

Summary Financial Statements (Consolidated)
for 2nd Quarter of Fiscal Year 2021 (Year Ending March 31, 2022) (Japan GAAP)

October 28, 2021

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Scheduled date for filing of quarterly securities report: November 8, 2021
Scheduled date for commencing of dividend payments: December 2, 2021
Supplementary explanation materials prepared for quarterly financial results: Yes
Briefing held on quarterly financial results: Yes (for institutional investors and analysts)

(Amounts less than 1 million yen are rounded down)

1. Business results for 2nd Quarter of fiscal year 2021 (April 1, 2021 to September 30, 2021)

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

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q of FY 2021 (year ending March 2022)	55,327	3.9	4,509	69.2	4,972	61.2	3,216	17.0
2Q of FY 2020 (year ended March 2021)	53,237	(17.9)	2,664	(62.9)	3,085	(58.6)	2,749	(41.2)

Note: Comprehensive income 2nd Quarter of FY 2021 (year ending March 2022): ¥4,868 million (111.4%)
2nd Quarter of FY 2020 (year ended March 2021): ¥2,302 million (-41.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q of FY 2021 (year ending March 2022)	43.37	—
2Q of FY 2020 (year ended March 2021)	36.80	—

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2Q of FY 2021 (as of September 30, 2021)	152,433	110,915	72.3	1,491.32
FY 2020 (as of March 31, 2021)	150,559	111,585	73.6	1,485.46

Reference: Equity capital 2nd Quarter of FY 2021 (as of September 30, 2021): ¥110,183 million
FY 2020 (as of March 31, 2021): ¥110,851 million

2. Dividends

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

Note: Revisions to most recently released dividend forecast: None

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

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of the parent company		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	120,000	5.6	12,500	25.8	13,500	22.5	9,000	24.2	121.81

Note: Revisions to most recently released earnings forecast: None

Notes

- (1) Significant changes among subsidiaries during the fiscal year under review : 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, 2021	76,657,829 shares	As of March 31, 2021	76,657,829 shares
[2] Number of shares of treasury stock at the end of the period	As of 2Q ended September 30, 2021	2,774,894 shares	As of March 31, 2021	2,033,401 shares
[3] Average number of shares outstanding (over the fiscal year under review up to September 30, 2021)	As of 2Q ended September 30, 2021	74,170,570 shares	As of 2Q ended September 30, 2020	74,696,737 shares

Note: Note: The number of shares of treasury stock as of September 30, 2021, includes the Company’s shares held by the Director’s Compensation BIP Trust and the Employee Stock Ownership Plan (J-ESOP). (411,819 shares as of September 30, 2021 and 421,314 shares as of March 31, 2021 respectively)
In addition, these Company’s shares are included in the treasury stock which is deducted in calculating the average number of shares outstanding.

Note: These quarterly Summary Financial Statements are not subject to the quarterly review procedures.

Note: Explanation concerning appropriate use of the earnings forecast, and other matters to note

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 Friday, October 29, 2021. The financial results materials to be distributed at this briefing are due to be published on the Amano Corporation website immediately for Friday, October 29, 2021.

○ Table of Contents for Attachment

1.	Qualitative Information on Consolidated Financial Results for the Current Quarter.....	2
	(1) Explanation of Business Results	2
	(2) Explanation of Financial Condition	7
	(3) Explanation of Forward-looking Information, including Outlook for Consolidated Operating Results.....	8
	(4) Basic Policy on Distribution of Profits and Payment of Dividends for This Second Quarter	8
2.	Consolidated Quarterly Financial Statements and Primary Explanatory Notes.....	9
	(1) Consolidated Quarterly Balance Sheets	9
	(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income.....	11
	(3) Consolidated Quarterly Statements of Cash Flows	13
	(4) Notes on Quarterly Consolidated Financial Statements	15
	Notes Regarding the Premise of a Going Concern.....	15
	Notes on Significant Changes in Shareholders' Equity.....	15
	Application of Accounting Procedures Specific to the Preparation of the Consolidated Quarterly Financial Statements.....	15
	Change of Accounting Policy	15
	Additional information	16
	Segment Information	18
	Significant Subsequent Events.....	18

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

(1) Explanation of Business Results

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

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

As a result, during the second quarter under review, net sales were ¥55,327 million (up 3.9% year-on-year), operating profit was ¥4,509 million (up 69.2% yoy), ordinary profit was ¥4,972 million (up 61.2% yoy), and net income attributable to owners of the parent company was ¥3,216 million (up 17.0% yoy).

(Main factors behind the business results)

- (i) At non-consolidated Amano, although the tailwind of "work style reform" continues, net sales decreased due to the issuance of a national emergency declaration. Particularly, sales in the Parking Systems declined greatly, because major parking lot management firms and owners of parking lots have less motivation to invest machines under the situation that people were imposed restrictions on their movement. On the other hand, the Environmental Systems remained firm with the recovery in the Chinese economy, and the Clean Systems also showed a recovering trend as demand for cleanliness expanding.
- (ii) In domestic group companies, consigned parking lot management service business was getting better. In addition, cloud services continued to grow reflecting the rising customer interest in T&A cloud services.
- (iii) In overseas markets, although Amano McGann, Inc. decreased their sales, sales in North America slightly increased mainly due to Amano Pioneer Eclipse Corporation in North America has grown. In addition, sales increased in Europe and Asia. Especially, Horoquartz, S.A. in France has continued to grow their business results by mainly cloud services, whose sales exceeded that as of 2Q ended September 30, 2019, which was before the COVID-19 spreading.

The following are business results by segment:

Sales by business division

(Millions of yen)

Category	2Q of FY 2020 (year ended March 2021)		2Q of FY 2021 (year ending March 2022)		Change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	%
Time Information System business:						
Information Systems	12,613	23.7	13,450	24.3	836	6.6
Time Management Products	1,290	2.4	1,283	2.3	(7)	(0.5)
Parking Systems	25,829	48.5	25,647	46.4	(181)	(0.7)
Subtotal	39,733	74.6	40,381	73.0	647	1.6
Environment System business:						
Environmental Systems	8,535	16.1	9,307	16.8	771	9.0
Clean Systems	4,969	9.3	5,638	10.2	669	13.5
Subtotal	13,504	25.4	14,946	27.0	1,441	10.7
Total	53,237	100.0	55,327	100.0	2,089	3.9

Time Information System business

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

The sales in this business totaled ¥40,381 million, up by ¥647 million (1.6%) year-on-year. The following is a breakdown of sales by business division.

• Information Systems ¥13,450 million (up 6.6% year-on-year)

In this business, with the enactment of the bills related to the "work style reform" in April 2019, attention is focused on the future trends of companies' labor management efforts to improve productivity, make full use of diverse human resources, and introduce additional work styles such as teleworking, while new statutory requirements, such as the upper limit on working hours, are put into practice one by one.

In response to these market conditions, we, being "Amano—active in the area of HR (Human Resources)," added access control and security to the list of our "3-in-1" proposal, comprising time & attendance (T&A), payroll, and human-resource management, thus striving to bolster our 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 ¥132 million (3.5%), hardware sales decreased by ¥177 million (13.2%), and sales generated by maintenance contracts and supplies services increased by ¥20 million (0.9%) 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 businesses, although "TimePro-NX" for small to medium-sized businesses were sluggish because of worsening of their business performance. The decrease in hardware sales was due to that the repeated state-of-emergency declaration kept us away from setting hardwares. The cloud services developed by Amano Business Solutions Corporation continued to grow due to the increase in the number of users with telework expanding.

Overall overseas sales increased by ¥847 million (17.4% year-on-year), as the sales of Accu-Time Systems, Inc. in North America decreased while the sales of Horoquartz S.A. in Europe increased due to the increase in profitable cloud services which remained strong.

• Time Management Products ¥1,283 million (down 0.5% year-on-year)

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

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

Overall domestic sales for the current term decreased by ¥14 million (1.4%) year-on-year as decreased sales of both standard and PC-linked time recorders.

Overall overseas sales increased by ¥19 million (7.9% year-on-year), as sales in North America increased while sales in Europe and Asia fell down.

• Parking Systems ¥25,647 million (down 0.7% year-on-year)

To respond to the increasingly diverse needs of parking lot management in Japan, the Parking System business 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 making reservations and payments through integration with the internet.

In response to these market conditions, we further strengthened our 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 our parking lot data centers. We have also worked to improve the functionality and usability of our system equipment by strengthening proposals and made efforts to expand into the 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, while domestic parking equipment sales decreased by ¥1,154 million (17.7%) due to the decrease in projects for management firms, sales generated by maintenance contracts and supplies services increased by ¥189 million (4.6%). The consigned parking lot management service business by Amano Management Service Corporation has been recovering with increased sales, and the number of parking spaces under management increased by 15,600 (3.1%) from the end of the previous fiscal year.

Overall overseas sales increased by ¥587 million (5.9% year-on-year) due to an increase in sales in the Asian region, as the consigned parking lot management service business expanded steadily, particularly in Korea and Hong Kong, despite a decrease in sales of Amano McGann, Inc. in North America.

Environment System business

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

The sales in this business totaled ¥14,946 million, up by ¥1,441 million (10.7%) year-on-year. The following is a breakdown of sales by business division.

- Environmental Systems ¥9,307 million (up 9.0% year-on-year)

Although this business was facing stagnating demand for capital investment, the situation seems improving with the Chinese economic recovery.

In this market environment, our domestic strategy focused on capitalizing the demand for our 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, whose demand was relatively stable. Meanwhile, we enhanced cooperation with our overseas Group companies, and reinforced their platforms for engineering, sales and services. Furthermore, we endeavored to achieve greater cost competitiveness by expanding their 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 ¥287 million (9.6%) with the recovery of machine tool orders market, sales of large dust collectors decreased by ¥283 million (10.9%) with the decrease of orders and sales generated by maintenance contracts and supplies services increased by ¥260 million (15.7%) year-on-year.

Overall overseas sales increased by ¥499 million (41.5% year-on-year) due to sales increased in Asia, mainly led by China.

- Clean Systems ¥5,638 million (up 13.5% year-on-year)

In the Clean System business, while the trend of companies trying to reduce cleaning costs continues domestically amid a shortage of sanitary workers in the building maintenance industry as an expansion of demand for cleanliness, need for further proposals that lead to higher cleaning efficiency and improved quality have been increasing.

In response to these market conditions, we proposed the automation of cleaning work using automatic floor scrubbers "EGrobo" and promoted robotic floor scrubbers "EG series" which feature improved safety and usability, as well as proposed improving public health management by using electrolyzed water generators.

For this fiscal year, overall domestic sales of cleaning equipment increased by ¥18 million (2.0%) due to an increase of automatic floor scrubber's sales, and sales generated by maintenance contracts and supplies services increased by ¥12 million (1.2%) year-on-year.

Overall overseas sales increased by ¥662 million (24.9% year-on-year), as wooden floor sanding machines sales in North America increased.

Reference information

Information by area

(Millions of yen)

	Net sales				Operating profit/loss			
	2Q of FY 2020 (year ended March 2021)	2Q of FY 2021 (year ending March 2022)	Change	Percentage change (%)	2Q of FY 2020 (year ended March 2021)	2Q of FY 2021 (year ending March 2022)	Change	Percentage change (%)
Japan	34,836	34,372	(464)	(1.3)	4,707	5,516	808	17.2
Other Asia	7,811	9,130	1,319	16.9	203	181	(21)	(10.7)
North America	7,358	7,461	103	1.4	(671)	(238)	432	—
Europe	3,870	4,952	1,082	28.0	248	710	461	185.5
Total	53,876	55,917	2,041	3.8	4,488	6,170	1,681	37.5
Eliminations/Corporate	(638)	(590)	—	—	(1,823)	(1,660)	—	—
Consolidated	53,237	55,327	2,089	3.9	2,664	4,509	1,844	69.2

- Notes: 1. The national and regional demarcations are based on the degree of geographical proximity.
2. Major countries and territories included in areas other than Japan:
(1) Other Asia: Singapore, Thailand, Malaysia, Indonesia, South Korea, China, 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 2020 (year ended March 2021)	2Q of FY 2021 (year ending March 2022)	Change	Percentage change (%)	2Q of FY 2020 (year ended March 2021)	2Q of FY 2021 (year ending March 2022)	Change
Other Asia	7,795	9,151	1,356	17.4	14.6	16.5	1.9
North America	6,848	7,059	210	3.1	12.9	12.8	(0.1)
Europe	3,775	4,750	975	25.8	7.1	8.6	1.5
Other regions	468	582	114	24.4	0.9	1.0	0.1
Total	18,887	21,544	2,656	14.1	35.5	38.9	3.4
Consolidated net sales	53,237	55,327					

- Notes: 1. The national and regional demarcations are based on the degree of geographical proximity.
2. Major countries and territories included in areas other than Japan:
(1) Other Asia: Singapore, Thailand, Malaysia, Indonesia, South Korea, China, Philippines, and Vietnam
(2) North America: United States and Canada
(3) Europe: France, Belgium and Spain
(4) Other regions: Central and South America
3. Overseas sales comprise sales by Amano Corporation and our consolidated subsidiaries to countries and regions other than Japan.

(2) Explanation of Financial Condition

(i) Assets, liabilities, and net assets

Total assets amounted to ¥152,433 million (up ¥1,873 million from the previous consolidated fiscal year-end).

- Current assets: an increase of ¥1,561 million due to an increase in cash and bank deposits, etc.
- Fixed assets: an increase of ¥312 million due to an increase in lease assets (net), etc.

Total liabilities amounted to ¥41,517 million (up ¥2,543 million from the previous consolidated fiscal year-end).

- Current liabilities: an increase of ¥2,251 million due to increases in Lease obligations and accrued income taxes, etc.
- Long-term liabilities: an increase of ¥291 million due to an increase in lease obligations, etc.

Net assets amounted to ¥110,915 million (down ¥669 million from the previous consolidated fiscal year-end).

- Shareholders' equity: a decrease of ¥2,295 million due to dividends paid and acquisition of treasury stock, etc.
- Accumulated other comprehensive income: an increase of ¥1,627 million due to an increase in foreign currency translation adjustments, etc.

(ii) Cash flows

Consolidated cash and cash equivalents increased by ¥2,836 million from the previous fiscal year-end, to a total of ¥55,383 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 ¥11,716 million (an increase in income of ¥4,726 million year-on-year).

• Main income factors:

Posting of income before income taxes amounting to ¥5,120 million and posting of a decrease in trade notes and accounts receivable and contract assets amounting to ¥4,636 million.

Posting of depreciation and amortization amounting to ¥3,951 million.

• Main expenditure factors:

Posting of income taxes paid amounting to ¥1,261 million.

Net cash used in investing activities totaled -¥2,476 million (a decrease in cash outflow of ¥1,145 million year-on-year).

• Main income factors:

Posting of proceeds from withdrawal of time deposits amounting to ¥1,544 million.

• Main expenditure factors:

Posting of increase in time deposits amounting to ¥1,807 million.

Net cash used in financing activities amounted to -¥7,006 million (an increase in cash outflow of ¥1,444 million year-on-year).

• Main income factors:

Posting of proceeds from sale and leaseback amounting to ¥783 million.

• Main expenditure factors:

Posting of dividends paid amounting to ¥3,377 million and posting of repayments of lease obligations amounting to ¥2,203 million.

Posting of payment for acquisition of treasury stock amounting to ¥2,154 million.

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

During the second quarter ended with an increase both in sales and an operating profit, operating profit was higher than the forecast. Although the COVID-19 infections are settling down domestically, there are still concerns about the continuation of various social and economic restrictions to cope with the sixth wave of COVID-19 infections in Japan as well as the resurgences of COVID-19 on a global scale. Besides that, due to the global shortage of semiconductors caused by the supply chain disruption, the world economy continues to be uncertain. Therefore, at this time, we have decided NOT to change the full-year business forecast for the fiscal year 2021 announced on April 26, 2021. However, if the business environment changes in a way that it affects the business performance, we will disclose it in a timely manner.

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

Amano places great importance on our policy of paying dividends to shareholders. Our 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. We aim 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 ¥25 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 Quarterly Financial Statements and Primary Explanatory Notes

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	FY 2020 (as of March 31, 2021)	FY 2021 (as of September 30, 2021)
Assets		
Current assets		
Cash and bank deposits	56,432	59,684
Notes and accounts receivable—trade	27,175	-
Notes and accounts receivable—trade and contract assets	-	22,932
Marketable securities	2,556	3,059
Merchandise and finished goods	3,883	4,004
Work in process	540	735
Raw materials and supplies	4,429	5,100
Other current assets	3,981	5,083
Allowance for doubtful accounts	(399)	(439)
Total current assets	98,600	100,161
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	9,578	9,291
Machinery and vehicles (net)	898	820
Tools, furniture and fixtures (net)	2,298	2,232
Land	5,896	5,873
Lease assets (net)	6,683	7,575
Construction in progress	237	145
Total tangible fixed assets	25,592	25,938
Intangible fixed assets		
Goodwill	1,612	1,578
Software	3,760	3,502
Software in progress	922	902
Other	1,811	1,797
Total intangible fixed assets	8,107	7,779
Investments and other assets		
Investment securities	12,250	12,377
Claims in bankruptcy and similar claims	576	554
Fixed leasehold deposits	1,724	1,768
Net defined benefit assets	122	124
Deferred tax assets	2,403	2,378
Other	1,770	1,915
Allowance for doubtful accounts	(589)	(565)
Total investments and other assets	18,259	18,553
Total fixed assets	51,959	52,271
Total assets	150,559	152,433

(Millions of yen)

	FY 2020 (as of March 31, 2021)	FY 2021 (as of September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	5,371	4,967
Electronically recorded obligations	5,073	4,765
Short-term bank loans	520	504
Lease obligations	2,843	3,401
Accrued income taxes	1,445	2,231
Accrued bonuses	2,379	2,143
Accrued officers' bonuses	90	-
Other current liabilities	13,086	15,047
Total current liabilities	30,809	33,061
Long-term liabilities		
Lease obligations	4,856	4,977
Deferred tax liabilities	128	125
Net defined benefit liabilities	2,308	2,347
Provision for stock benefit	245	326
Provision for directors' stock benefit	186	203
Asset retirement obligations	33	33
Other long-term liabilities	405	441
Total long-term liabilities	8,164	8,456
Total liabilities	38,974	41,517
Net assets		
Shareholders' equity		
Common stock	18,239	18,239
Capital surplus	19,293	19,293
Retained earnings	81,749	81,584
Treasury stock	(4,443)	(6,574)
Total shareholders' equity	114,838	112,542
Accumulated other comprehensive income		
Net unrealized gains (losses) on available- for-sale securities	1,875	1,963
Foreign currency translation adjustments	(5,242)	(3,786)
Remeasurements of defined benefit plans	(620)	(536)
Total accumulated other comprehensive income	(3,986)	(2,359)
Non-controlling shareholders' interests	733	732
Total net assets	111,585	110,915
Total liabilities and net assets	150,559	152,433

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

Consolidated Quarterly Statements of Income

Second quarter ended September 30, 2021

(Millions of yen)

	FY 2020 (April 1, 2020- September 30, 2020)	FY 2021 (April 1, 2021- September 30, 2021)
Net sales	53,237	55,327
Cost of sales	30,557	30,856
Gross profit	22,680	24,470
Selling, general and administrative expenses		
Selling expenses	18,070	18,116
General and administrative expenses	1,944	1,844
Total selling, general and administrative expenses	20,015	19,960
Operating profit	2,664	4,509
Non-operating profit		
Interest income	94	100
Dividend income	85	88
Insurance income	64	15
Foreign exchange gains	-	39
Equity in earnings of affiliates	91	96
Other	239	232
Total non-operating profit	576	573
Non-operating expenses		
Interest expenses	74	67
Loss on foreign exchange	51	-
Foreign withholding tax	0	0
Other	30	43
Total non-operating expenses	155	110
Ordinary profit	3,085	4,972
Extraordinary income		
Gain on sale of fixed assets	2	175
Total extraordinary income	2	175
Extraordinary losses		
Loss on disposal of fixed assets	9	22
Loss on sale of fixed assets	-	5
Total extraordinary losses	9	27
Income before income taxes	3,078	5,120
Income taxes	294	1,882
Net income	2,783	3,238
Net income attributable to non-controlling shareholders	34	21
Net income attributable to owners of the parent company	2,749	3,216

Consolidated Quarterly Statements of Comprehensive Income
 Second quarter ended September 30, 2021

(Millions of yen)

	FY 2020 (April 1, 2020- September 30, 2020)	FY 2021 (April 1, 2021- September 30, 2021)
Net income	2,783	3,238
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	178	87
Foreign currency translation adjustment	(760)	1,457
Remeasurements of defined benefit plans	101	84
Share of other comprehensive income of associates accounted for using equity method	0	0
Total other comprehensive income	(481)	1,629
Comprehensive income	2,302	4,868
(Breakdown)		
Comprehensive income attributable to owners of the parent company	2,300	4,844
Comprehensive income attributable to non-controlling shareholders	2	23

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	FY 2020 (April 1, 2020- September 30, 2020)	FY 2021 (April 1, 2021- September 30, 2021)
Cash flows from operating activities		
Income before income taxes	3,078	5,120
Depreciation and amortization	4,228	3,951
Amortization of goodwill	176	203
Increase (decrease) in net defined benefit liabilities	173	146
Increase (decrease) in provision for stock benefit	67	88
Increase (decrease) in provision for directors' stock benefit	31	32
Increase (decrease) in allowance for doubtful accounts	24	(16)
Interest and dividend revenue	(180)	(189)
Equity in (earnings) losses of affiliates	(91)	(96)
Interest expenses	74	67
Foreign currency translation loss (gain)	18	(15)
Loss (gain) on sale of fixed assets	(2)	(170)
Loss on disposal of fixed assets	9	22
(Increase) decrease in trade notes and accounts receivable	7,250	-
(Increase) decrease in trade notes and accounts receivable and contract assets	-	4,636
(Increase) decrease in inventories	(263)	(670)
Increase (decrease) in trade payables	(3,575)	(817)
Increase (decrease) in other current liabilities	813	1,038
Other	(2,148)	(731)
Subtotal	9,683	12,597
Receipts from interest and dividends	285	336
Interest paid	(74)	(67)
Special retirement payments	(11)	-
Income taxes paid	(3,415)	(1,261)
Income taxes refunded	520	110
Net cash provided by operating activities	6,989	11,716
Cash flows from investing activities		
Payment for acquisition of securities	(1,500)	(2,000)
Proceeds from redemption of securities	1,000	1,500
Payment for purchase of tangible fixed assets	(1,044)	(815)
Proceeds from sale of tangible fixed assets	3	306
Payment for acquisition of intangible fixed assets	(874)	(842)
Payment for acquisition of investment securities	(3)	(3)
Payments for acquisition of businesses	-	(200)
Increase in time deposits	(2,915)	(1,807)
Proceeds from withdrawal of time deposits	1,736	1,544
Other	(25)	(157)
Net cash used in investing activities	(3,621)	(2,476)

(Millions of yen)

	FY 2020 (April 1, 2020- September 30, 2020)	FY 2021 (April 1, 2021- September 30, 2021)
Cash flows from financing activities		
Increase in short-term loans payable	57	30
Repayment for short-term bank loans	(86)	(61)
Payment for acquisition of treasury stock	(245)	(2,154)
Repayments of lease obligations	(1,877)	(2,203)
Proceeds from sale and leaseback	856	783
Dividends paid	(4,202)	(3,377)
Payment of dividends to non-controlling shareholders	(63)	(25)
Cash flows from financing activities	(5,562)	(7,006)
Effect of exchange rate changes on cash and cash equivalents	(365)	603
Net increase (decrease) in cash and cash equivalents	(2,559)	2,836
Cash and cash equivalents at the beginning of the year	52,134	52,546
Cash and cash equivalents at end of period	49,575	55,383

(4) Notes on Quarterly Consolidated Financial Statements

Notes Regarding the Premise of a Going Concern

None

Notes on Significant Changes in Shareholders' Equity

Based on the resolution of the Board of Directors meeting held on April 26, 2021, Amano Corporation has acquired 750,000 shares of treasury stock. As a result, treasury stock increased by ¥2,154 million in the second quarter fiscal year, including an increase due to the purchase of shares less than one unit, and reached 6,574 million at the end of the same period.

The 411,819 shares held by Amano Corporation as trust property of the Director's Compensation BIP Trust and Employee Stock Ownership Plan (J-ESOP) are included in the balance of treasury shares at the end of the second quarter consolidated accounting period.

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 of Accounting Policy

(Application of "Accounting Standard for Revenue Recognition")

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

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

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

Due to the application of revenue recognition accounting standards, "Notes and accounts receivable-trade", which was indicated in "Current assets" in the previous year's consolidated balance sheet, is now indicated in "Notes and accounts receivable-trade and contract assets" from this consolidated first quarter. In addition, the "(increase) decrease in trade notes and accounts receivables" which was indicated in the "cash flow from operating activities" of the consolidated cash flow statement for the previous consolidated fiscal year, is now included in the "(increase) decrease in trade notes and accounts receivables and contract assets" from the first quarter of this consolidated fiscal year. Furthermore, in accordance with the transitional treatment stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition, the previous consolidated fiscal year has not been reclassified using the new presentation method.

(Application of "Accounting Standard for Fair Value Measurement")

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

Additional information

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

In Amano Corporation and some of our subsidiaries, for the purpose of enhancing the motivation to contribute to the improvement of medium- to long-term business performance and to increase corporate value, we have adopted the Directors' Compensation BIP Trust system for directors (excluding outside directors and expatriates) and operating officers (excluding expatriates). We have also adopted the Employee Stock Ownership Plan (J-ESOP) system for employees who meet the prescribed requirements.

[1] Outline of the system

Under the system, a trust is established with money contributed by Amano Corporation as a source, stocks of Amano Corporation are acquired by the trust, and the stocks are granted to the eligible persons. Furthermore, as for the executive compensation BIP trust, the trust period will be extended for the same period as the initial trust period as a stock compensation plan linked to the period of the 8th medium-term business plan which started in April 2020.

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

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

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

Book value of the treasury stock and the number of shares

As of the end of the second quarter of the current fiscal year ¥1,022 million, 411,819 shares

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

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

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

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

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

Segment Information

[Segment Information]

I. Second Quarter of fiscal year 2020 (April 1, 2020 to September 30, 2020)

(Millions of yen)

	Reporting segments			Adjustments (Note 1)	Amounts reported in consolidated financial statements (Note 2)
	Time Information System business	Environment System business	Total		
Net sales					
To customers	39,733	13,504	53,237	—	53,237
Intersegment	—	—	—	—	—
Total	39,733	13,504	53,237	—	53,237
Segment profit (loss)	3,024	1,497	4,521	(1,857)	2,664

Notes: 1. The ¥1,857 million adjustment in segment profit indicates company-wide expenses not allocated to the reporting segments. Company-wide expenses consist mainly of general and administrative expenses that do not belong to any of the reporting segments.

2. Segment profit is reconciled with operating profit in the consolidated statement of income.

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

None

II. Second Quarter of fiscal year 2021 (April 1, 2021 to September 30, 2021)

(Millions of yen)

	Reporting segments			Adjustments (Note 1)	Amounts reported in consolidated financial statements (Note 2)
	Time Information System business	Environment System business	Total		
Net sales					
To customers	40,381	14,946	55,327	—	55,327
Intersegment	—	—	—	—	—
Total	40,381	14,946	55,327	—	55,327
Segment profit (loss)	4,470	1,838	6,308	(1,799)	4,509

Notes: 1. The ¥1,799 million adjustment in segment profit indicates company-wide expenses not allocated to the reporting segments. Company-wide expenses consist mainly of general and administrative expenses that do not belong to any of the reporting segments.

2. Segment profit is reconciled with operating profit in the consolidated statement of income.

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

Omitted due to lack of importance

Significant Subsequent Events

None