

FINANCIAL REPORT

April 1997 March 1998



Dear Shareholders:

It is my pleasure to present you with the financial report of Amano Corporation for the fiscal year ended March 31, 1998.

Since its foundation, Amano has endeavored to develop and provide products and systems dealing with "people and time" and "people and environment" to use time more effectively and create a better environment. During the past fiscal year, business trying to achieve better time and resource management and the resultant cost savings sought Amano's information technology systems. Likewise, business, investing in better infrastructures made purchases of Amano's many advanced environmental control systems. These factors have resulted in increased sales across all divisions over the previous fiscal year.

In addition to increased sales, Amano continued efforts to improve its future financial strength, Amano decided to take an extraordinary loss on the write-down of investments in securities made in years past. Therefore, net profits decreased from last year. However, Management felt it was better to take a proactive approach in dealing with these loans, and decided to take the loss during such a successful year.

With "Time & Ecology" as its new business theme, Amano will develop and provide new systems that continue to maximize the use of people and time. These new systems will focus on versatility and functionality to meet the ever changing needs of the marketplace. For its ecology business unit, Amano will continue to concentrate in the development and creation of new environmental systems in consideration with safety, sanitation, cleanliness, and health. Amano will continue to develop new technologies and products, and to take on challenges to improve the company's profitability. We ask for your continued support in the coming year.



Y. Komoto

Yasuyoshi Komoto
President and CEO

Domestic Marketing

Expansion of Time Information Products

HRM System Software certified by leading ERP vendors increases domestic and international partnerships



Global software development and strong sales support of the Human Resource Management(HRM) Total Solution product has won great reviews from the world's first-class Enterprise Resource Planning(ERP) vendors such as SAP, JD Edwards, and ORACLE, and has led to many international partnership contracts. The synergy effect of this is that Amano is establishing its brand name as the top vendor of time information products due to increasing cooperation with major domestic dealers. This will further open new areas for Amano's real-time data gathering products.

* The HRM (Human Resource Management) Total Solution product is a new solution that was developed based on Amano's many years of sales experience and acquired know-how. It treats people not as workers, but as resources, and instantly provides necessary information when it is needed in order to maximize resource utility.

Parking System Network Integration

Recently developed parking management software

Parking management systems are drastically changing as a result of improvements in computer networking technologies. Parking facility management that had been previously controlled by using a monitor board can now be controlled using computer software. Amano's new parking management software, "Counter and Monitoring System" ties the entrance gate, ticket machine, pay station, and the parking availability sign together, and monitors parking conditions on the computer screen. In addition to these conventional functions, many new functions that can only be achieved through computer use are now included, such as parking facility layout, device control, device status monitoring, and statistical graphs which indicate parking facility occupancy and other statistical data. Other system innovations include



Counter and Monitoring System

improved software and hardware, which include items such as automatic pay stations which support credit cards.

These types of innovations also provide efficient and easy to use parking facilities for users. Therefore, high sales volume has won confidence and continues to gain recognition in both the domestic and overseas markets.

Yokohama and Tsukui Operations Facility Acquire ISO9002 Certification

Both the Yokohama Operations Facility (located in Yokohama, Kanagawa Prefecture) and Tsukui Operations Facility (located in Tsukui, Kanagawa Prefecture) received recommendations from SGS (Société Générale de Surveillance) Japan, an ISO9000 testing, inspection, and certification organization. Both facilities have received ISO9002 certification between the end of the last year and the beginning of this year. The facilities have also been accredited by UKAS



UKAS accreditation



JAB accreditation

(United Kingdom Accreditation Services) and JAB (Japan Accreditation Board for Quality Assurance).

The Yokohama Operations Facility manufactures parking products, while the Tsukui Operations Facility manufactures time recorders and time information products. Under the motto "Quality is the entrance ticket to the market," the staff at these facilities works diligently to provide customers with products of the highest quality.

Ecology & Wellness (E&W) Project

Comprehensive food safety control solution in accordance with HACCP

Food poisoning incidents caused by Enteropathogenic E. coli (O-157) which occurred last year in Japan have made the food industry realize the importance of sanitary food handling and preparation. Food industry organizations have established their own standards based on guidelines provided by the government. To meet these industry trends, Amano established its "E & W Headquarters" in April, which is a combination of the Aqua and the Ecology Products Divisions. It is promoting comprehensive food safety control with an emphasis on HACCP, the most advanced sanitation manage-

ment methodology of today. Sales operations are being carried out dynamically towards food manufacturing and processing companies, hotels, restaurants and cafeterias.

*HACCP (Hazard Analysis Critical Control Point) was developed in the USA, and is an internationally recognized food safety methodology which provides the framework for hazard identification and control. In Japan, various ministries and agencies provide similar guidelines, including the Ministry of Health and Welfare.



"FW-1000M" Receives Ministry of Health & Welfare Pharmaceutical Certification

Amano's "FW-1000M," that generates highly acidic electrolytic water, has received pharmaceutical certification from the Ministry of Health and Welfare as medical equipment. This electrolytically activated water has been proven to instantly destroy MRSA, an antibiotic resistant bacteria and infectious pathogen found in hospitals. Electrolytically activated water's active agent has been scientifically verified and

clinically tested by doctors, and has been frequently reported-on by scientific societies.

Electrolytically activated water has the following characteristics:

- 1) Independence from previous disinfectants and has equal or greater disinfecting ability.
- 2) Made only of tap water and salt, easier to handle than chemicals and is safer.
- 3) Leaves minimal residue, and is friendly to the environment.

The wide use of this product (for example, cleansing fingertips) in the areas of medical treatment and welfare is promising.



FW-1000M

Business Review and Assessment

This Year's Business Results

Japan's recession became more evident this fiscal year due to the decline in domestic consumption and confusion in the Asian economy. In the industries in which Amano is involved, active investments by business in information technology and in environmental control have increased demand for our products. In addition, a new business opportunity has become apparent. This new opportunity involves ecology (environmental health) and sanitation (food sanitation management) systems which deal with the safety, sanitation, cleanliness, and health of the environment in which people live. Under these circumstances, Amano reinforced its comprehensive proposals, reformulated support services to meet its end-user's needs, introduced new products, opened up new markets, and strengthened the company's profitability.

This year's total sales volume was 50,212 million yen, up 13.3% from the previous fiscal year. Of this amount, 46,236 million yen comprised domestic sales (up 12.7% from the previous fiscal year) and exports accounted for 3,976 million yen (up 20.8% from last year, equaling 7.9% of sales volume). Operating profit was 6,950 million yen, an increase of 18.1% over the previous year. Due to a decrease in port-

folio income, however, ordinary profit was 6,560 million, up only 3.1% from last year. Also, due to the write-down of investments in securities, net earnings were 2,139 million yen, down 31.2% from the previous fiscal year.

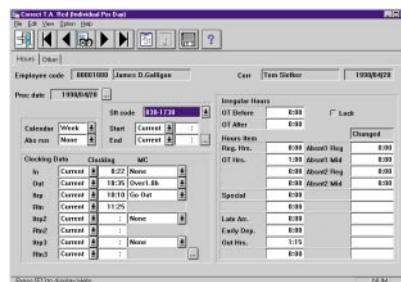
Business Results by Product Line

Time Information Systems

Time and Attendance, Payroll, Scheduling, and Personnel Information Systems

Sales volume this year for TIS was 10,153 million yen, up 12.5% from last year. In this segment, information systems sales increased 17.0% and sales of intelligent time recorders decreased by 4.4%.

Because of the rapid increase in the use of client-server systems and the Internet, many businesses have begun to use ERP packages in conjunction with their information systems. This allows them to run their business more efficiently, and keep up with the rapidly changing business environment. This trend has led to an increasing demand for Amano's information system, Time Pro. Hard-



Information system, Time Pro

ware and software sales increased 38% and 25%, respectively, over last year.

Time Management Equipment Time Recorders and Time Stamps

Sales volume of this product line was 6,721 million yen, up 6.2% from the previous fiscal year, with significant increases in exports. The number of units sold increased by 9%, consisting of exports mainly to Asian nations, such as Taiwan and Singapore. In monetary terms, there was a 21.5% increase which includes increased sales of spare parts.



Intelligent Time Recorder, Exceroder

Parking Systems

Parking Management Systems and Management Services

Sales volume of parking systems and equipment this year was 13,623 million yen, up 14.8% from last year. There was a 14.8% increase in domestic sales and a 15.1% increase in exports due to the increased orders received from local business in Asia.

There was significant demand arising from public parking facility ex-

pansion by municipal governments and hospitals, With increased demands for improved revenue of parking business in shopping districts by use of IC cards, credit cards, and common parking tickets, Amano met these demands by providing customer services and proposing strategic business solutions comprised of central control systems for parking facilities. These systems are based on the central pay system concept that provides monitoring and data analysis via PC. In addition, Amano's 24-hour customer service and equipment maintenance is a valued feature, and has led to a demand increase both in new orders and renewals. Sales of parking management services also expanded during the year.



Environmental Systems

Standard Dust Collectors, Large-sized Dust Collectors, Pneumatic Powder Conveyance Systems, Ecology (Environmental Health) and Sanitation (Food Sanitation Management) Systems, Hazardous Gas Removal Systems, Deodorization Systems, Aqua Systems and Nursing Equipment

Sales volume of these systems this year was 13,756 million yen, up 21.8% from the previous fiscal year. In environmental systems, the sales of large-sized dust collectors rose 46.5%. The sales of pneumatic powder conveyance systems rose 27.5%, and sales of standard dust collectors rose 2.2%. In ecology and sanitation systems, deodorization systems sales increased by 127.8%, and sales of hazardous gas removal systems increased by 51.8%. Aqua systems sales also rose 48.0%.

The sales of dust collectors and pneumatic powder conveyance systems increased due to rising demand from manufacturing industries. These industries are investing money into environmental management such as ISO 14000 and recycling and waste disposal, as well as technological renovation and old equipment renewal.

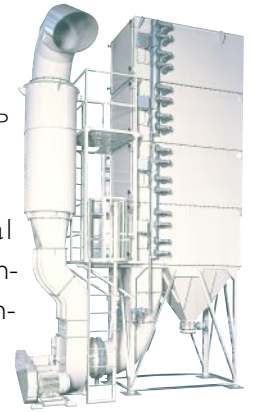
The sales volume of sanitation systems was 1,686 million yen. Sales of aqua systems, deodorization systems, and cleaning systems are all included in this amount.

The demand for sanitation management (safety and sanitation) became prominent in commercial kitchens and food processing industries in



Amano Ginza Sanitation Plaza

Pulse Jet Dust Collectors, SNP



order to deal with food poisoning caused by Enteropathogenic E. coli (O-157).

Amano's comprehensive safety sanitation management system comprised of aqua systems (highly acidic electrolytic water disinfection); ecology systems (ozone deodorizing and disinfection); and cleanliness systems (antibacterial floor coatings and floor cleaning); are achieving good results.

Cleaning Systems

Vacuum Cleaners, Dry Care Cleaning Systems, and Cleanliness Management Services

Sales volume of this product line was 5,957 million yen, up 2.6% from the previous fiscal year.

As companies recognize total cleanliness as a fundamental requirement to quality and service, there has been a significant demand for high quality cleaning products and services. In recent years, new building construction starts have slowed due to a maturing market. However, cleaning management services are proving to be quite successful.



Carpet cleaner, CHC-60

Amano in Sapphire 97/98

Amano's high quality real-time integrated system, the CS500 and its related application software, has proven to be a highly efficient and intelligent front-end system to ERP (Enterprise Resource Planning) packages. ERP packages are known for their efficient re-engineering of business processes and organizations in many enterprises all over the world. They are also highly accepted by large multi-national enterprises due to their quick system implementation with existing business templates, as well as their cost effectiveness. Amano's high quality systems enable these ERP packages to be even more efficient by automating data collection with instant validation and integration to ERP package databases. Amano's high quality systems ensure high productivity when they are used as front-end systems to ERP packages, by eliminating all manual processes, such as manual data collection, key-punch entry, and manual processing, and the human errors which arise from those manual processes.



Real-Time server, CS500

Typical examples are the CS500 system and the HR-COM and Shop Floor Data Collection-COM, which offer real-time integration to PATIM (HR) module and the PP (Production Planning) module by the leading ERP package vendor, SAP. SAP holds an annual regional business convention called Sapphire, and Amano Blick International Singapore (Advanced Business Integration) and Amano participate in this convention every year as SAP R/3 Complementary Software Program (CSP) providers. Amano's high quality system solutions and our continuous commitment towards automated system products are thus widely known and accepted by many of today's large enterprises.



Sharp Projects in Malaysia

Amano Blick International Singapore (Advanced Business Integration) recently obtained contracts from five of six existing Sharp subsidiary companies in Malaysia. It started with two of the Sharp group companies: Sharp-Roxy Sales & Service

Company (Malaysia) Sdn. Bhd. and Sharp Electronics (Malaysia) Sdn. Bhd. in Shah Alam, Malaysia. These projects entailed automation of Door Access Control, Time & Attendance Control, Payroll, and Canteen Management Systems in their new facilities. These two companies greatly valued Amano's unique "One Badge Card Solution" with real-time validation and data processing, due to its ease-of-use factor and integration over LAN/WAN. These cases are typical Amano CS500 System Solution examples which not so many system vendors can offer to the market today.



With these two company system implementations, we obtained other Sharp group companies in Malaysia, such as Sharp-Roxy Appliances Corporation (M) Sdn. Bhd., followed by Sharp-Roxy Electronics Corporation (Malaysia) Sdn. Bhd. and Sharp Manufacturing Corporation (Malaysia) Sdn. Bhd. These companies were interested in the CS500 Real-time Systems solution specifically designed to integrate with SAP R/3 HR module Interfaces. These SAP R/3 HR module interface system implementations are the first and second

ERP package system integration references in our Asian territory.



With these examples of successful system integration and customer references, though they are some of our many existing multi-national clients, we believe that Amano has begun to establish its existence and reputation in the high quality system integration business market here in Asia.

Establishment of PT.AMANO INDONESIA

Amano has received permission from the Republic of Indonesia to make investments, and has established a 100% owned local subsidiary on February 6, 1998.

An office has been established in central Jakarta, in the Kuningan District, and is in operation to cover Indonesia's massive market. Indonesia has a population of 200 million and has an area which is five times that of Japan.

Operations there entail design, manufacturing, sales, and maintenance of Amano's time information systems and dust collectors. And while the Indonesian economy is

currently at its worst, many restrictions to foreign businesses are being lifted, making operations much easier. The construction of a large-sized pneumatic conveyance system (an order amounting to 300 million yen) for Bakri Dia Foil Co. is well under way, and the final product is



planned to be completed this December after successful testing. In addition, several orders of time information systems have already been received. Amano has hired local engineers with experience in the field, and future business expansion in Indonesia is promising.

“7in1” Marketing by AMANO.TIME & AIR SINGAPORE PTE, LTD.

By packaging four major amenities (Hardware, Software, Services and Management), Amano Singapore has been expanding its business domain, while providing its customers with a total solution. The current goal of Amano Singapore is to provide the local Singapore market

with a total solution package for buildings and facilities. This includes all hardware, software and engineering work solutions for access control, parking facility revenue, total building cleaning solutions and electrolytic water ionization systems (7in1).

Our focus is to eventually provide each customer with all Amano products. To start with, we secure customers by selling one or more products, and maintain them with our excellent services. Then, we recommend other Amano products or management services to them.

As a result, our customers are provided with a multi-system total solution from a single vendor. They obtain true value from a single vendor, as Amano provides everything including hardware, software, after-sales services, and management services. HESHE and Citimac Buildings in Singapore are prime examples of this. Customers then have the ability to concentrate on their core business by leaving auxiliary operations or problems to us as a single solution provider.

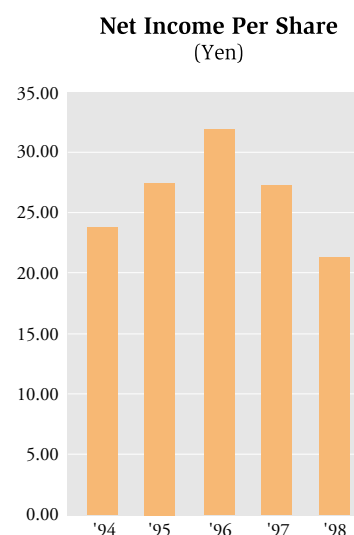
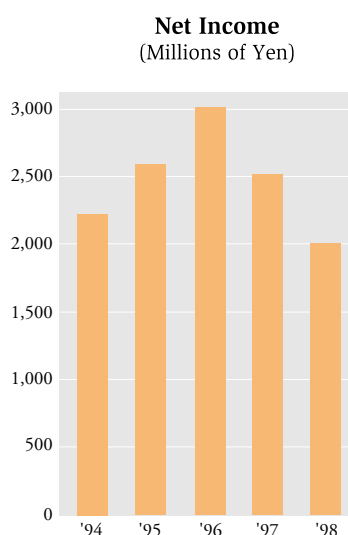
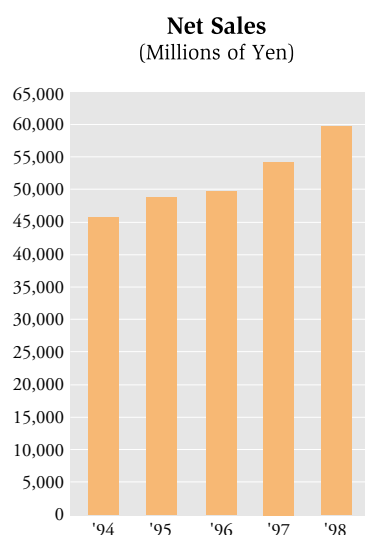
Using Singapore as a case model, we intend to implement the same business concept in other countries.

Financial Highlights

For the years ended March 31, 1998 and 1997.

	Millions of Yen		Thousands of U.S. Dollars	
	1998	1997	1998	1997
For the year:				
Net sales	¥60,099	¥54,025	\$455,295	\$409,280
Net income	2,019	2,510	15,298	19,015
Net income per share (in Yen and U.S. Dollars)	21.08	26.29	0.160	0.199
Cash dividends per common share (in Yen and U.S. Dollars)	13.00	13.00	0.098	0.098
At year-end:				
Total assets	100,467	98,290	761,116	744,623
Working capital	48,043	48,788	363,969	369,606
Shareholders' equity	78,308	77,573	593,250	587,675
Sales by product:				
Time management system equipment	11,191	9,840	84,780	74,545
Time control equipment	9,949	9,710	75,371	73,561
Parking control system equipment	15,503	13,590	117,448	102,955
Dust collectors, Industrial cleaners, Dust collecting systems	13,840	11,514	104,848	87,227
Floor cleaning equipment	¥9,616	¥9,371	\$72,848	\$70,992

Note: U.S. dollar amounts are translated from yen at the rate of ¥132 = U.S.\$1. Refer to Note 4 of the Consolidated Financial Statements.



Consolidated Balance Sheets

As at March 31, 1998 and 1997.

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 4)	
	1998	1997	1998	1997
Current assets:				
Cash and deposits	¥10,688	¥9,426	\$80,970	\$71,409
Marketable securities	29,361	30,058	222,433	227,712
Notes and accounts receivable:				
Trade	20,245	19,404	153,371	147,000
Other	252	272	1,908	2,061
	20,497	19,676	155,279	149,061
Less: allowance for doubtful accounts	(224)	(196)	(1,694)	(1,485)
	20,273	19,480	153,585	147,576
Inventories	5,901	5,549	44,707	42,038
Other current assets	389	1,297	2,944	9,826
Total current assets	66,612	65,810	504,639	498,561
Investments and advances:				
Investments in securities	4,688	5,010	35,514	37,955
Other investments	2,512	2,120	19,031	16,061
	7,200	7,130	54,545	54,016
Property, plant and equipment, at cost:				
Buildings	19,591	18,997	148,417	143,917
Machinery and equipment	14,648	14,174	110,972	107,379
	34,239	33,171	259,389	251,296
Less accumulated depreciation	(19,863)	(18,481)	(150,481)	(140,008)
	14,376	14,690	108,908	111,288
Land	5,690	4,949	43,105	37,492
Construction in progress	1,053	400	7,977	3,030
	21,119	20,039	159,990	151,810
Fixed leasehold deposits	1,385	1,249	10,496	9,462
Deferred charges and other assets	2,800	2,561	21,215	19,402
Difference between investment costs and equity in net assets acquired	712	687	5,394	5,205
Adjustment of foreign currency statement translation	639	814	4,837	6,167
	¥100,467	¥98,290	\$761,116	\$744,623

The accompanying notes are an integral part of this statement.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 4)	
	1998	1997	1998	1997
Current liabilities:				
Short-term bank loans	¥1,415	¥1,427	\$10,716	\$10,811
Notes and accounts payable:trade	9,560	8,467	72,426	64,144
Accrued expenses	3,229	2,957	24,466	22,402
Accrued income taxes	1,918	2,317	14,532	17,553
Other current liabilities	2,447	1,854	18,530	14,045
Total current liabilities	18,569	17,022	140,670	128,955
Long-term liabilities:				
Accrued retirement benefits to employees	2,347	2,315	17,779	17,538
Accrued retirement benefits to directors	771	750	5,842	5,682
Other	240	353	1,821	2,674
	3,358	3,418	25,442	25,894
Minority interest in consolidated subsidiaries	232	277	1,754	2,099
Shareholders' equity:				
Common stock, ¥50 (\$0.38) par value per share:				
Authorized: 200,000,000 shares				
Issued, as of 1997, 1998: 95,781,829 shares	18,240	18,240	138,182	138,182
Additional paid-in capital	19,293	19,293	146,159	146,159
Legal reserve	1,948	1,816	14,758	13,758
Retained earnings	38,831	38,266	294,183	289,894
	78,312	77,615	593,282	587,993
Less, treasury stock at cost, 3,324 shares in 1998 and 31,386 shares in 1997	(4)	(42)	(32)	(318)
	78,308	77,573	593,250	587,675
	¥100,467	¥98,290	\$761,116	\$744,623

The accompanying notes are an integral part of this statement.

AMANO Corporation and Subsidiaries

Consolidated Statements of Income

For the years ended March 31, 1998 and 1997.

	Millions of Yen		Thousands of U.S. Dollars (Note 4)	
	1998	1997	1998	1997
Net sales	¥60,099	¥54,025	\$455,295	\$409,280
Cost of sales	32,001	28,506	242,432	215,955
Gross profit	28,098	25,519	212,863	193,325
Selling, general and administrative expenses	20,290	18,569	153,712	140,674
Operating income	7,808	6,950	59,151	52,651
Other income (expenses) :				
Interest and dividend income	955	1,142	7,232	8,652
Interest expenses	(189)	(169)	(1,433)	(1,280)
Amortization of research and development cost	(1,231)	(1,148)	(9,325)	(8,697)
Foreign exchange gain / (loss)	-	(186)	-	(1,409)
Gain on sales of property and equipment	2	-	18	-
Loss on disposal of property and equipment	(107)	(74)	(812)	(561)
Loss on liquidation of subsidiaries	-	(134)	-	(1,015)
Write-down of marketable securities	(1,449)	(236)	(10,973)	(1,788)
Other, net	24	182	183	1,379
Income before income taxes	5,813	6,327	44,041	47,932
Income taxes	3,821	3,817	28,950	28,917
Minority interests in earnings of consolidated subsidiaries	45	20	338	152
Amortization of equity in net assets of consolidated subsidiaries over investment cost	(20)	(18)	(148)	(137)
Equity in earnings of affiliates	2	(2)	17	(15)
Net income	¥2,019	¥2,510	\$15,298	\$19,015
Net income per share, adjusted-primary	¥21.08	¥26.29	\$0.160	\$0.199
Net income per share, adjusted-fully diluted	-	26.21	-	0.199
Cash dividends per common share	¥13.00	¥13.00	\$0.098	\$0.098

The accompanying notes are an integral part of this statement.

Consolidated Statement of Cash Flows

For the years ended March 31, 1998 and 1997.

	Millions of Yen		Thousands of U.S. Dollars (Note 4)	
	1998	1997	1998	1997
Cash Flows from Operating Activities:				
Net income	¥2,019	¥2,510	\$15,298	\$19,015
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	1,697	1,769	12,858	13,402
Amortization	1,269	1,455	9,614	11,023
Minority interests in net income.....	(45)	(20)	(338)	(152)
Provision for accrued retirement benefits	53	257	401	1,947
Equity in earnings of affiliates	(2)	2	(17)	15
Loss on write-off of investments in securities	1,247	-	9,447	-
Loss on sales / disposal of property, plant and equipment	104	74	788	561
Changes in assets and liabilities:				
Decrease / (increase) in receivables	(793)	405	(6,007)	3,068
Decrease / (increase) in inventories	(352)	158	(2,669)	1,197
Decrease / (increase) in current assets	946	(996)	7,167	(7,545)
Increase / (decrease) in payables	1,093	(869)	8,282	(6,583)
Increase / (decrease) in income taxes	(399)	151	(3,023)	1,144
Increase / (decrease) in current liabilities	865	156	6,553	1,182
Other	98	372	742	2,816
Net cash provided by operating activities	7,800	5,424	59,096	41,090
Cash Flows from Investing Activities:				
Acquisition of property and equipment	(2,747)	(1,586)	(20,811)	(12,015)
Decrease / (increase) in investments in securities	(925)	(1,066)	(7,008)	(8,076)
Decrease / (increase) in investments in subsidiaries and affiliates	2	637	15	4,826
Decrease / (increase) in investments in other investments	(437)	(624)	(3,311)	(4,727)
Proceed from sales of property and equipment	(134)	-	(1,015)	-
Transfer of investments in securities to / from cash equivalents	-	188	-	1,424
Decrease / (increase) in fixed leasehold deposits	(136)	(32)	(1,034)	(242)
Decrease / (increase) in intangibles	(1,488)	(928)	(11,273)	(7,030)
Net cash used in investing activities	(5,865)	(3,411)	(44,437)	(25,840)
Cash Flows from Financing Activities:				
Increase / (decrease) in short-term bank loans	(12)	382	(95)	2,894
Redemption of bonds	-	(122)	-	(924)
Increase / (decrease) in other long-term debt	(113)	(80)	(853)	(606)
Cash dividends	(1,245)	(1,241)	(9,429)	(9,402)
Net cash used in financing activities	(1,370)	(1,061)	(10,377)	(8,038)
Cash and cash equivalents at beginning of year	39,484	38,532	299,121	291,909
Cash and cash equivalents at year-end	¥40,049	¥39,484	\$303,403	\$299,121

Consolidated Statements of Shareholders' Equity

For the years ended March 31, 1998 and 1997.

	Millions of Yen				
	Amount of Common Stock (In Thousands)	Common Stock	Additional Paid-In Capital	Legal Reserve	Retained Earnings
Balance at March 31, 1996	95,171	¥17,851	¥18,906	¥1,682	¥37,200
Net income for the year ended March 31, 1997	-	-	-	-	2,510
Cash dividends	-	-	-	-	(1,241)
Directors' and statutory auditors' bonuses	-	-	-	-	(77)
Transfer to legal reserve	-	-	-	134	(134)
Increase due to application of equity method to additional companies	-	-	-	-	8
Conversion of convertible bonds	611	389	387	-	-
Balance at March 31, 1997	95,782	¥18,240	¥19,293	¥1,816	¥38,266
Net income for the year ended March 31, 1998	-	-	-	-	2,019
Cash dividends	-	-	-	-	(1,245)
Directors' and statutory auditors' bonuses	-	-	-	-	(77)
Transfer to legal reserve	-	-	-	132	(132)
Increase due to consolidation of additional subsidiaries	-	-	-	-	0
Balance at March 31, 1998	95,782	¥18,240	¥19,293	¥1,948	¥38,831

	Thousands of U.S. Dollars (Note 4)				
	Amount of Common Stock (In Thousands)	Common Stock	Additional Paid-In Capital	Legal Reserve	Retained Earnings
Balance at March 31, 1996	95,171	\$135,235	\$143,227	\$12,743	\$281,815
Net income for the year ended March 31, 1997	-	-	-	-	19,015
Cash dividends	-	-	-	-	(9,401)
Directors' and statutory auditors' bonuses	-	-	-	-	(583)
Transfer to legal reserve	-	-	-	1,015	(1,015)
Increase due to application of equity method to additional companies	-	-	-	-	63
Conversion of convertible bonds	611	2,947	2,932	-	-
Balance at March 31, 1997	95,782	\$138,182	\$146,159	\$13,758	\$289,894
Net income for the year ended March 31, 1998	-	-	-	-	15,298
Cash dividends	-	-	-	-	(9,429)
Directors' and statutory auditors' bonuses	-	-	-	-	(583)
Transfer to legal reserve	-	-	-	1,000	(1,000)
Increase due to consolidation of additional subsidiaries	-	-	-	-	3
Balance at March 31, 1998	95,782	\$138,182	\$146,159	\$14,758	\$294,183

The accompanying notes are an integral part of this statement.

Notes to the Consolidated Financial Statements

For the years ended March 31, 1998 and 1997.

1. Basis of Consolidated Financial Statements

The consolidated financial statements of AMANO Corporation (the "Company") and its subsidiaries (majority-owned companies) have been prepared in accordance with the accounting standards for consolidated financial statements in Japan. The accounts of the Company included in the consolidation are based on the accounting records maintained in accordance with the provisions of the Japanese Commercial Code and accounting principles generally accepted in Japan.

The accounts of consolidated overseas subsidiaries, as shown below, are based on audited financial statements prepared in conformity with accounting practices prevailing in the country of incorporation. In general, no adjustments to the accounts of overseas consolidated subsidiaries have been reflected in the accompanying consolidated financial statements, since the accounting practices of the overseas subsidiaries are essentially the same as those in Japan.

The consolidated financial statements of the Company and its consolidated subsidiaries are essentially translations of statements in the Annual Report filed with both the Minister of Finance and the Tokyo and Osaka Stock Exchanges, as required by the Securities and Ex-

change Law and related regulations in Japan. The information in the consolidated financial statements is derived from the original text, scope, and nature of that information, and is therefore limited to that contained in the original text. However, certain reclassifications or summarization's of accounts have been made to present the consolidated financial statements in a form which will be more familiar to readers outside Japan.

2. Principles of Consolidation

(1) Scope of Consolidation

The Company had 22 subsidiaries at March 31, 1998 (21 at March 31, 1997). The consolidated financial statements include the accounts of the Company and all majority owned subsidiaries (referred to as "the Companies"). Pioneer / Eclipse West Corp. was closed on March 31, 1997, and its accounts are excluded from the consolidated financial statements for the year ended March 31, 1998.

The accounts of Amano International Trading (Shanghai) Co., Ltd. are recorded using a fiscal year ending on December 31, and are consolidated accordingly with the accounts of the Company at March 31, 1998 and 1997 and for the years then ended.

The consolidated subsidiaries are:

Company Name	Equity ownership %	Paid In Capital (Thousands)
Amano USA, Inc. (*1)	100 %	US\$ 55,623
Amano Cincinnati Inc.	100 %	US\$ 29,493
Amano Cincinnati Canada Inc.	100 %	C\$ 430
Pioneer / Eclipse Corp.	100 %	US\$ 4,606
Amano Pioneer Credit Corp. (d.b.a. Amano Business Credit)	84 %	US\$ 135
Accutime Corp.	100 %	US\$ 750
Amano Electronics Europe NV	100 %	BEF 413,574
Amano Deutschland, GmbH	100 %	DM 500
Amano Cleantech Malaysia Sdn. Bhd.	60 %	MR 200
PT. Amano Indonesia (*2)	100 %	IDR 1,928,000
Amano Time & Air Singapore Pte. Ltd.	100 %	S\$ 350
Amano International Trading (Shanghai) Co., Ltd.	100 %	US\$ 200
Amano Korea Corp.	100 %	W 2,010,000
Amano Blick International, Inc.	55 %	US\$ 6,086
Trutrac, Inc.	55 %	US\$ 3,112
Amano Blick International (North America), Inc. (*3)	55 %	C\$ 0.1
Amano Europe Investments Ltd.	100 %	STG£ 15
Advanced Business Integration Singapore Pte. Ltd.	55 %	S\$ 51
Amano System Solution Corp.	98 %	¥20,000
Environmental Technology Company	100 %	¥10,000
Amano Management Service Corp.	100 %	¥10,000
Amano Handy Aid Corp. (*2)(*4)	100 %	¥10,000

(*1) Due to a name change effective January 9, 1998, Amano Partners USA, Inc. became Amano USA, Inc.

(*2) Newly consolidated as of March 31, 1998.

(*3) Trutrac Canada, Inc. merged with Business Machines Interfaces, Inc. and became Amano Blick International (North America) on April 1, 1997.

(*4) Handy Aid Corp. was acquired by the Company and became Amano Handy Aid Corp. on April 2, 1997.

(2) Investments in Affiliates

The Company had three affiliates at March 31, 1998 (two at March 31, 1997) and applied the equity method to the investments in all affiliates.

Affiliate Companies as of March 31, 1998:

Amano Agency Corp.
ATAS Services, Pte Ltd.
Amano Blick International
(Europe), Ltd.

(3) Consolidation and Elimination

All significant intercompany transactions, account balances, and unrealized profits among the Companies have been eliminated from the consolidated financial statements. Intracompany profit included in the assets sold from the Company to the consolidated subsidiaries has been entirely eliminated and charged against the consolidated earnings of the Companies. Intra-company profit included in the assets sold from the consolidated subsidiaries to the Company has been entirely eliminated and the portion applicable to minority interests is charged against minority interests. Significant differences arising from the elimination of investments in the consolidated overseas subsidiaries are amortized over a period of 40 years on a straight-line basis, in accordance with USA practice.

The other difference is directly charged/credited against income for the year, since it is not material.

3. Summary of Significant Accounting Policies

The accounting practices of the Companies which had a significant impact on the consolidated financial statements are as follows::

(1) Inventories

Inventories are stated at cost. Cost is determined principally using the periodic average method.

(2) Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the declining balance method at rates based on the estimated useful lives of assets, as prescribed by Japanese income tax laws. Useful lives of assets are:

Buildings	3-65 years
Machinery and equipment	3-16 years

The cost of property, plant and equipment, retired or otherwise disposed of, and related accumulated depreciation, is eliminated from the respective accounts, and the resulting gain or loss is reflected in income during the applicable period. Normal repairs and main-

tenance, including minor renewals and improvements, are charged to income as incurred.

(3) Deferred charges and other assets

Intangible assets are amortized using the straight-line method. Goodwill arising from the acquisition of Pioneer/Eclipse Corp. in the U.S.A. is amortized over a 40 year period on a straight basis.

Research and development costs are deferred and amortized on a straight-line basis over a period of two years.

(4) Marketable Securities and Investment Securities

Marketable securities (current portfolio) and investments in securities (non-current portfolio) are valued at cost. In both cases, cost is determined by the moving average method.

(5) Foreign Currency Translation

Foreign currencies, short-term receivables, and payables denominated in foreign currencies held by the Company are translated into Japanese yen at the current exchange rate prevailing at the balance sheet date. The resulting translation gain or loss is included in the determination of net income for the year. Long-term receivables and payables denominated in for-

eign currencies, including investments in unconsolidated subsidiaries, are translated at the historical exchange rates prevailing at the time such translations were made.

(6) Translation of Foreign Currency Financial Statements (Accounts of Overseas Subsidiaries)

Foreign currency denominated statements of overseas subsidiaries are translated into Japanese yen using the method prescribed by the Business Accounting Council (BAC) of Japan. This method applies the current exchange rate prevailing at the balance sheet date to all items, except common stock and additional paid in capital, which are translated at historical rates. Applying the BAC method requires certain adjustments to the balance sheets, income statements, and retained earnings to enable the balancing of debit and credit totals, as well as the reconciliation of the beginning and ending balances of retained earnings. Those adjustments appear as "Foreign currency translation adjustment" in the consolidated financial statements.

(7) Income Taxes

Income tax calculations for the Company are based on annual tax returns. No tax effect is recorded for timing differences between tax and financial reporting. Income tax calculations for consolidated sub-

siaries use the interperiod tax allocation method, a common practice in the subsidiaries' countries.

(8) Appropriation of Retained Earnings

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, the plan for the appropriation of retained earnings (primarily cash dividend payments) proposed by the Board of Directors is subject to approval at the annual shareholders' meeting, which is held within three months after the end of each year. The appropriation of retained earnings reflected in the consolidated financial statements represents the results of appropriations applicable to the immediately preceding financial year, which was approved at the shareholders' meeting and disposed of during that year. Dividends are paid to shareholders on the shareholders' register at the end of each fiscal year. As is customary practice in Japan, bonuses are paid to officers out of retained earnings, instead of being charged to income of the year, which constitutes a part of the appropriation cited above.

(9) Provision for Accrued Expenses

(a) "Allowance for doubtful accounts" is equivalent to the legal limit established by the tax laws for allowable deductions, in addition to the individual account balances

deemed uncollectable. The limit for tax purposes is determined by applying a fixed percentage to the balance of accounts receivable outstanding at year-end.

(b) "Accrued bonuses to employees" is an estimate of bonuses earned during the last six months of the financial year, and payable to employees three months after the year-end date.

(c) "Accrued retirement benefits to employees" represents 100% of the liabilities that the Company would be required to pay if all eligible employees voluntarily terminated employment at the respective balance sheet dates.

Under the current retirement benefit program, the Company has a funded pension plan which covers a portion of retirement benefits payable to employees. The 100% liability is reduced by the portion payable by the pension fund. As of March 31, 1998, past service costs amounted to ¥945 million and are being amortized over a five-year period. The Company also provides for the accrual of lump-sum retirement benefits payable to directors and statutory auditors upon retirement in an amount equivalent to 100% of such liability.

4. United States Dollar Amounts

The Company maintains its accounting records in Japanese yen.

The US dollar amounts included in the consolidated financial statements and notes hereto are the results of translating Japanese yen to US dollars at a rate of ¥132 = \$1US,

the approximate effective rate of exchange. The inclusion of US dollar amounts is solely for the convenience of readers and is not intended to imply that yen amounts

could be converted, realized, or settled in US dollars at that, or any other rate.

5. Breakdown of SGA Expenses

Selling, general, and administrative expenses during the years ended March 31, 1998 and 1997 include:

	Millions of Yen		Thousands of U.S.Dollars(Note4)
	1998	1997	1998
Labor and Payroll	¥9,198	¥7,982	\$69,682
Rental for Properties	1,348	1,275	10,212
Travel and Transport.	968	931	7,333

6. Provisions

Provisions for accrued expenses and allowances during the years ended March 31, 1998 and 1997 are:

	Millions of Yen				Thousands of U.S.Dollars(Note4)	
	1998		1997		1998	
	SGA	COS	SGA	COS	SGA	COS
Employees' Bonuses	1,013	618	931	505	7,674	4,682
Retirement Benefits	280	107	275	1,035	2,121	811
Doubtful Accounts	81	-	12	-	614	-

7. Accounting for Leases

The Companies have various lease agreements whereby the Companies act as the lessee. Finance lease contracts other than those which are deemed to transfer the ownership of the leased assets to the lesasses are accounted for by the method that is applicable to ordinary operating leases.

Certain key information on such lease contracts of the Companies as a lessee for the years ended March 31, 1998 and 1997 are as follows:

As a lessee:	Millions of Yen		Thousands of U.S.Dollars(Note4)
	1998	1997	1998
The scheduled maturities of future lease rental payments on such lease contracts are as follows:			
Due within on year	¥314		\$2,379
Due over one year	797		6,041
	¥1,111		\$8,420
Lease rental expenses for the year	¥337	¥308	\$2,557

8. Information by Segment

(1) Industrial Segment Information

The Companies operate primarily in the following two businesses:

1. Office equipment
2. Industrial machines

	Millions of Yen				
	1998				
	Office	Industrial	Total	Consolidation	Consolid. Total
Net Sales:					
Outside Customers	¥36,643	¥23,456	¥60,099	-	¥60,099
Intra-Company Sales	3,090	730	3,820	¥(3,820)	-
Total	39,733	24,186	63,919	(3,820)	60,099
Operating Expenses & Costs	34,116	20,861	54,977	(2,686)	52,291
Operating Income	5,617	3,325	8,942	(1,134)	7,808
Total Assets:	31,031	12,075	43,106	57,361	100,467
Depreciation:	830	502	1,332	365	1,697
Capital expenditure:	¥1,031	¥290	¥1,321	¥746	¥2,067

	Millions of Yen				
	1997				
	Office	Industrial	Total	Consolidation	Consolid. Total
Net Sales:					
Outside Customers	¥33,140	¥20,885	¥54,025	-	¥54,025
Intra-Company Sales	2,528	373	2,901	¥(2,901)	-
Total	35,668	21,258	56,926	(2,901)	54,025
Operating Expenses & Costs	30,844	17,903	48,747	(1,672)	47,075
Operating Income	4,824	3,355	8,179	(1,229)	6,950
Total Assets:	30,948	10,874	41,822	56,468	98,290
Depreciation:	922	470	1,392	377	1,769
Capital expenditure:	¥1,284	¥167	¥1,451	¥91	¥1,542

	Thousands of U.S. Dollars (Note4)				
	1998				
	Office	Industrial	Total	Consolidation	Consolid. Total
Net Sales:					
Outside Customers	\$277,595	\$177,700	\$455,295	-	\$455,295
Intra-Company Sales	23,407	5,529	28,936	\$(28,936)	-
Total	301,002	183,229	484,231	(28,936)	455,295
Operating Expenses & Costs	258,444	158,037	416,481	(20,337)	396,144
Operating Income	42,558	25,192	67,750	(8,599)	59,151
Total Assets:	235,080	91,481	326,561	434,555	761,116
Depreciation:	6,292	3,803	10,095	2,763	12,858
Capital expenditure:	\$7,813	\$2,200	\$10,013	\$5,652	\$15,665

(2) Geographical Segment Information

Net sales and operating income of the Companies for the years ended March 31, 1998 and 1997, classified by geographical segment:

	Millions of Yen						
	1998						
	Domestic (in Japan)	Overseas			Total	Consolidation	Consolid. Total
	Asia	North America	Europe				
Net Sales:							
Outside Customers	¥47,722	¥1,430	¥9,441	¥1,506	¥60,099	-	¥60,099
Intra-Company Sales	3,086	142	582	10	3,820	¥(3,820)	-
Total	50,808	1,572	10,023	1,516	63,919	(3,820)	60,099
Operating Expenses & Costs	41,988	1,466	9,882	1,641	54,977	(2,686)	52,291
Operating Income	8,820	106	141	(125)	8,942	(1,134)	7,808
Total Assets:	¥31,968	¥956	¥8,514	¥1,668	¥43,106	¥57,361	¥100,467

	Millions of Yen				
	1997				
	Domestic	Overseas	Total	Consolidation	Consolid. Total
Net Sales:					
Outside Customers	¥42,314	¥11,711	¥54,025	-	¥54,025
Intra-Company Sales	2,439	462	2,901	¥(2,901)	-
Total	44,753	12,173	56,926	(2,901)	54,025
Operating Expenses & Costs	36,912	11,835	48,747	(1,672)	47,075
Operating Income	7,841	338	8,179	(1,229)	6,950
Total Assets:	¥30,886	¥10,936	¥41,822	¥56,468	¥98,290

	Thousands of U.S. Dollars (Note4)						
	1998						
	Domestic (in Japan)	Overseas			Total	Consolidation	Consolid. Total
	Asia	North America	Europe				
Net Sales:							
Outside Customers	\$361,527	\$10,835	\$71,521	\$11,412	\$455,295	-	\$455,295
Intra-Company Sales	23,379	1,074	4,408	75	28,936	\$(28,936)	-
Total	384,906	11,909	75,929	11,487	484,231	(28,936)	455,295
Operating Expenses & Costs	318,088	11,105	74,860	12,428	416,481	(20,337)	396,144
Operating Income	66,818	804	1,069	(941)	67,750	(8,599)	59,151
Total Assets:	\$242,185	\$7,242	\$64,497	\$12,637	\$326,561	\$434,555	\$761,116

As a result of the amendment to the Consolidated Financial Statement Regulations, the disclosure of information to each segment classified by principal nations or area has become mandatory with effect from the year ended March 31, 1998.

(3) Overseas Sales Information

Overseas sales for the Companies for the years ended March 31, 1998 and 1997:

	Millions of Yen		Thousands of U.S.Dollars (Note4)
	1998	1997	1998
Export sales and sales by overseas subsidiaries			
Asia	¥2,510		\$19,015
North America	9,448		71,579
Europe	1,530		11,587
Other	310		2,348
Total	¥13,798	¥12,953	\$104,529
Percentage of such sales against consolidated net sales	23.0%	24.0%	23.0%

As a result of the amendment to the Consolidated Financial Statement Regulations, the disclosure of information about export sales classified by principal nations or area has become mandatory with effect from the year ended March 31, 1998.

9. Per Share Data

Net assets and income, listed per share as of and for the year ended March 31, 1998 and 1997:

	Yen		U.S.Dollars (Note4)
	1998	1997	1998
Net Assets / Share	¥817.56	¥810.15	\$6.194
Net Income / Share Adjusted-Primary	21.08	26.29	0.160
Net Income / Share Adjusted-Diluted	-	26.21	-

10. Subsequent Events

Treasury Stock Purchase Authorization

At the General Meeting of Stockholders of the Company held on June 26, 1998, the Board of Directors of the Company were authorized, subject to provisions set out in the articles of incorporation, to approve purchase of up to 9,480 thousand shares of the Company's common stock out of retained earnings available for distribution on and after July 1, 1998.

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