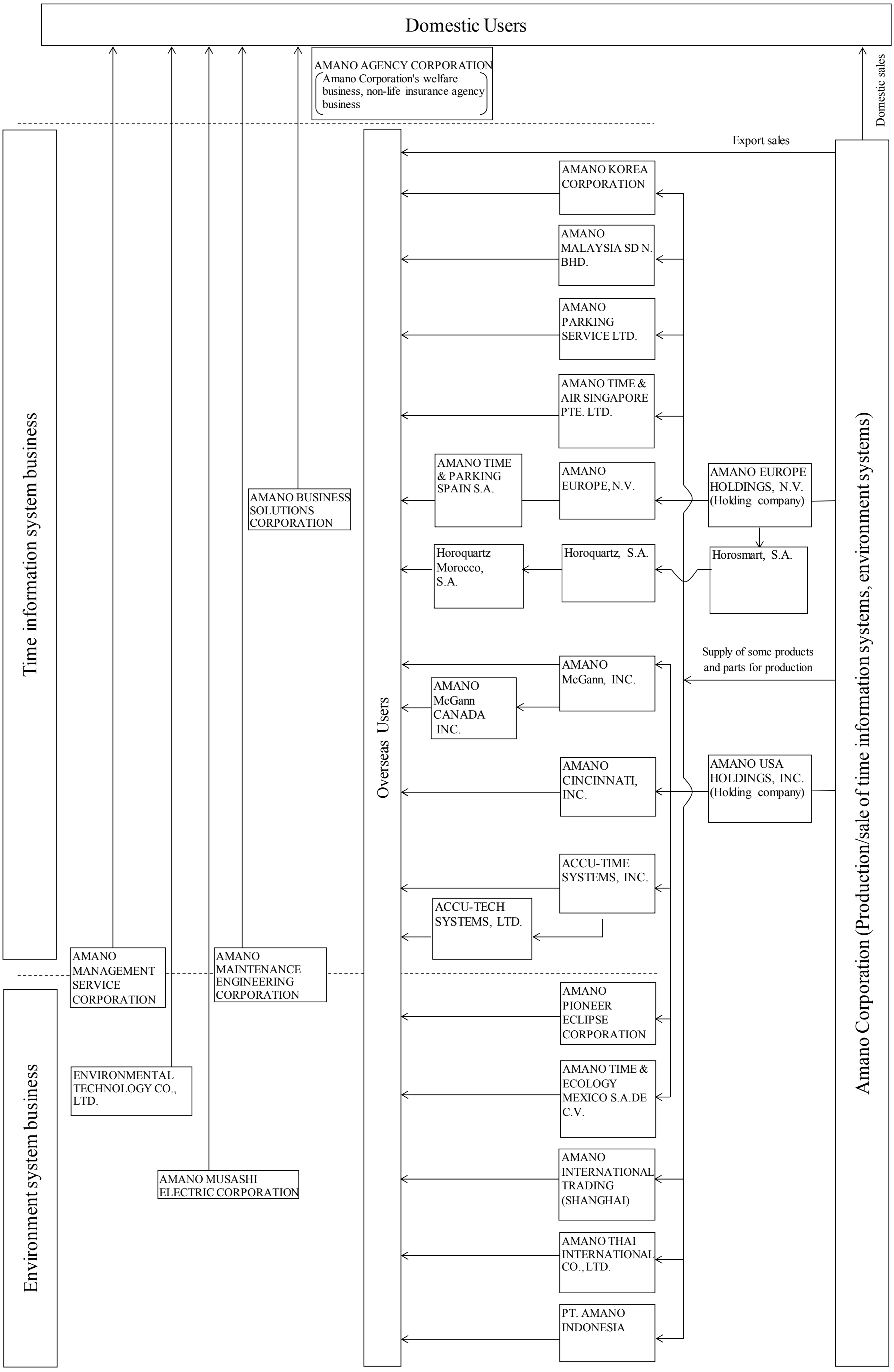
(v) Overseas business development

The Amano Group has been developing its business globally in Japan, North America, Europe, and Asia. Therefore, there is a possibility that a situation may arise in which business operations are disrupted due to the application of unique laws, ordinances, or regulations or social disorder due to political disturbances, war, or terrorism, etc. in countries or regions where the Group conducts business, which may adversely impact the Group's business performance.

2. Status of the Corporate Group

The Amano Group, which comprises Amano Corporation and 27 subsidiaries, engages primarily in the production and sale of time information systems and environment systems.

The following chart sets out the Group's principal business activities. (Business segmentation is based on principal business activities of affiliates.)



3. Business Policies

(1) Basic Management Policy

Amano’s management philosophy is to create new values and contribute to the realization of a safe, comfortable and a wholesome society in the fields of "People & Time" and "People & Environment."

Under this management philosophy and based on an optimal governance structure that responds to changes in the business environment, we will strive to maximize corporate value by ensuring sustained growth through the creation of new businesses and markets with a medium-to-long term global perspective, in addition to expanding our existing businesses. Furthermore, we will aim to become a company that has the trust and high regard of all the stakeholders including customers, business partner companies, shareholders, employees and the local community by constantly returning a fair profit earned through business activities.

(2) Medium- to Long-term Corporate Management Strategies and Issues to Address

We launched a new three-year "medium-term business plan," which will apply from April 2017 until March 2020. An outline of the plan is set out below.

[1] Basic policies

Under the new medium-term business plan, with the Group’s management concept of "The 2nd Stage Towards a 100-year Company-Innovative Creation of Value for Sustainable Growth," we will address four key issues towards achieving the goal of "enhancing our corporate value" while emphasizing compliance and further strengthening corporate governance as a foundation.

(1) Regional Growth Strategies: Promote growth strategy for each of the four regions (Japan, North America, Europe and Asia).
(2) Reinforcement Management Foundation: Reinforce management practices based on productivity improvement by continuing cost reduction activities and a work style reform.
(3) Create Innovation: Aim to be the clear niche leader and build the sixth and seventh core businesses.
(4) Improve Brand Value: Promote the enhancement of the value of Amano brands through efforts to address the key issues described above.

The target of the new medium-term business plan is the achievement of the "triple 11."
(1) Operating profit ratio: 11% or more
(2) ROE: 11% or more
(3) The ratio of consolidated net sales to non-consolidated net sales: 11% growth

Measures and issues for each region under these basic policies are as follows:

1. Japanese market

In the Japanese market, we will reinforce ties among domestic Group companies and also with other companies outside the Group and strengthen our capacity to provide holistic solutions (which cover hardware, software, and services) across all business fields both qualitatively and quantitatively. We will also promote the strategic "3-in-1 activity" to increase our customer base by cultivating and further attracting existing customers and aim to be the clear niche leader on a medium- to long-term basis in each business field.

The Information Systems business is witnessing tangible demand for time & attendance management systems, which enables proper employee work management. Amid the implementation of the Japanese government guidance to eradicate long working hours (overworking) and to improve productivity, corporate measures to establish a framework to manage appropriate work hours have become the subject of attention. In addition, against the backdrop of the revision to the Labor Standards Act, which aims to facilitate diverse ways of working, it is expected that demand for system upgrades along with systems utilizing cloud services and smart devices will increase.

In response to this market environment, we will enhance our customer base by providing a one-stop service covering hardware, software and cloud services. For the small-to-medium sized enterprise market, we will further strengthen the marketing of TimePro-NX, a software package launched last year that provides holistic solutions for time & attendance, human resource management and payroll. For the medium-to-large enterprise market, we will collaborate with CREO CO., LTD., to provide software for time & attendance, human resource management, payroll and accounting, and in addition, we will strengthen consulting activities to become an "HR solutions vendor" in order to expand our business domains.

The Parking Systems business is witnessing continuing growth in the nation's parking lot market owing to the real estate market becoming buoyant in advance of the 2020 Tokyo Olympics. In addition to the need for parking lot management cost reduction, ensuring safety and security in parking lots, consideration for the environment and the improvement of user convenience, the need to propose solutions for new operational methods such as web-based or cashless use of parking lots has been increasing.

Given this market environment, we will further strengthen partnerships with major parking lot management companies and provide various services through our parking lot data center for small- and medium-sized parking lot management companies while improving the functions and operability of system equipment. In order to respond to transitions in the market including the increased demand for parking reservations and the migration towards a sharing economy, we will aim to become a "total parking solutions vendor." In addition, we will continue to strengthen and expand our efforts for facilities such as bicycle parking lots, security gates and toll roads in order to expand our business.

In Environmental Systems, capital investment by companies in Japan, especially automobile-related firms, remained solid, and capital investment by Japanese companies operating overseas including in the U.S. has also been strong despite the influence of a slowdown of the Chinese economy.

Given this market environment, in Japan we will aim to increase the quantity of sales of standard equipment by rolling out new products and expand business domains including the pharmaceutical, food, and cosmetics markets, which are less affected by business sentiments. We will also work to strengthen our engineering capabilities and comprehensive sales, including that of peripheral equipment, by partnering with industrial equipment manufacturers and aim to become an "M2M partial solutions vendor."

In the Clean Systems, while the trend of companies trying to reduce cleaning costs continues, amid the aging of sanitation workers and an increase in the number of inexperienced workers, the need to improve safety and operability of cleaning equipment has been increasing. At the same time, the need to maintain building aesthetics at a low cost has also been increasing.

In response to these market conditions, we will expand the robotic cleaning devices market (robotic scrubbers, robotic vacuum cleaners), the factory market with new model scrubbers as well as a business producing an income stream by increasing maintenance contracts and order intakes for supply goods, thus bolstering our customer base in Japan. With the aim of becoming a "robotic solutions vendor," which focuses on cleaning robotic devices, we will also promote comprehensive proposals, including those for commissioned cleaning services and aesthetic maintenance.

2. North American market

In the Parking Systems business, we will step up sales of Amano McGann, Inc.'s system equipment which was launched two years ago and have a new system that target the low-end market gain a foothold at an early stage. In the Information Systems business, we will strive to expand operations by increasing sales of Accu-Time Systems, Inc.’s time and attendance information terminals and by developing cloud services. In the Clean Systems business, we will further expand the business of the wooden floor sanding equipment division of Amano Pioneer Eclipse Corp. and develop new niche areas and channels. In the Environmental Systems business, at Mexican subsidiary established last year, we will boost sales of standard equipment to Japanese companies operating in the region, especially automobile-related businesses.

3. European market

In the Information Systems business, we will further enhance our customer base by promoting Horoquartz's workforce management and access control businesses. In the Parking Systems business, we will strive to expand operations by developing a commissioned parking lot management business.

4. Asian market

In the Asian region, we will aim to expand Parking Systems operations by strengthening services in the commissioned parking lot management business and by expanding services into new regions. In the Environmental Systems business, we will strengthen our engineering capabilities as well as sales and service systems for Japanese companies operating in Asia by making use of the ties between our Group companies across Asia and our head office in Japan. We will also expand our local production capabilities in order to enhance cost competitiveness.

Other issues that need to be addressed are listed below:

1. Practical implementation of a work style reform

With the aim of improving productivity of the whole Group, we will continue the efforts to increase productivity by having each employee regulate their biological clock and create a timetable which reflects the prioritization of their job duties. We will publish examples and the results of our company’s efforts as an "HR solutions vendor" to the public and incorporate such examples to enhance the product appeal of time & attendance systems.

2. Create innovation

We will aim to become the "clear niche leader" by increasing each business division’s No.1 areas. We will also promote open innovation by acquiring technology and know-how from companies outside our Group through cooperation with venture companies and M&As regardless of our existing technology and know-how in order to build the "sixth and seventh core businesses" as new businesses. In addition, with future market trends in mind, we will promote research and development that is not necessarily limited to our current product or service lineup (to defeat innovation dilemmas) in order to aim for leading-edge business development utilizing AI, IoT, robotic devices and the web.

3. Further improvement of brand value

In order to improve our corporate value, we will strive to gain wider recognition of our company in the overall market by taking advantage of mass media and social media, and aim to further enhance our brands by strongly promoting each business division’s brand strategies and by creating synergy effects with our Group companies more than ever before.

[2] Numerical targets

We are aiming to achieve ¥140.0 billion or higher in net sales and ¥16.0 billion or higher in operating profit for the fiscal year ending March 31, 2020, which is the final year of the plan.

Numerical targets

(Millions of yen)

	FY 2017 (ended March 2018)		FY 2018 (ending March 2019)		FY 2019 (ending March 2020)	
	Amount	YoY (%)	Amount	YoY (%)	Amount	YoY (%)
Net sales	126,000	4.9%	132,000	4.8%	142,000	7.6%
Operating profit	13,800	4.8%	14,500	5.1%	16,000	10.3%
Operating profit ratio (%)	11.0%	—	11.0%	—	11.3%	—
Ordinary profit	14,300	3.6%	14,900	4.2%	16,400	10.1%
Net income attributable to owners of the parent company	9,400	1.9%	9,800	4.3%	10,800	10.2%

4. Basic Approach to the Selection of Accounting Standards

We have not determined a specific date for the adoption of IFRS; however, to prepare for the future adoption, we will undertake the preparations and examinations that are presently possible, and at the same time we will continue to collect and study international accounting information.

5. Consolidated Financial Statements and Primary Explanatory Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2015 (as of March 31, 2016)	FY 2016 (as of March 31, 2017)
Assets		
Current assets		
Cash and bank deposits	36,888	38,940
Notes and accounts receivable—trade	34,576	33,710
Marketable securities	1,527	1,435
Merchandise and finished goods	3,197	3,753
Work in process	669	477
Raw materials and supplies	4,992	5,227
Deferred tax assets	1,783	1,889
Other current assets	2,554	2,560
Allowance for doubtful accounts	(314)	(357)
Total current assets	85,875	87,638
Fixed assets		
Tangible fixed assets		
Buildings and structures	29,338	30,166
Accumulated depreciation	(18,981)	(19,273)
Buildings and structures (net)	10,357	10,892
Machinery and vehicles	6,885	6,817
Accumulated depreciation	(6,077)	(6,021)
Machinery and vehicles (net)	808	796
Tools, furniture and fixtures	12,297	12,950
Accumulated depreciation	(10,941)	(11,383)
Tools, furniture and fixtures (net)	1,355	1,566
Land	7,170	7,125
Lease assets	6,899	6,330
Accumulated depreciation	(3,637)	(3,350)
Lease assets (net)	3,261	2,979
Construction in progress	636	327
Total tangible fixed assets	23,589	23,689
Intangible fixed assets		
Goodwill	4,088	3,165
Software	2,521	3,322
Software in progress	3,252	2,989
Other	3,414	3,013
Total intangible fixed assets	13,276	12,490

(Millions of yen)

	FY 2015 (as of March 31, 2016)	FY 2016 (as of March 31, 2017)
Investments and other assets		
Investment securities	7,859	8,033
Long-term loans receivable	14	10
Claims in bankruptcy and similar claims	393	415
Fixed leasehold deposits	1,122	1,142
Long-term deposits	1,500	1,500
Net defined benefit assets	81	88
Deferred tax assets	1,646	1,273
Other	2,016	2,035
Allowance for doubtful accounts	(410)	(428)
Total investments and other assets	14,223	14,070
Total fixed assets	51,090	50,250
Total assets	136,965	137,888
Liabilities		
Current liabilities		
Notes and accounts payable—trade	7,642	7,629
Electronically recorded obligations	6,438	6,580
Short-term bank loans	1,250	37
Lease obligations	1,448	1,391
Accrued income taxes	3,332	2,581
Accrued bonuses	2,263	2,204
Accrued officers' bonuses	85	90
Other current liabilities	11,673	11,719
Total current liabilities	34,134	32,234
Long-term liabilities		
Long-term bank loans	506	469
Long-term accounts payable—other	160	21
Lease obligations	3,256	2,954
Deferred tax liabilities	9	8
Net defined benefit liabilities	2,986	2,445
Asset retirement obligations	30	31
Other long-term liabilities	275	302
Total long-term liabilities	7,225	6,233
Total liabilities	41,359	38,467
Net assets		
Shareholders' equity		
Common stock	18,239	18,239
Capital surplus	19,293	19,293
Retained earnings	59,757	65,075
Treasury stock	(56)	(1,059)
Total shareholders' equity	97,233	101,548
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	1,456	1,934
Foreign currency translation adjustments	(2,321)	(3,533)
Remeasurements of defined benefit plans	(1,178)	(986)
Total accumulated other comprehensive income	(2,043)	(2,585)
Non-controlling shareholders' interests	416	458
Total net assets	95,606	99,421
Total liabilities and net assets	136,965	137,888

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

Consolidated Statements of Income

(Millions of yen)

	FY 2015 (April 1, 2015– March 31, 2016)	FY 2016 (April 1, 2016– March 31, 2017)
Net sales	119,506	120,124
Cost of sales	68,120	68,180
Gross profit	51,385	51,943
Selling, general and administrative expenses		
Selling expenses	34,569	34,792
General and administrative expenses	3,873	3,985
Total selling, general and administrative expenses	38,442	38,778
Operating profit	12,942	13,165
Non-operating profit		
Interest income	127	87
Dividend income	122	150
Insurance dividend income	117	126
Insurance income	107	45
Equity in earnings of affiliates	148	71
Other	293	336
Total non-operating profit	917	818
Non-operating expenses		
Interest expenses	46	30
Loss on foreign exchange	80	89
Foreign withholding tax	15	16
Other	52	39
Total non-operating expenses	194	176
Ordinary profit	13,665	13,806
Extraordinary income		
Gain on sale of fixed assets	5	3
Gain on sales of investment securities	-	100
Total extraordinary income	5	103
Extraordinary losses		
Loss on disposal of fixed assets	71	24
Loss on sale of fixed assets	28	19
Loss on sale of shares of affiliates	8	-
Loss on liquidation of subsidiaries	-	35
Impairment loss	236	-
Other	11	-
Total extraordinary losses	356	79
Income before income taxes	13,314	13,831

(Millions of yen)

	FY 2015 (April 1, 2015– March 31, 2016)	FY 2016 (April 1, 2016– March 31, 2017)
Income taxes	5,208	4,490
Deferred income taxes	(411)	26
Total income taxes	4,796	4,516
Net income	8,517	9,314
Net income attributable to non-controlling shareholders	111	90
Net income attributable to owners of the parent company	8,405	9,223

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY 2015 (April 1, 2015– March 31, 2016)	FY 2016 (April 1, 2016– March 31, 2017)
Net income	8,517	9,314
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	(82)	484
Foreign currency translation adjustments	(1,267)	(1,219)
Remeasurements of defined benefit plans	(356)	192
Share of other comprehensive income of associates accounted for using equity method	(17)	(6)
Total other comprehensive income	(1,723)	(549)
Comprehensive income	6,793	8,765
(Breakdown)		
Comprehensive income attributable to owners of the parent Company	6,713	8,681
Comprehensive income attributable to non-controlling shareholders	80	83

(3) Consolidated Statement of Changes in Shareholders' Equity

FY 2015 (April 1, 2015–March 31, 2016)

(Millions of yen)

	Net assets				
	Shareholders' equity	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	18,239	19,293	54,645	(54)	92,123
Changes during the year					
Dividends from surplus			(3,293)		(3,293)
Net income attributable to owners of the parent company			8,405		8,405
Purchase of treasury stock				(2)	(2)
Net changes in items other than shareholders' equity					
Total changes during the year	—	—	5,112	(2)	5,109
Balance at year end	18,239	19,293	59,757	(56)	97,233

	Accumulated other comprehensive income				Non-controlling shareholders' interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the year	1,542	(1,070)	(822)	(350)	375	92,148
Changes during the year						
Dividends from surplus						(3,293)
Net income attributable to owners of the parent company						8,405
Purchase of treasury stock						(2)
Net changes in items other than shareholders' equity	(85)	(1,250)	(356)	(1,692)	40	(1,651)
Total changes during the year	(85)	(1,250)	(356)	(1,692)	40	3,457
Balance at year end	1,456	(2,321)	(1,178)	(2,043)	416	95,606

FY 2016 (April 1, 2016–March 31, 2017)

(Millions of yen)

	Net assets				
	Shareholders' equity	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	18,239	19,293	59,757	(56)	97,233
Changes during the year					
Dividends from surplus			(3,906)		(3,906)
Net income attributable to owners of the parent company			9,223		9,223
Purchase of treasury stock				(1,002)	(1,002)
Net changes in items other than shareholders' equity					
Total changes during the year	—	—	5,317	(1,002)	4,314
Balance at year end	18,239	19,293	65,075	(1,059)	101,548

	Accumulated other comprehensive income				Non-controlling shareholders' interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the year	1,456	(2,321)	(1,178)	(2,043)	416	95,606
Changes during the year						
Dividends from surplus						(3,906)
Net income attributable to owners of the parent company						9,223
Purchase of treasury stock						(1,002)
Net changes in items other than shareholders' equity	478	(1,212)	192	(541)	42	(499)
Total changes during the year	478	(1,212)	192	(541)	42	3,814
Balance at year end	1,934	(3,533)	(986)	(2,585)	458	99,421

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY 2015 (April 1, 2015– March 31, 2016)	FY 2016 (April 1, 2016– March 31, 2017)
Cash flows from operating activities		
Income before income taxes	13,314	13,831
Depreciation and amortization	4,415	4,933
Amortization of goodwill	789	684
Impairment loss	236	-
Increase (decrease) in net defined benefit liabilities	19	(225)
Increase (decrease) in allowance for doubtful accounts	105	81
Interest and dividend revenue	(249)	(238)
Equity in (earnings) losses of affiliates	(148)	(71)
Interest expenses	46	30
Foreign currency translation loss (gain)	3	(27)
Loss (gain) on sale of fixed assets	22	16
Loss on disposal of fixed assets	71	24
Loss (gain) on sales of investment securities	-	(100)
Loss (gain) on liquidation of subsidiaries	-	35
Loss (gain) on sale of shares of affiliates	8	-
(Increase) decrease in trade notes and accounts receivable	(2,049)	309
(Increase) decrease in inventories	(297)	(813)
Increase (decrease) in accounts payable	544	266
Increase (decrease) in other current liabilities	1,058	205
Other	(553)	37
Subtotal	17,337	18,980
Receipts from interest and dividends	308	266
Interest paid	(45)	(30)
Income taxes paid	(4,214)	(5,488)
Income taxes refunded	34	6
Net cash provided by operating activities	13,420	13,734

(Millions of yen)

	FY 2015 (April 1, 2015– March 31, 2016)	FY 2016 (April 1, 2016– March 31, 2017)
Cash flows from investing activities		
Payment for acquisition of securities	(2,000)	(2,000)
Proceeds from redemption of securities	2,400	2,300
Payment for purchase of tangible fixed assets	(2,906)	(3,109)
Proceeds from sale of tangible fixed assets	73	23
Payment for acquisition of intangible fixed assets	(3,270)	(2,464)
Payment for acquisition of investment securities	(603)	(108)
Proceeds from sales of investment securities	-	400
Payment for acquisition of subsidiary shares involving change to the scope of consolidation	(410)	(62)
Proceeds from sale of shares of affiliates	216	-
Expenditures for business acquisition	(235)	-
Collection of loans receivable	5	3
Increase in time deposits	(10,133)	(8,601)
Proceeds from withdrawal of time deposits	10,364	9,011
Other	(109)	(78)
Net cash used in investing activities	(6,608)	(4,684)
Cash flows from financing activities		
Repayment for short-term bank loans	(341)	(1,195)
Payment for repayment of long-term bank loans	(215)	-
Payment for acquisition of treasury stock	(2)	(1,002)
Repayment of finance/lease obligations	(1,643)	(1,713)
Proceeds from sale and leaseback	1,227	1,602
Dividends paid	(3,293)	(3,906)
Payment of dividends to non-controlling shareholders	(39)	(41)
Cash flows from financing activities	(4,308)	(6,256)
Effect of exchange rate changes on cash and cash equivalents	(304)	(248)
Net increase (decrease) in cash and cash equivalents	2,199	2,544
Cash and cash equivalents at the beginning of the year	30,526	32,725
Cash and cash equivalents at end of period	32,725	35,270

(5) Notes to Consolidated Financial Statements

Notes Regarding the Premise of a Going Concern

None

Important Matters that Constitute the Basis for the Preparation of the Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 27

Names of major consolidated subsidiaries:

Please refer to "2. Status of the Corporate Group" on page 9.

Amano Time & Ecology de Mexico S.A.de C.V. is included in the scope of consolidation in the consolidated fiscal year under review due to its increased importance.

In addition, 7856326 Canada Inc. and its subsidiary, PG Park, Inc., are included in the scope of consolidation due to the acquisition of stocks, and they were acquired by a consolidated subsidiary, Amano McGann Canada, Inc.

(2) Names of non-consolidated subsidiaries:

AMANO SOFTWARE ENGINEERING (SHANGHAI) CO., LTD.; Mobile Parking Ltd.; AMANO PARKING EUROPE, N.V. (3 companies)

Reasons for exclusion from the scope of consolidation

Non-consolidated subsidiaries are small in scale, and their combined total assets, sales, net income, and retained earnings (according to the Group's holding in them) would, in every case, have no material impact on the consolidated financial statements.

Please note that the corporate name of @Park Korea Co., Ltd. was changed to Mobile Parking Ltd. during the fiscal year under review.

Amano Manufacturing Shanghai Co., Ltd. was liquidated.

2. Application of the equity method

Number of affiliated companies to which the equity method is applied: 1

Names of affiliated companies to which the equity method is applied:

CREO CO., LTD.

3. Fiscal years of consolidated subsidiaries

Among consolidated subsidiaries, the fiscal year-end for those overseas is December 31. Their financial statements as of that date are used in the preparation of the consolidated financial statements, and necessary adjustments are made to the consolidated accounts if significant transactions take place between that date and the consolidated balance sheet date.

4. Accounting standards

(1) Valuation standards and methods for significant assets

(i) Securities:

Held-to-maturity bonds:

Amortized cost method applied

Other securities:

Available-for-sale securities with market prices are marked to market as of the balance sheet date. Net unrealized gains or losses on these securities are recorded directly in shareholders' equity, and costs of securities sold are computed using the moving average method.

Available-for-sale securities without market prices are stated at cost based on the moving average method.

(ii) Derivatives:

Marked to market

(iii) Inventories:

In principal, stated at cost based on the periodic average method

(Balance sheet value calculated by write-down method based on reduced profitability)

(2) Depreciation methods for important depreciable assets

(i) Tangible fixed assets (excluding lease assets)

The declining-balance method is used. However, the straight-line method is used for buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings) and for facilities attached to buildings and structures acquired on or after April 1, 2016.

Useful life of key items is deemed to be:

Buildings and other structures:	5–50 years
Machinery, equipment, and vehicles:	7–17 years

(ii) Intangible fixed assets (excluding lease assets)

Straight-line method

Software for sale by the Company is depreciated by the straight-line method based on the estimated period during which it can be sold (3 years), while software for internal use by the Company and its domestic consolidated subsidiaries is depreciated by the straight-line method over its useful life (5 years).

(iii) Lease assets

Lease assets in finance lease transactions not involving transfer of ownership:

Depreciation is calculated by the straight-line method over the lease term for leased assets with no residual value.

(3) Accounting for significant reserves

(i) Allowance for doubtful accounts

To provide against possible losses from doubtful accounts such as receivables and loan allowances, a rate determined by past loss experience is used for general receivables, and allowances for certain doubtful accounts are provided for estimated amounts if they are judged to be uncollectible when the collectability of each of the accounts is individually studied.

(ii) Accrued bonuses

To provide for the payment of employee bonuses, accrued bonuses are provided for as the amount incurred during the current fiscal year based on the estimated amount of bonus payments.

(iii) Accrued officers' bonuses

To provide for the payment of officers' bonuses, accrued officers' bonuses are provided for as the amount incurred during the current fiscal year based on the estimated amount of bonus payments.

(4) Accounting policy for retirement benefits

(i) Attribution method for expected retirement benefits

To calculate retirement benefit obligations, the amount of expected retirement benefits is attributed to the consolidated fiscal year under review on a benefit formula basis.

(ii) Accounting method for actuarial differences and prior service costs

Prior service costs are charged using the straight-line method over a fixed number of years (10 years) that falls within the average remaining service period of the Company employees at the time such costs are incurred.

Actuarial differences are charged to income from the fiscal year following the one in which they arise using the straight-line method over a fixed number of years (10 years) that falls within the average remaining service period of Company employees at the time such costs are incurred in each fiscal year.

(5) Accounting for significant income and expenses

To account for revenue from completed construction work, the percentage-of-completion method is applied to construction contracts where the percentage of construction already completed by the end of the reporting period can be estimated fairly reliably. (The estimation is based on the proportion of direct costs incurred for each work phase as compared with the estimated total cost for the entire contract.) For construction contracts other than those mentioned above, the completed-contract method is applied.

(6) Home currency conversion of significant foreign-currency assets and liabilities

Monetary debts and credits denominated in foreign currencies are converted into yen at the spot exchange rate on the final day of the consolidated accounting period; any resulting conversion differences are treated as either gains or losses. The assets and liabilities of overseas consolidated subsidiaries, etc. are converted into yen at the spot exchange rate on the final day of their accounting periods, while income and expenses are calculated on an average exchange rate basis during the period. Any differences are included in net assets as foreign currency translation adjustments and minority interests.

(7) Amortization method of goodwill and the amortization period

Goodwill is amortized using the straight-line method over the period for which the investment is deemed to be in effect. However, if the amount of goodwill to be amortized is minor, it is amortized in its entirety during its duration.

(8) Scope of funds included in the consolidated statements of cash flows

These funds include cash on hand, demand deposits, and short-term investments maturing or redeemable within three months after acquisition that are highly liquid, readily convertible into cash, and exposed to low price-fluctuation risk.

(9) Other significant matters in the preparation of the consolidated financial statements

Accounting for consumption taxes

National and local consumption taxes are accounted for based on the tax-exclusion method.

Changes to Accounting Policies

(Application of a Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Pursuant to an amendment to the Corporation Tax Act, the Company has adopted the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (Practical Issue Task Force No.32, June 17, 2016), effective from the consolidated fiscal year under review. As a result, the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

The above-mentioned changes to accounting policies had only a negligible effect on the consolidated financial statements of the Company for the fiscal year under review.

(Change of Accounting Method for Parking Lot Management Business Expenses)

Effective from the consolidated fiscal year under review, certain consolidated subsidiaries engaged in the parking lot management business have changed their accounting method for a certain portion of their expenses for the parking lot management business. The current method is recognized and measured as a direct cost managed by the parking business location and then accounted for as the cost of sales. Such expenses were previously recognized and measured as overhead management expenses and therefore accounted for as selling, general and administrative expenses.

In order to strengthen profitability management for each parking business location, certain consolidated subsidiaries engaged in the parking lot management business performed an overall review of its operations and re-examined the functions and roles of each site. As a result, it was determined that it would serve as more useful information disclosure to accurately reflect circumstances in which the expenses for parking lot management business occurred and their relationship with net sales. Consequently, the aforementioned change was implemented after completing the change to the system.

Since this change in accounting policy was applied retroactively, the financial statements for the year ending March 31, 2016 have been presented after the retroactive application.

As a result of the above, cost of sales for the year ending March 31, 2016 increased by ¥1,545 million, and both gross profit and selling, general and administrative expenses decreased by the same amount, compared to the figures before the retroactive application. However, there was no impact on operating profit, ordinary profit or income before income taxes for this fiscal year.

Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26 of March 28, 2016) has been used from the consolidated fiscal year under review.

Segment information

1. Outline of Reporting Segments

The reporting segments are defined as those business units which constitute the Company and from which separate financial information can be obtained. The reporting segments are periodically reviewed by the Company's highest decision-making body to determine the allocation of management resources and evaluate financial results.

The Company maintains several business units at its head office, separated into product and service types. The role of these business units is to formulate and implement domestic business strategies for similar types of products and services. In overseas business, meanwhile, local subsidiaries in each region develop strategies in their respective business fields in cooperation with the relevant business unit at the head office and carry out business activities in accordance with such strategy.

Based on the above, the Company divides its business into two segments, from which separate financial information can be obtained on a consolidated basis: the Time Information System business and the Environment System business. The operating results of these two segments are periodically reviewed by the Company's highest decision-making body to determine the allocation of management resources and evaluate financial results.

As described above, the Company's reporting segments consist of the Time Information System business and the Environment System business.

The Time Information System business and the Environment System business manufacture and sell the following products:

Business segment	Sales category	Principal products
Time Information System business	Information Systems	Time & attendance (T&A) systems, payroll systems, human-resource management systems, cafeteria systems, access control systems, proximity IC card solutions, system time recorders, T&A/human-resource and payroll ASP services, time distribution and authentication services
	Time management equipment	PC-interface time recorders, computerized time recorders, standard electronic time recorders, electronic time stamps, numbering machines, patrol recorders
	Parking Systems	Automatic fee settlement systems, access control systems, parking lot management systems, bicycle parking systems, automatic time registers, parking tower management systems, Internet-based parking guidance systems, commissioned parking lot management business
Environment System business	Environmental Systems	Industrial vacuum cleaners, standard dust collectors, oil mist collectors, fume collectors, large dust collection systems, deodorization systems, high-temperature hazardous-gas removal systems, pneumatic powder conveyance systems, environmental equipment monitoring/maintenance support systems, electrolytic water cleaning systems, alkaline electrolytic water industrial cleaning systems
	Clean Systems	Commercial vacuum cleaners, road and industrial sweepers, automatic floor scrubbers, high-speed burnishers, dry-care cleaning systems, carpet cleaning system, chemical products, supplies and accessories

2. Methodology for Determining Net Sales, Profit/Loss, Assets, Liabilities, and Other Line Item Amounts by Reporting Segment

The accounting methods used by the reporting business segments are the same as those described in the Basis for the Presentation of the Consolidated Financial Statements section.

Profits for the reporting segments are reported at the operating profit level.

Intersegment internal earnings and transfers are based on prevailing market prices.

3. Information by Reporting Segment Regarding Net Sales, Profit/Loss, Assets, Liabilities, and Other Line Item Amounts

FY 2015 (April 1, 2015–March 31, 2016)

(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	85,462	34,044	119,506	—	119,506
Intersegment	—	—	—	—	—
Total	85,462	34,044	119,506	—	119,506
Segment profit (loss)	12,099	4,576	16,675	(3,732)	12,942
Segment assets	63,963	27,843	91,806	45,159	136,965
Other items					
Depreciation and amortization	3,345	517	3,862	552	4,415
Extraordinary losses	—	—	—	236	236
(Impairment loss)	—	—	—	236	236
Investments in affiliates accounted for using the equity method	1,582	—	1,582	—	1,582
Increases in tangible and intangible fixed assets	5,396	422	5,819	827	6,646

Notes: 1. Details of the adjustments are as follows.
(1) The −¥3,732 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) The ¥45,159 million adjustment in segment assets indicates company-wide assets not allocated to the reporting segments. Company-wide assets consist mainly of assets and others associated with the administration function that do not belong to any of the reporting segments.
2. Segment profit is reconciled with operating profit in the consolidated statement of income.

FY 2016 (April 1, 2016–March 31, 2017)

(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	87,010	33,113	120,124	—	120,124
Intersegment	—	—	—	—	—
Total	87,010	33,113	120,124	—	120,124
Segment profit (loss)	11,890	4,893	16,784	(3,618)	13,165
Segment assets	62,616	27,275	89,892	47,996	137,888
Other items					
Depreciation and amortization	3,865	513	4,379	554	4,933
Investments in affiliates accounted for using the equity method	1,607	—	1,607	—	1,607
Increases in tangible and intangible fixed assets	4,438	481	4,919	668	5,587

Notes: 1. Details of the adjustments are as follows.
(1) The −¥3,618 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) The ¥47,996 million adjustment in segment assets indicates company-wide assets not allocated to the reporting segments. Company-wide assets consist mainly of assets and others associated with the administration function that do not belong to any of the reporting segments.
2. Segment profit is reconciled with operating profit in the consolidated statement of income.

Per-share Data

	FY 2015 (April 1, 2015–March 31, 2016)	FY 2016 (April 1, 2016–March 31, 2017)
Net assets per share (Yen)	1,242.86	1,301.29
Net income per share (Yen)	109.75	120.79

Note: 1. Details for the diluted net income per share are not stated, because there are no potential shares.
2. The net income per share is calculated on the following basis.

Item	FY 2015 (April 1, 2015–March 31, 2016)	FY 2016 (April 1, 2016–March 31, 2017)
Net income per share		
Net income (Millions of yen)	8,405	9,223
Amount not attributed to common stockholders (Millions of yen)	—	—
Net income for common stock attributable to owners of the parent company (Millions of yen)	8,405	9,223
Average number of shares of common stock outstanding (Shares)	76,590,480	76,364,626

3. The net assets per share are calculated on the following basis.

Item	FY 2015 (as of March 31, 2016)	FY 2016 (as of March 31, 2017)
Total net assets (Millions of yen)	95,606	99,421
Amount to be deducted from total net assets (Millions of yen)	416	458
(of which, non-controlling shareholders' interests) (Millions of yen)	(416)	(458)
Net assets at the end of year attributable to common stock (Millions of yen)	95,190	98,963
Number of shares of common stock outstanding at year end used to calculate net assets per share (Shares)	76,589,720	76,050,178

Significant Subsequent Events

None

6. Unconsolidated Financial Statements

(1) Balance Sheets

(Unit: Millions of yen)

	FY 2015 (as of March 31, 2016)	FY 2016 (as of March 31, 2017)
Assets		
Current assets		
Cash and bank deposits	19,268	21,671
Notes receivable—trade	3,047	3,101
Accounts receivable-trade	19,817	19,484
Marketable securities	1,100	1,050
Merchandise and finished goods	1,921	1,984
Work in process	449	324
Raw materials and supplies	1,817	2,049
Deferred tax assets	893	895
Other current assets	789	912
Allowance for doubtful accounts	(4)	(3)
Total current assets	49,101	51,471
Fixed assets		
Tangible fixed assets		
Buildings	8,180	8,718
Structures	171	244
Machinery and equipment	524	640
Vehicles	2	3
Tools, furniture and fixtures	386	421
Land	6,591	6,559
Construction in progress	366	57
Total tangible fixed assets	16,223	16,645
Intangible fixed assets		
Software	1,912	2,822
Software in progress	3,164	2,700
Other	36	35
Total intangible fixed assets	5,112	5,559
Investments and other assets		
Investment securities	6,222	6,372
Shares of subsidiaries and associates	33,818	33,818
Investments in capital of subsidiaries and associates	156	71
Long-term loans receivable from subsidiaries and associates	798	561
Claims in bankruptcy and similar claims	242	241
Fixed leasehold deposits	801	768
Long-term deposits	1,500	1,500
Insurance funds	1,339	1,408
Other	62	58
Allowance for doubtful accounts	(261)	(260)
Total investments and other assets	44,680	44,539
Total fixed assets	66,016	66,744
Total assets	115,118	118,215

(Unit: Millions of yen)

	FY 2015 (as of March 31, 2016)	FY 2016 (as of March 31, 2017)
Liabilities		
Current liabilities		
Notes payable - trade	633	893
Electronically recorded obligations - operating	6,438	6,580
Accounts payable - trade	4,561	4,366
Accounts payable - other	123	307
Accrued expenses	1,816	1,790
Accrued income taxes	1,920	1,606
Accrued consumption taxes	432	479
Advances received	998	1,052
Deposits received	275	272
Deposits received from employees	1,659	1,695
Accrued bonuses	1,937	1,885
Accrued officers' bonuses	76	90
Other current liabilities	245	269
Total current liabilities	21,120	21,290
Long-term liabilities		
Long-term accounts payable—other	149	-
Provision for retirement benefits	606	602
Deferred tax liabilities	124	311
Total long-term liabilities	880	913
Total liabilities	22,001	22,204
Net assets		
Shareholders' equity		
Common stock	18,239	18,239
Capital surplus		
Legal capital surplus	19,292	19,292
Total capital surplus	19,292	19,292
Retained earnings		
Legal retained earnings	2,385	2,385
Other retained earnings		
Reserve for reduction entry of buildings	26	25
General reserve	10,881	10,881
Retained earnings brought forward	40,900	44,314
Total retained earnings	54,193	57,606
Treasury stock	(56)	(1,059)
Total shareholders' equity	91,668	94,079
Valuation and translation adjustments		
Net unrealized gains (losses) on available for-sale securities	1,447	1,932
Total valuation and translation adjustments	1,447	1,932
Total net assets	93,116	96,011
Total liabilities and net assets	115,118	118,215

(2) Statements of Income

(Unit: Millions of yen)

	FY 2015 (April 1, 2015– March 31, 2016)	FY 2016 (April 1, 2016– March 31, 2017)
Net sales	68,328	71,059
Cost of sales	40,074	41,561
Gross profit	28,253	29,498
Selling, general and administrative expenses	20,340	20,948
Operating profit	7,913	8,550
Non-operating profit		
Interest and dividend income	760	978
Other	764	780
Total non-operating profit	1,524	1,758
Non-operating expenses		
Interest expenses	17	17
Loss on foreign exchange	70	26
Other	48	42
Total non-operating expenses	136	87
Ordinary profit	9,301	10,222
Extraordinary income		
Gain on sales of investment securities	-	100
Other	0	0
Total extraordinary income	0	100
Extraordinary losses		
Loss on disposal of fixed assets	60	14
Loss on sale of fixed assets	28	19
Loss on sales of shares of subsidiaries and associates	126	-
Loss on liquidation of subsidiaries	-	35
Other	11	-
Total extraordinary losses	226	69
Income before income taxes	9,075	10,253
Income taxes	3,017	2,857
Deferred income taxes	(19)	76
Total income taxes	2,997	2,934
Net income	6,077	7,319

(3) Statement of Changes in Shareholders' Equity

FY 2015 (April 1, 2015–March 31, 2016)

(Millions of yen)

	Net assets			
	Shareholders' equity	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the beginning of the year	18,239	19,292	—	19,292
Changes during the year				
Increase in reserve for reduction entry of buildings due to a change in the effective tax rate				
Reversal of reserve for reduction entry of buildings				
Dividends from surplus				
Net income				
Purchase of treasury stock				
Net changes in items other than shareholders' equity				
Total changes during the year	—	—	—	—
Balance at year end	18,239	19,292	—	19,292

	Net assets						
	Retained earnings					Treasury stock	Total shareholders' equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for reduction entry of buildings	General reserve	Retained earnings brought forward			
Balance at the beginning of the year	2,385	27	10,881	38,115	51,408	(54)	88,887
Changes during the year							
Increase in reserve for reduction entry of buildings due to a change in the effective tax rate		0		(0)	—		—
Reversal of reserve for reduction entry of buildings		(1)		1	—		—
Dividends from surplus				(3,293)	(3,293)		(3,293)
Net income				6,077	6,077		6,077
Purchase of treasury stock						(2)	(2)
Net changes in items other than shareholders' equity							
Total changes during the year	—	(0)	—	2,784	2,784	(2)	2,781
Balance at year end	2,385	26	10,881	40,900	54,193	(56)	91,668

(Millions of yen)

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of the year	1,530	1,530	90,417
Changes during the year			
Increase in reserve for reduction entry of buildings due to a change in the effective tax rate			—
Reversal of reserve for reduction entry of buildings			—
Dividends from surplus			(3,293)
Net income			6,077
Purchase of treasury stock			(2)
Net changes in items other than shareholders' equity	(82)	(82)	(82)
Total changes during the year	(82)	(82)	2,699
Balance at year end	1,447	1,447	93,116

FY2016 (April 1, 2016–March 31, 2017)

(Millions of yen)

	Net assets			
	Shareholders' equity	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the beginning of the year	18,239	19,292	—	19,292
Changes during the year				
Increase in reserve for reduction entry of buildings due to a change in the effective tax rate				
Reversal of reserve for reduction entry of buildings				
Dividends from surplus				
Net income				
Purchase of treasury stock				
Net changes in items other than shareholders' equity				
Total changes during the year	—	—	—	—
Balance at year end	18,239	19,292	—	19,292

	Net assets						
	Retained earnings					Treasury stock	Total shareholders' equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for reduction entry of buildings	General reserve	Retained earnings brought forward			
Balance at the beginning of the year	2,385	26	10,881	40,900	54,193	(56)	91,668
Changes during the year							
Increase in reserve for reduction entry of buildings due to a change in the effective tax rate		—		—	—		—
Reversal of reserve for reduction entry of buildings		(1)		1	—		—
Dividends from surplus				(3,906)	(3,906)		(3,906)
Net income				7,319	7,319		7,319
Purchase of treasury stock						(1,002)	(1,002)
Net changes in items other than shareholders' equity							
Total changes during the year	—	(1)	—	3,414	3,413	(1,002)	2,410
Balance at year end	2,385	25	10,881	44,314	57,606	(1,059)	94,079

(Millions of yen)

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of the year	1,447	1,447	93,116
Changes during the year			
Increase in reserve for reduction entry of buildings due to a change in the effective tax rate			—
Reversal of reserve for reduction entry of buildings			—
Dividends from surplus			(3,906)
Net income			7,319
Purchase of treasury stock			(1,002)
Net changes in items other than shareholders' equity	484	484	484
Total changes during the year	484	484	2,894
Balance at year end	1,932	1,932	96,011

7. Breakdown of Unconsolidated Sales by Business Division

(Millions of yen)

Category	FY 2015 (April 1, 2015– March 31, 2016)		FY 2016 (April 1, 2016– March 31, 2017)		Change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	%
Time Information System business:		%		%		%
Information Systems	14,421	21.1	13,957	19.6	(463)	(3.2)
Time Management Products	3,168	4.6	3,073	4.3	(94)	(3.0)
Parking Systems	27,660	40.5	30,185	42.5	2,525	9.1
Subtotal	45,249	66.2	47,216	66.4	1,966	4.3
Environment System business:						
Environmental Systems	18,203	26.7	19,124	27.0	921	5.1
Clean Systems	4,875	7.1	4,718	6.6	(157)	(3.2)
Subtotal	23,078	33.8	23,843	33.6	764	3.3
Total	68,328	100.0	71,059	100.0	2,731	4.0
Export sales	1,975	2.9	2,275	3.2	300	15.2

8. Change of Directors

The change of directors was already officially announced in "Notice: The Change of the Representative Director and Corporate Officers" as of March 30, 2017. (http://www.amano.co.jp/ir/news/dl/2017/20170330_yakuin.pdf)