

FINANCIAL REPORT

April 2003 – March 2004



Management Policy

1. Basic Management Policy

Since its foundation, Amano's first priority has been to maximize customer satisfaction - that is, to listen to the voice of the customers. Based on the corporate themes of "people and time" and "people and the environment," all employees, including the staff of our sales, production, and development divisions, focus on customer satisfaction throughout all business activities. In accordance with this fundamental policy, Amano has continued to undertake business activities with the goal of earning the trust and high regard of all those who have been supporting us: customers, employees, shareholders, business associates, and the local community. Amano has set out to achieve this by providing a variety of products, systems, services, and solutions that accurately respond to the needs of customers in fields related to "people and time" and "people and the environment."

2. Basic Policy on Dividends

Amano has always placed a high priority on policies related to dividends paid to shareholders. The foundation of these policies - returning earnings to the shareholders - rests on the principle of maintaining a stable annual dividend of 13 yen, offering reasonable dividends that reflect actual performance, and executing an flexible redemption of treasury stocks.

Currently, dividends to shareholders are paid on the basis of a payout ratio of 35% or more, and Amano will make every effort to achieve a 2-percent dividend rate for shareholder's equity in the medium term.

Regarding dividends to be paid at the end of the current term, we plan a 2.5 yen per share increase on regular dividends in response to the continued support that we have received from our shareholders throughout the year. The total annual dividend, including the dividend payment of 6.5 yen per share already made in the interim term, will be 15.5 yen per share.

Retained earnings will be used to strengthen our management capabilities through effective investments, such as research and development activities, the expansion and enhancement of existing business fields, and strategic investments in growing business areas. Other goals for retained earnings will include cost reductions and streamlining of production facilities as a means of improving quality.

3. Medium- and Long-Term Management Strategy

Amano and each of its Group companies maintain the tradition of continuously evolving in response to the changing times, while adhering to the four fundamental strategies of the Amano Group:

- (1) Emphasis on the Time & Ecology business fields/enhancement of our core business
- (2) Being a niche leader in the company's specialty business fields
- (3) Incessant restructuring
- (4) Management based on cash flows

We initiated a new three-year medium-term management plan in April 2003 based on these four fundamental strategies. Following is an overview of the medium-term plan.

[1] Basic Policy

Based on the previous management plan aimed at the creation of new value (i.e., adding future value to present value), the new medium-term management plan is to aim for a reconfiguration of profit structures in order to secure ensure steady and continuous profit growth. We will also work to strengthen marketing capabilities and cost competitiveness, for example by reducing fixed and cost of sales, and improving productivity.

(1) Enhancement of marketing capability

- * Cultivating new markets by adding direct-sales capability, Amano's specialty, to the customer base that Amano has accumulated over many years (the "accumulated market")
- * Creating and nurturing new business projects based on the strengths of the Group by strengthening ties with Group companies
- * Expanding service operations throughout all business areas
- * Securing dominance in the growing Asian market (with particular emphasis on the Chinese market)

(2) Enhancement of cost competitiveness

- * Improving the profitability of parking and environment-related businesses
- * Differentiation from the competition with cost-competitive products
- * Reducing production costs (indirect overhead, overseas production, overseas procurement, and outsourcing costs)
- * Developing global products by selecting and focusing opportunities (Japan, US, Europe, China)
- * Reducing sales and administrative costs

[2] Numerical plan

By the end of March 2006, which will mark the completion of this plan, the following management indexes should be achieved as targets on a consolidated basis.

- (1) Consolidated operating profit to sales 7% or more revised upward to "8% or more"
- (2) ROE 4% or more
- (3) Earnings per share 40 yen revised upward to "40 yen or more"

[3] Progress during the current term

This year marked the first year of the new medium-term management plan. During this year, we aimed for a reconfiguration of profit structures, and steadily implemented various measures based on the above management strategies in an effort to strengthen both marketing capabilities and cost competitiveness. As a result of these efforts, although planned targets for sales were not achieved (mainly due to fluctuations in currency exchange rates), we were able to increase performance exceeding the plan for the first year in terms of both profits and target management indexes.

Management targets (Unit: million yen)

	Performance in year ending March 2003	Year ending March 2004		Change	
		Plan	Performance	Over previous year	Over plan
Sales	65,029	67,000	66,065	1,036	△934
Operating profit	4,088	4,700	5,298	1,210	598
Ordinary profit	4,010	4,600	5,061	1,050	461
Net profit	1,639	2,500	2,837	1,197	337
Operating-profit %	6.3%	7.0%	8.0%	1.7%	1.0%
ROE	2.4%	3.7%	4.2%	1.8%	0.5%
Profit per share	19.77yen	31.16yen	34.85yen	15.08yen	3.69yen

4. Basic approach to corporate governance and implementation of policies

Two more issues that are given high priority in terms of Amano's management are sound management and corporate ethics.

In addition to regular meetings held once a month, the Board of Directors holds extraordinary meetings on a flexible basis whenever such meetings are deemed necessary. The structure of these meetings encompasses deliberation and decisions on important items related to management as well as reports on the current status of operations, in order to enable speedy management decisions.

A Group Company Management Meeting, comprised of top management from the Amano Group Companies, is also held regularly to monitor the current management at each company and the progress of profit plans, and to promote improved corporate governance.

Amano has adopted an auditor system, and has appointed five auditors, two of whom are part-time auditors from outside the company. The auditors attend meetings of the Board of Directors and participate actively in various committees within the company, forming the basis for a system that enables oversight of the performance of the Directors' operations.

The external auditors have no vested interest in Amano Corp. The Accounting Division also conducts internal audits with regard to both accounting and administrative operations.

With a clear awareness of its social responsibility as a public corporate, Amano established a "Compliance Program" in January 2004, which outlines the company's basic policies with regard to the protection of personal information, in order to ensure the safe and accurate handling of the customer's confidential information. In March, we established environmental policies aimed at promoting environmental management and business activities with attention to preservation of the environment.

By establishing organizations and operation systems for promoting and implementing these policies, we will ensure that administrative practices and business activities performed by all Directors and employees conform with all relevant laws and regulations, and that all behavior is based on a strict code of corporate ethics, so that Amano will gain an even higher degree of trust throughout society.

In this way, we will secure the effectiveness of corporate governance, and will achieve management with a high degree of fairness and transparency.

5. Approaches regarding the lowering of stock trade unit

Amano is aware that reducing the size of stock trade unit is an effective method of increasing fluidity in the stock market and expanding the base of private investors. We will continue to study the issue of trade, taking into account a broad range of factors - including stock price levels, the number of shareholders, and minimum trading amounts - offering an environment that allows all investors to make investments with greater confidence and convenience.



Kaoru Haruta
President and CEO

Management performance

During the current year, the Japanese economy has demonstrated clear recovery trends, resulting from factors such as increased exports to the U.S., Asia, and other regions, and increased capital investments due to an improved corporate profit environment.

In this management environment, based on the new medium-term management plan that started in April 2003, Amano has concentrated its efforts of all Group companies on a reconfiguration of profit structures.

These activities focused on strengthening marketing capabilities and improving cost competitiveness, for example by reducing fixed and cost of sales and improving productivity.

In terms of the consolidated business performance, the sales volume totaled 66.065 billion yen (up 1.6 percent over the same period last year), operating profits totaled 5.298 billion yen (up 29.6 percent), and ordinary profit totaled 5.061 billion yen (up 26.2%). For the term under review, the company posted extraordinary profits of 587 million yen, including profits on sales of investments in securities, and extraordinary losses totaling 789 million yen (of which 548

million yen is accounted for by loss on sale of investments in securities and 133 million yen by loss on write-down of inventory assets), resulting in a net profit for the current term of 2.837 billion yen, up 73.1% over the previous period.

The performance by business division is as indicated below.

Time Information System Business

Time Information Systems:

- Time & Attendance (T&A), Payroll
- Human-Resources Management
- Access Control
- Canteen Systems

Time Management Products:

- Time Recorder
- Time Stamp

Parking Systems:

- Parking Management Equipment
- Management Services

Information Systems

This Business Division has grown, being buoyed by domestic demand in Time & Attendance (T&A) Management Systems mainly in medium and large-scale companies, amid increasingly strict regulations of companies by the Labor Standards Inspection Office with regard to working hours. Another factor is the shift among municipalities and other segments of the public market from T&A management based on attendance books to use of electronic systems, which began about two years ago. This trend has further given rise to a demand for electronic systems in the context of "back-office administrative operations, in the backdrop of the new "e-autonomy" concept.

During the current term, strong performance has been demonstrated by the T&A Information System; "TimePro-Get" and Solution Systems with customized specifications, targeting large at corporations, where demand remains strong. In a breakdown by product, revenues from terminal devices increased 4.0% compared to the previous year and revenues from maintenance/supply operations increased by 9.1%, but revenues from software dropped by 3.4%. In terminal devices, new demand in public markets and the introduction of new products in response to the demand for IC cards contributed to increased revenues. In maintenance and supply operations, factors contributing to increased revenues included the steady increase in orders for maintenance services and the increase in demand for IC cards.



The key factor in decreased revenues from software was the decrease in orders from small business offices due to intensifying competition with commercial package software products (payroll software in particular). In overseas markets, revenues in North America and Asia remained flat as compared with the previous year, but revenues in Europe decreased. As a result of the above activities, sales achieved by the Information Systems Division totaled 10.9 billion yen (an increase of 2.3% over the previous term).

Sales by business division

(In million yen)

Division	Current Consolidated Fiscal Year		Previous Consolidated Fiscal Year		Change	
	April 2003 - March 2004		April 2002 - March 2003			
	Amount	%	Amount	%	Amount	%
(Time Information System Business)						
Information Systems	10,900	16.5	10,657	16.4	243	2.3
Time Management Products	7,302	11.1	7,639	11.7	△336	△4.4
Parking Systems	25,019	37.9	22,509	34.6	2,509	11.2
Sub-total	43,222	65.5	40,805	62.7	2,416	5.9
(Environment System Business)						
Environmental Systems	13,244	20.0	14,318 (13,932)	22.1 (21.5)	△1,073	△7.5
Cleaning Systems	9,598	14.5	9,905 (10,290)	15.2 (15.8)	△306	△3.1
Sub-total	22,843	34.5	24,223	37.3	△1,380	△5.7
Total	66,065	100.0	65,029	100.0	1,036	1.6

Note: Industrial cleaners, which had been given as part of Cleaning Systems until the previous year, will be given as part of Environmental Systems starting from the current year. As a result, the amounts and component ratios (%) shown above for the Previous Consolidated Fiscal Year indicate figures, reflecting this change. Amounts and component ratios before the change are indicated below these figures, in parentheses.

Time Management Products

In the Time Management Products Division, both domestic and export sales volumes for time recorders increased over the previous year, but total sales dropped as a result of decreased volumes in mid-level and top-of-the-line devices.

In Japan, sales remained even with the previous year, supported by an increased demand (up 32% over the previous term) for "Time P@CK," a time recorder bundled with spreadsheet software for PCs that can operate in conjunction with commercially available payroll software packages.



In exports, sales were down 15.7% from the previous year, partly as a result of a change to local subsidiaries as the transaction route for products manufactured in China for the Taiwanese and Korean market. The result was an overall drop of 3.7%. Overseas revenues dropped in North American, European, and Asian regions due to intensifying competition and a shift in demand to lower-priced units. As a result, sales achieved by the Time Management Products Division totaled 7.32 billion yen (a decrease of 4.4% over the previous term).

Parking Systems

The Parking Systems Division continued to demonstrate strong movement in new orders due to factors including an increase in the number of supermarkets and other large outlets in Japan, a shift from free parking to paid parking at hospitals and other facilities, and startup of redevelopment projects in the Tokyo metropolitan area. Orders for renewals from the company's existing customer base also showed continued stable performance.

Amid continued strong demand throughout the market as a whole, performance during the current term is characterized by steady growth in both standard pay stations and small park lock ("Flap") pay systems. In a breakdown by product, revenues from system devices increased 11.0% over the previous year, revenues from supply operations increased by 11.7%, and revenues from maintenance operations increased by 17.2%. Acquisition of parking business of OMRON Corporation as of October 1, 2002, contributed significantly to increased revenues.

Our management services for parking lots increased steadily to encompass 45,850 parking spaces (up 28.4%) as of the end of the term, due to enhanced and expanded consulting marketing activities conducted in collaboration with group companies in Japan in response to increasingly growing needs for parking management.

Overseas, revenues in Europe increased, but one in North America fell off slightly due to fluctuations in

currency exchange rates, while revenues in Asia remained level as a result of intensifying competition.

As a result of the above activities, sales achieved by the Parking Systems Division totaled 25.019 billion yen (an increase of 11.2% over the previous term).



Environment System Business

Environmental Systems:

- Standard Dust Collectors
- Large Dust Collection Systems
- Pneumatic Powder Conveyance Systems
- High-Temperature Hazardous-Gas Removal Systems
- Deodorization Systems
- Electrolyzed Water Generators
- Garbage Reduction Systems

Cleaning Systems:

- Vacuum Cleaners
- Dry-Care Cleaning Systems
- Cleanliness Management Services

Environmental Systems

Amid an expanding base of capital investments resulting from the economic recovery in Japan, performance in the Environmental Systems Division during the current term showed signs of a gradual recovery in demand, focusing mainly on new oil mist collectors and small dust collectors in the Standard Equipment Division. Going into the fourth quarter, a rapid increase in demand from the machine tool, automotive, electrical, and precision equipment industries brought about a 4.4% increase in sales compared to the same period of the previous year.



In the Large Systems Division, demand related to measures targeting strengthened restrictions on dioxins came full circle, leading to a year-on-year decrease centered on exhaust gas processing systems.

As a result of the above activities, sales achieved by the Environmental Systems Division totaled 13.244 billion yen (a decrease of 7.5% over the previous term).

Cleaning Systems

With regard to the Cleaning Systems Division, Japan saw the largest increase in new supermarkets and other large-scale outlets since the enforcement of the Large-Scale Retail Stores Location Law in June 2002. This increase resulted in a recovery in demand for high-performance machines and related products. Performance during the current term was characterized by growth in Dry Care Systems (UHS Systems) that combine cleaners and buffing machines, which resulted from a recovery in demand from the supermarket and building maintenance industries. CVS systems for small-scale chain accounts also continued on a growth trend from the previous year, thanks to an increase in new demand from convenience stores and multi-store chains encouraged by the introduction of new compact electronic high-speed buffing machines.



Overseas revenues dropped in North America due to increasingly intense competition and fluctuations in currency exchange rates.

Sales by this business division thus amounted to 9.598 billion yen (a decrease of 3.1% compared to the previous term).

Financial status

In comparison to the previous consolidated fiscal year, the cash and cash-equivalent items on the consolidated account in the present consolidated fiscal year totaled 27.565 billion yen at the end of the current consolidated fiscal year, owing mainly to an increase by 5.666 billion yen (25.9%) which resulted from a considerable increase in net profits gained before adjustment for tax in the current term and an increase in income from sale of investments in securities.

Cash flow from the business activities

The cash flow from the business activities in the present fiscal year increased 7.655 billion yen, an increase

of 1.657 billion yen in comparison to that in the same period last year. These figures resulted mainly from a considerable increase in profit gained before adjustment of tax through sale of investments in securities and from a decrease in accounts receivable.

Cash flow from investment activities

The cash flow from investment activities in the present fiscal year was 611 million yen, a decrease in expenditure of 514 million yen from the same period last year. These figures resulted from an increase in profit gained by sale of investments in securities and a decrease in expenditure from the acquisition of tangible assets and intangible assets.

Cash flow from the financial activities

The cash flow from the financial activities in the present fiscal year was 1.492 billion yen, a decrease in expenditure of 3.612 billion yen. These figures resulted mainly from a decrease in expenditure due to the acquisition of treasury stocks.

The table below lists the trend of index for cash flow for each fiscal year:

	2000	2001	2002	2003	2004
Owner's equity (%)	79.0	76.7	76.4	74.8	75.5
Owner's equity estimated at a current price	81.8	86.5	80.5	52.6	76.6
Time period required to redeem liability (Year)	0.3	0.8	0.5	0.4	0.3
Interest coverage ratio	63.6	20.7	35.8	88.4	165.7

Note

Owner's equity: Owner's equity / Gross assets

Owner's equity estimated at a current price: Total current price of equity / Total assets

Time period required to redeem liability: Debts with paid-interest / Cash flow in business operations

Interest coverage ratio: Cash flow in business operations / Interest payable

*Each index is calculated according to financial figures in the consolidated accounts.

*The total current price of equity is calculated according to an expression as follows:

Final price of equity at the end of a fiscal year x the number of shares issued at the end of a fiscal year (after deduction of owner's equities)

*The cash flow in business operations is one according to business operations as specified in the report of calculation of consolidated cash flow. The liability with paid-interest includes all liability paying an interest among those listed in the consolidated balance sheet. The interest payable is one paying an interest as that specified in the report of calculation of consolidated cash flow.

Perspectives for the next term and the theme that Amano should raise

Regarding the perspective of future economic standings, it seems that the Japanese economy and the results from business operations will basically stay in an improvement phase owing to the well-sustained environment for export operations and the enhancement of investment in facilities. But, it is not easy to judge the perspective of economy because of increased prices of raw materials and the current trend of foreign exchange market.

In such a business environment, Amano and its group companies will further tighten the business ties with one another so that all of them as one unit will re-create a profit-yielding structure, in accordance with development of high value-added products, deployment of aggressive business operations realizing close contacts with customers, and provision of wide range of solution services.

Regarding the theme for the next fiscal year, we will continue moving along with the new mid-term business operations plan and proceed with the business strategies as listed below:

Time Information Systems

For the Time Information Systems, we will increase T&A solutions business for large corporations, and offer T&A systems for the public market including local autonomous bodies.

For the Time Management Systems, we will provide more features and functions to Time P@CK, a time clock with spreadsheet capability for chain accounts and multi-facility companies.

For the Parking Systems, we will focus activity on holistic solutions for "Hardware, Software and Management Services," accelerating renewal requirements triggered by the scheduled issuance of new bank notes, and working on needs of bicycle parking market to improve earnings.

Environmental Systems

We will focus on rebuilding sales forces designed to find new market, expanding of market with more features and lineups of our standard units to meet customer requirements, improving profitability of large systems and earnings overall.

For cleaning Systems, we will address product strategy for large superstores, convenience stores (CVS) and chain accounts, and expanding of small shop and factory markets.

With all those efforts above, we expect that the revenues will be 68 billion yen, operating profit 5.7 billion yen, ordinary profit 5.6 billion and net profit 3.3 billion yen.

With continued efforts above to improve performance, we aim to offer dividends of 18 yen per share for full year (9 yen at mid-year and another 9 yen at the end of the year).

	Sales	Operating profit	Ordinary profit	Net income
Year ended March 2005	68,000	5,700	5,600	3,300
Year ended March 2004	66,065	5,298	5,061	2,837
Growth rate	2.9%	7.6%	10.6%	16.3%

(Unit: million yen)

Time Information Systems

Introduction of Information Systems for the Public Market

Currently, Amano is actively offering proposals for the public market to use our information systems. Based on the "e-government concept," municipalities throughout Japan are promoting use of information technologies in a wide range of fields, and introduction of Amano's Time & Attendance (T&A) management systems is growing in large cities such as Tokyo, Osaka, and Nagoya, extending to other municipalities as well. This trend is not only limited to municipalities, however; an increasing number of affiliated organizations, special public corporations, and independent government corporations are introducing information systems as well. Recently, IC cards and ID cards (Employee IDs) used in T&A management have increasingly come to be characterized by usage scenarios in which single cards offer multiple functions, including room access management, cashless payment in company canteens, and parking lot access management. Amano offers a wide range of usage proposals in collaboration with our vendors, thus further expanding the scope of IC card business. We have received a large number of inquiries regarding the room access management system "iAccess," which has gained attention as an effective means of strengthening anti-terrorist security and preventing leaks of personal information.



"iAccess" Room Access Management System

Time Management Products

Strong performance by "TimeP@CK" time recorder for PCs

"Time P@CK," a time recorder bundled with spread-sheet software for PCs, is demonstrating extremely strong sales due to the popularity of functions that enable the user to convert time card data into electrical data for easy time tabulations and calculations of hourly wages, as well as functions that enable direct links to other payroll calculation software. Sales routes - including those based on collaborations with volume retailers, PC shops, and software vendors - continue to expand, as the time recorder has come to be recognized as a peripheral device for PCs rather than as a type of office machine. Payroll calculations are easy because the time recorder is compatible with most types of payroll software currently being sold at PC shops and other outlets. This extremely popular product also offers an outstanding service support system: if custom-

ers have any questions, either before or after purchase, they can easily contact the "Time P@CK Service Center" by phone, FAX, or e-mail, or via the Internet, where they can be confident of receiving a quick and helpful reply.



Screen shot from "Satto Keisan" time card tabulations software

Parking Systems

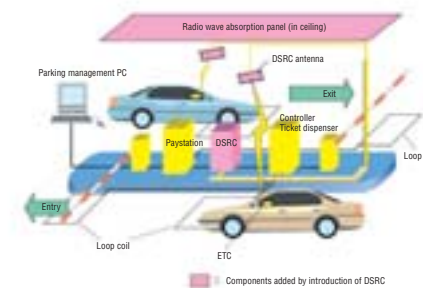
ETC Parking Management System using "DSRC" technology

Amano now offers a new parking management system that speeds up the movement of vehicles in and out of parking lots for cars equipped with "ETC (Electronic Toll Collection)" devices, which are currently being used in automated payment systems at freeway tollbooths.

We call this the "DSRC Parking Management System." "DSRC (Dedicated Short Range Communication)" technology, which is used in ETC systems, enables short-range interactive communications; for example, between a vehicle and the road. First, the ID number for the individual ETC on-board device is registered in the parking system. As soon as the registered

vehicle approaches the parking gate, the bar automatically opens and then closes, enabling the driver to pass through quickly and easily. Because use of the system will be limited to vehicles with ETC on-board devices, operations in the early stages will likely focus on access management for specialized vehicles or cars whose owners have rented parking spaces on a monthly basis, equipped with those. In the future, however, as more and more vehicles are equipped with ETC on-board devices, this technology can be applied to a broader range of ETC systems, and will contribute to smoother and faster traffic flow in and out of parking lots, as well as more efficient payment of parking fees.

System Configuration



*DSRC : Dedicated Short Range Communication
*ETC : Electronic Toll Collection system

Amano e-timing Services

Extensive use for protection of electronic IP information

Sales and marketing activities targeting "Time Authentication (Digital Time Stamp)" services have brought about a rapid increase in the awareness of these services, and we have seen a steady increase in use of these services particularly in the chemical, phar-

maceutical, and food product fields, which are actively promoting introduction of information technologies to protect intellectual property. Based on the "e-Document initiative," which is one of the IT Regulatory Reforms being enforced as part of the "e-Japan Strategy II Acceleration Package," the Nippon Keidanren (Japan Business Federation) has indicated in a brief entitled "New requests for expansion of the scope of electronic storage of tax-related documents" that time authentication is effective in preventing the falsification of electronic documents. This is just one indication of the growing social awareness that time authentication technologies are an effective tool for proving the existence and no falsification of electronic documents. In the future, time authentication technologies are expected to play an important behind-the-scenes role in supporting IT-related social infrastructures. With a view toward these developments, we will continue to promote alliances with partner companies, and endeavor to provide end users with total solutions based on these technologies.

The free time synchronization service offered by the Amano Timing Center has enjoyed more than one million access hits per month, with a wide range of users from national and municipal governments and private sector companies, as well as private users.

For more detailed information, please refer to the Amano Secured Time Solutions homepage.

<http://www.e-timing.ne.jp/>



Environmental Systems

Increasing demand for compact plasma deodorization equipment

With the amendment to the Clean Air Act incorporating new regulations on volatile organic compound (VOC) emissions, there has been an increasing demand for compact plasma deodorization equipment developed for small and medium-sized businesses. Facilities with processes involving waste plastic volume reduction, printing, adhesives, or painting, and which emit significant volumes of VOCs, are now required to file a notification to that effect. As a result, there has been a particularly notable increase in the number of companies introducing compact deodorization equipment that enables businesses to implement voluntary management of concentration regulations in the context of VOC emission controls. Unlike existing deodorization systems that use catalyst combustion, plasma deodorization equipment does not use fossil fuels in the deodorization process, and so has a low environmental impact because it does not produce large volumes of CO₂ and NO_x. In response to complaints received from residents living near food production/processing plants and restaurants regarding unpleasant odors, and

based on the Offensive Odor Control Law, Tokyo and other municipalities throughout Japan are rapidly shifting from "Regulations on specified substances that produce offensive odors" to "Regulations on odor indexes." An increasing number of businesses are therefore introducing compact deodorization equipment as part of deodorization measures in restaurant kitchens and food production plants.



*PZK Series:
to eliminate oil smoke
and odors



*PZA Series:
For Volatile Organic Com-
pounds (VOC) odor coun-
termeasures
*PZR Series: For foul odor
countermeasures

Compact Plasma Deodorization Equipment

Cleaning Systems

Increased demand in the carpet market

As part of efforts to improve visual appeal and emphasize a "people-friendly" atmosphere, carpets are being used as flooring in an increasing number of large facilities, including airport lobbies, large-scale supermarkets, high-rise office buildings, university hospitals, nursing homes, and public cultural facilities. This increase has led to a significant growth in the demand for carpet cleaning systems. In the past, it was difficult to maintain

carpeted floors, and in most cases users resorted to spot cleaning when the carpets become soiled. In recent years, however, the mainstream approach has shifted to one of "preventative cleaning," which focuses on maintaining the carpet's beauty, as well as the need for extended carpet life from the perspective of global environmental protection. The growing average area of carpeted floors in the market has also contributed to the rapid development of specialized large machines designed to enable greater ease of maintenance. Amano will continue to respond to these growing demands as a leading manufacturer that not only develops and sells carpet cleaning equipment, but is capable of offering proposals ranging from on-site operation to follow-up service and training of professional cleaning staff.



Carpet Cleaner



Carpet Vacuum with
rotating brush

Amano Management Service Corporation. (AMS)

Strengthening Management Services of parking lots

Amano Management Service Corp. (AMS) plays an important role in Amano's parking business. Parking operation and management systems represent a central pillar of Amano Management Service Corp. (AMS), which plays an important role in Amano's parking business. AMS has expanded the functions of the "AMS Support Center," which forms the core of the company's operations. Specialized staff provides direct telephone support to customers 24 hours a day, 365 days a year. At the end of March 2004, AMS was managing a total of 45,850 cars for commissioned parking space - about ten times more than when the company was first established eight years ago. Having gained extensive experience in the fields of public finance initiative (PFI) business and the direct and commissioned management of parking lots, AMS is steadily expanding its business to develop new fields, including property management, offering new proposals to public and wide-area service agencies, and commissioned management of bicycle parking lots around train stations.



AMS Support Center

Amano Korea Corporation. (AKC)

Strong performance in parking business

Amano Korea Corp. (AKC), an Amano Group company, moved its office to a new building in March of last year. AKC's business performance has improved each passing year, supported by strong sales in parking management software and parking systems, including company's original PC-based fee computers.

*Example of parking management system installation

The Chonho Station basement parking facility, which is operated by the Hyundai Department Store (part of the Hyundai Group), has six entrances and three exits, and can accommodate 300 vehicles. With image sensors installed at each entrance and exit; when a vehicle enters the parking lot, its photo is taken, and when it exits the facility, the attendant compares the image with the photo on entry to calculate the fee. AKC developed the entire system, from the PC-based fee computer to the imaging catch system.

*Exhibited at the "Security World Expo 2004" (held from April 26 - 29, 2004, at COEX (formerly the Korean Exhibition Center).

AKC received an excellent reaction at the "International Security World Expo," the IT Trade Exhibition in Korea, where it displayed parking management systems, the TimeP@CK PC-linked time recorder, and the new "iAccess" room access management system. -



Amano's booth at "Security World Expo 2004"



PC-based Fee Computer

Financial Highlights

For the years ended March 31, 2004 and 2003.

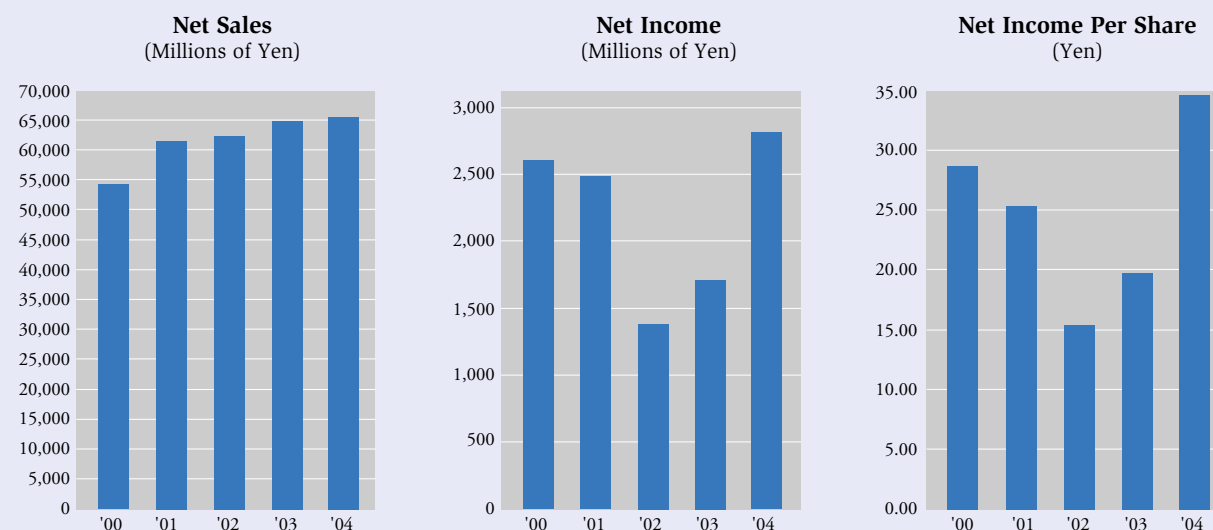
Yen in millions and U.S. dollars in thousands, except per share amounts

- See Note 4 to the Consolidated Financial Statements.

	2004	2003	2004
For the years ended March 31:			
Net sales	¥66,066	¥65,029	\$623,264
Net income	2,837	1,639	26,764
Per share data:			
Net income per share	¥34.85	¥19.77	\$0.329
Cash dividends per common share	15.50	13.00	0.146
At March 31:			
Total assets	¥91,870	¥89,935	\$866,698
Working capital	38,681	33,161	364,915
Shareholders' equity	69,345	67,272	654,198
Sales by product:			
Time information systems	¥10,900	¥10,657	\$102,830
Time management equipment	7,303	7,640	68,896
Parking systems	25,019	22,509	236,028
Environmental systems	13,245	13,933	124,953
Cleaning systems	9,599	10,290	90,557

Note : U.S. dollar amounts have been translated at the rate of ¥106 = US \$1, the rate prevailing on March 31, 2004.

- See Note 4 to the Consolidated Financial Statements.



Consolidated Balance Sheets

As at March 31, 2004 and 2003.

ASSETS	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2004	2003	2004
Current assets:			
Cash and bank deposits	¥28,841	¥21,909	\$272,085
Marketable securities	419	1	3,953
Notes and accounts receivable:			
Trade	19,596	21,212	184,868
Less allowance for doubtful accounts	(159)	(184)	(1,500)
	19,437	21,028	183,368
Inventories	5,695	6,286	53,726
Deferred tax assets	997	794	9,405
Other current assets	640	801	6,038
Total current assets	56,029	50,819	528,575
Investments and advances:			
Investment in and advance to affiliates'	251	228	2,368
Investments in securities	4,630	5,732	43,679
Other investments	5,425	6,786	51,179
Total investments and advances	10,306	12,746	97,226
Property, plant and equipment, at cost:			
Buildings	24,276	23,456	229,019
Machinery and equipment	17,061	17,132	160,953
	41,337	40,588	389,972
Less accumulated depreciation	(27,049)	(26,191)	(255,180)
	14,288	14,397	134,792
Land	6,011	6,022	56,708
Construction in progress	208	625	1,962
Net property, plant and equipment	20,507	21,044	193,462
Fixed leasehold deposits	1,163	1,219	10,972
Deferred charges and other assets	3,865	4,107	36,463
Total	¥91,870	¥89,935	\$866,698

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

For the years ended March 31, 2004 and 2003.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2004	2003	2004
Current liabilities:			
Short-term bank loans	¥694	¥866	\$6,547
Trade notes and accounts payable	9,110	9,659	85,943
Accrued expenses	3,446	3,377	32,509
Accrued income taxes	1,027	698	9,689
Other current liabilities	3,071	3,058	28,972
Total current liabilities	17,348	17,658	163,660
Long-term liabilities:			
Accrued retirement benefits to employees	3,981	3,564	37,557
Accrued retirement benefits to directors and corporate auditors ..	635	909	5,990
Deferred tax liabilities	35	39	330
Other	274	319	2,585
Total long-term liabilities	4,925	4,831	46,462
Minority interests in consolidated subsidiaries	252	174	2,378
Shareholders' Equity:			
Common stock:			
Authorized- 185,476,000 shares			
Issued :			
March 31, 2004 - 81,257,829 shares	18,240	-	172,076
March 31, 2003 - 83,801,829 shares	-	18,240	-
Capital surplus	19,293	19,293	182,009
Retained earnings	34,671	34,924	327,085
	72,204	72,457	681,170
Net unrealized losses on other securities	(4)	(1,197)	(38)
Foreign currency translation adjustments	(1,657)	(1,117)	(15,632)
Treasury stock at cost, 1,514,290 shares in 2004 and 3,582,563 shares in 2003	(1,198)	(2,871)	(11,302)
Total shareholders' equity	69,345	67,272	654,198
Total	¥91,870	¥89,935	\$866,698

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2004	2003	2004
Net sales	¥66,066	¥65,029	\$623,264
Cost of sales	36,898	37,117	348,094
Gross profit	29,168	27,912	275,170
Selling, general and administrative expenses	23,869	23,824	225,179
Operating income	5,299	4,088	49,991
Other income (expenses) :			
Interest and dividend income	113	151	1,066
Interest expense	(47)	(55)	(443)
Amortization of goodwill	(320)	(320)	(3,019)
Loss on disposal of property and equipment	(51)	(44)	(481)
Gain on sale of investments in securities	562	97	5,302
Loss on sale of investments in securities	(548)	(1,102)	(5,170)
Loss on write-down of investments in securities	-	(484)	-
Loss on write-down of golf club membership	(10)	(8)	(94)
Other, net	(139)	151	(1,312)
Income before income taxes	4,859	2,474	45,840
Income taxes :			
Current	1,738	1,520	16,396
Deferred	186	(757)	1,755
Income before minority interests	2,935	1,711	27,689
Minority interests in net income of consolidated subsidiaries ..	(98)	(72)	(925)
Net income	¥2,837	¥1,639	\$26,764
	Yen		U.S. dollars (Note 4)
Net income per share, basic	¥34.85	¥19.77	\$0.329
Cash dividends per common share	15.50	13.00	0.146

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2004 and 2003.

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2004	2003	2004
Cash Flows from Operating Activities:			
Income before income taxes	¥4,859	¥2,474	\$45,840
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,818	2,853	26,585
Adjustment for consolidation	-	(91)	-
Increase in provision for accrued retirement benefits	417	457	3,934
Increase (decrease) in allowance for doubtful accounts	6	(158)	57
Interest and dividend revenue	(112)	(151)	(1,056)
Interest expenses	47	55	443
Foreign currency translation loss	10	23	94
Gain on sale of investments in securities	(562)	(97)	(5,302)
Loss on sale of investments in securities	548	1,102	5,170
Loss on write-down of investments in securities	-	484	-
Loss on disposal of fixed assets	51	44	481
Loss on write-down of golf club membership	10	8	94
Decrease in trade notes and accounts receivable	1,406	258	13,264
(Increase) decrease in inventories	472	(619)	4,453
Increase (decrease) in accounts payable	(457)	20	(4,311)
Others	(520)	837	(4,906)
Subtotal	8,993	7,499	84,840
Receipts from interest and dividends	114	214	1,075
Interest paid	(46)	(68)	(434)
Income taxes paid	(1,406)	(1,647)	(13,264)
Net cash provided by operating activities	7,655	5,998	72,217
Cash Flows from Investing Activities:			
Proceeds from maturities of marketable securities	-	3,000	-
Payment for purchase of property and equipment	(1,261)	(2,459)	(11,895)
Proceeds from sale of property and equipment	3	3	28
Payment for acquisition of intangible assets	(1,152)	(2,502)	(10,868)
Payment for acquisition of investments in securities	(1,306)	(1,717)	(12,321)
Proceeds from sale of investments in securities	3,985	757	37,594
Increase in time deposits	(1,000)	(10)	(9,434)
Decrease in time deposits	10	1,000	94
Loans to third parties	(21)	(209)	(198)
Collection of loans	131	11	1,236
Others	-	1,000	-
Net cash used in investing activities	(611)	(1,126)	(5,764)
Cash Flows from Financing Activities:			
Proceeds from short-term bank loans	171	287	1,613
Repayment for short-term bank loans	(269)	(363)	(2,538)
Proceeds from long-term debt	214	133	2,019
Repayment for long-term debt	(196)	-	(1,849)
Payment for acquisition of treasury stock	(366)	(4,064)	(3,453)
Dividends paid	(1,047)	(1,098)	(9,877)
Net cash used in financing activities	(1,493)	(5,105)	(14,085)
Effect of exchange rate changes on cash and cash equivalents	116	90	1,094
Net increase (decrease) in cash and cash equivalents	5,667	(143)	53,462
Cash and cash equivalents at beginning of year	21,899	21,608	206,595
Increase in cash and cash equivalents of newly consolidated subsidiaries	-	434	-
Cash and cash equivalents at end of year	¥27,566	¥21,899	\$260,057

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

For the years ended March 31, 2004 and 2003.

	Millions of Yen		
	Common Stock	Capital Surplus	Retained Earnings
(Number of Shares of Common Stock - Thousands)			
Balance at March 31, 2002 (88,802)	¥18,240	¥19,293	¥38,552
Net income for the year	-	-	1,639
Cash dividends	-	-	(1,092)
Directors' bonuses	-	-	(4)
Retirement of treasury stock (5,000)	-	-	(4,171)
Balance at March 31, 2003 (83,802)	¥18,240	¥19,293	¥34,924
Net income for the year	-	-	2,837
Cash dividends	-	-	(1,043)
Directors' bonuses	-	-	(8)
Retirement of treasury stock (2,544)	-	-	(2,039)
Balance at March 31, 2004 (81,258)	¥18,240	¥19,293	¥34,671
	Thousands of U.S. dollars (Note 4)		
	Common Stock	Capital Surplus	Retained Earnings
Balance at March 31, 2003 (83,802)	\$172,076	\$182,009	\$329,472
Net income for the year	-	-	26,764
Cash dividends	-	-	(9,840)
Directors' bonuses	-	-	(75)
Retirement of treasury stock (2,544)	-	-	(19,236)
Balance at March 31, 2004 (81,258)	\$172,076	\$182,009	\$327,085

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2004 and 2003.

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, which are different in certain respects as to the application and the disclosure requirements of International Accounting Standards.

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.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries are essentially the translation of statements in the Securities Annual Report filed with the Ministry of Finance and the Tokyo and Osaka Stock Exchanges, as required by the provisions of the Securities and Exchange Law and related regulations in Japan.

The information in the consolidated financial statements is derived from the original text, scope, and the na-

ture of that information, and is therefore limited to that contained in the original text. However, certain reclassifications or summarizations of accounts have been made to present the consolidated financial statements in a form which is more familiar to the readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and the cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Principles of Consolidation

(1) Scope of Consolidation

The Company had 22 subsidiaries at March 31, 2004 (23 at March 31, 2003). The Company changed its consolidation policy from the application of the ownership concept to the control concept effective April 1, 1999. Under the control concept, major subsidiaries in which the Company is able to exercise control over operations are to be fully consolidated.

The accounts of the overseas consolidated subsidiaries are prepared on the basis of a December 31 fiscal year-end, and are consolidated accordingly with the Company at March 31, 2004 and 2003, and for the years then ended.

The consolidated subsidiaries that have been consolidated with the Company for the year ended March 31, 2004 are as follows:

Company Name	Equity ownership %	Paid In Capital (Thousands)
Amano USA, Inc.	100%	US\$55,623
Amano Cincinnati Inc.	100%	US\$25,985
Amano Cincinnati Canada Inc.	100%	C\$439
Time & Parking Systems, Inc.	100%	US\$294
Pioneer Eclipse Corp.	100%	US\$4,606
Amano Pioneer Credit Corp. (d.b.a. Amano Business Credit)	84%	US\$135
Accutime Corp.	100%	US\$290
Amano Electronics Europe N.V.	100%	EUR24,974
Amano Asia Management Pte. Ltd.	100%	S\$125
ATAS E&C Services (M) Sdn. Bhd.	70%	MR150
ATAS Services Pte. Ltd.	95%	S\$500
Amano Cleantech Malaysia Sdn. Bhd.	60%	MR200
PT. Amano Indonesia	100%	IDR1,928,000
Amano Time & Air Singapore Pte. Ltd.	100%	S\$700
Amano International Trading (Shanghai) Co., Ltd.	100%	US\$200
Amano Korea Corp.	100%	₩2,010,000
Amano Agency Corp.	44%	¥10,000
Environmental Technology Company	100%	¥10,000
Amano Management Service Corp.	70%	¥80,000
Amano Maintenance Engineering Corp.	72%	¥30,000
CSJ Corp.*	97%	¥300,000
Musashi Electric works Corp.	100%	¥10,000

*The company name was changed to Amano Business Solutions Corp. effective as of April 1, 2004.

Note: Amano Handy Aid Corp. was liquidated for the year ended March 31, 2004.

(2) Investments in Affiliates

For the years ended March 31, 2003 and 2004, the Company has no affiliate.

(3) Consolidation and Elimination

For the purpose of preparing the consolidated financial statements, 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. Intracompany profit included in the assets sold from the consolidated subsidiaries to the Company has been entirely eliminated and the portion applicable to minority interests has been charged against minority interests. Other consolidation differences are directly charged or credited to income for the year, since such differences had no material effect on the consolidated result of operations, nor on the financial position at March 31.

3. Summary of Significant Accounting Policies

(1) Cash and Cash Equivalents

Cash and cash equivalents include time deposits whose expiration dates are within three months.

(2) Inventories

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

(3) Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the declining balance method, except for buildings acquired from April 1, 1998, at rates based on the estimated useful lives. The range of the useful lives of assets is :

Buildings	3-50 years
Machinery and equipment	3-16 years

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

(4) Deferred Charges and Other Assets

Intangible assets are amortized using the straight-line method. Software costs for internal use are amortized by the straight-line method over their expected useful lives (five years). Goodwill represents the excess of costs over the fair value of net assets of businesses acquired. The company's U.S. consolidated subsidiaries adopted the provisions of SFAS No. 142 for the fiscal year beginning April 1, 2002. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, and are instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 required the Company to per-

form an assessment of whether there was an indication that goodwill is impaired as of the date of adoption. The results of this assessment did not require the Company to recognize an impairment loss. As a result of adoption of the new standard, income before income taxes for the year ended March 31, 2003 has decreased by ¥46 million, as compared with the amount which would have been reported if the previous standard had been applied consistently.

(5) Accounting for Financial Instruments

(a) Derivatives
All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise.

(b) Securities
Securities held by the Company and its subsidiaries are classified into four categories;
Trading securities, which are held for the purpose of generating profits on short-term differences in prices, are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise. Additionally, securities held in trusts for trading purposes are accounted for in the same manner as trading securities.

Held-to-maturity debt securities, that the Company and its subsidiaries have intent to hold to maturity, are stated at cost after accounting for premium or discount on acquisition, which are amortized over the period to maturity. Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates are

accounted for by the equity method. Exceptionally, investments in certain unconsolidated subsidiaries and affiliates are stated at cost because the effect of application of the equity method would be immaterial.

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount. Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates, or other securities had declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

(6) Foreign Currency Translation

Current monetary assets and current monetary liabilities denominated in foreign currencies held by the Company are translated into Japanese yen at the rate of exchange prevailing at the balance sheet date. The resulting translation gains or losses are charged or credited to income. Long-term monetary assets and liabilities denominated in foreign currencies, including investments in unconsolidated subsidiaries, are principally translated at the rate of exchange prevailing when such translations were made.

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

Foreign currency denominated statements of overseas consolidated subsidiaries have been translated into Japanese yen using the method prescribed by the Business Accounting Deliberation Council of Japan. All items are translated at the rate of exchange prevailing at the balance sheet date, except common stock and capital surplus, which are translated at historical exchange rates. Differences arising from translation are presented as "Foreign currency translation adjustment" in the accompanying consolidated financial statements.

(8) Income Taxes

The Companies recognizes tax effect of temporary differences between the carrying amounts and the tax basis of assets and liabilities. The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(9) 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 must

be held within three months after the end of each fiscal year. The appropriation of retained earnings reflected in the accompanying 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 listed on the shareholders' register at the end of each fiscal year. Bonuses are paid to directors and corporate auditors out of retained earnings, instead of being charged to income for the year, which constitutes a part of the appropriation cited above.

(10) Provision for Accrued Expenses

(a) Allowance for doubtful accounts. In general, the Company and its subsidiaries provide the allowance based on the past receivables loss experience for a certain reference period. Furthermore, for receivables with financial difficulty which could affect the debtors' ability to perform their obligations, the allowance is provided for estimated unrecoverable amounts individually.

(b) Accrued pension and severance liabilities

Until the year ended March 31, 2000, "Accrued retirement benefits to employees" represents the liability for which the Company has provided to the amount which would be required to pay if all eligible employees voluntarily terminated their employment at the respective balance sheet dates, less related benefits provided by the pension plan. Under the current retirement benefit program, the

Company also has a funded pension plan which covers a portion of retirement benefits payable to employees. The Company also provides for the accrual of lump-sum retirement benefits payable to directors and corporate auditors upon retirement in an amount equivalent to 100% of the liability.

(11) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(12) Subsequent Events

Appropriations of the Company's retained earnings in respect to the year ended March 31, 2004, which was proposed by the Board of Directors and approved at the shareholders' meeting held on June 29, 2004, was totaled to ¥718 million mainly for dividends. Such appropriations have not been segregated from retained earnings in the accompanying consolidated statements.

(13) Net Income and Dividends per Share

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted net income per share is not presented since no bonds with warrants and convertible bonds are issued. Cash dividends per share shown for each fiscal period in the accompanying consolidated statements of income represent actual dividends declared as applicable to the respective fiscal period.

(14) Reclassifications

Certain reclassifications of previously reported amounts have been made to the consolidated balance sheets at March 31, 2003, the consolidated statements of income and the consolidated statements of shareholders' equity for the year then ended to conform to the current year presentation. Such reclassifications have no effect on net assets and net income.

4. United States Dollar Amounts

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating Japanese yen to U.S. dollars at a rate of ¥106 = US \$1, the approximate effective rate of exchange prevailing on March 31, 2004. The inclusion of U.S. dollar amounts is solely for the convenience of readers outside Japan and is not intended to imply that yen amounts could be converted, realized, or settled in U.S. dollars at that, or any other rate.

5. Cash and Cash Equivalents

A reconciliation of cash and cash equivalents to the amounts shown in the consolidated balance sheets is as follows:

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2004	2003	2004
Cash and bank deposits	¥28,841	¥21,909	\$272,085
Time deposits due more than three months	(1,275)	(10)	(12,028)
Cash and cash equivalents	¥27,566	¥21,899	\$260,057

6. Selling, General and Administrative Expenses

Selling, general and administrative expenses during the years ended March 31, 2004 and 2003 include principally:

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2004	2003	2004
Labor and payroll	¥9,498	¥9,596	\$89,604
Rental for properties	1,312	1,341	12,377
Travel and transportation	846	833	7,981

7. Provisions

Provisions charged to operation during the years ended March 31, 2004 and 2003 are mainly as follows:

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2004	2003	2004
	SGA	SGA	SGA
Employees' bonuses	¥1,070	¥1,050	\$10,094
Retirement benefits	838	693	7,906
Doubtful accounts	118	97	1,113

8. Leases Commitments

Finance lease contracts other than those which are deemed to transfer the ownership of the leased assets are accounted for by the method that is applicable to ordinary operating leases.

Minimum feature lease payments under finance leases, which includes the imputed interest expense portion' are summarized as follows:

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2004	2003	2004
Due within one year	¥663	¥612	\$6,255
Due over one year	1,763	1,442	16,632
Total	¥2,426	¥2,054	\$22,887

Lease rental payments on finance lease contracts without transfer of ownership for the years ended March 31, 2003 and 2004 were ¥616 and ¥717(\$6,764), respectively.

Acquisition cost, accumulated depreciation, net book value at March 31, 2003, and depreciation expenses for the year ended March 31, 2004, if capitalized, are summarized as follows:

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2004	2003	2004
Acquisition cost	¥4,204	¥3,484	\$39,661
Accumulated depreciation	1,778	1,430	16,774
Net book value	¥2,426	¥2,054	\$22,887
Depreciation	¥717	¥616	\$6,764

Depreciation is calculated based on the straight-line method over the lease term of the leased assets.

9. Securities

Other securities with readily determinable fair value as of March 31, 2004 and 2003, are as follows:

	Millions of Yen		
	2004		
	Acquisition Cost	Book carrying amount	Unrealized gains (losses)
Other securities with book carrying amount exceeding acquisition cost			
Stocks	¥516	¥678	¥162
Bonds	500	501	1
Other	181	289	108
Subtotal	1,197	1,468	271
Other securities with book carrying amount not exceeding acquisition cost			
Stocks	1,021	1,013	(8)
Bonds	300	291	(9)
Other	1,511	1,250	(261)
Subtotal	2,832	2,554	(278)
Total	¥4,029	¥4,022	¥(7)

	Millions of Yen		
	2003		
	Acquisition Cost	Book carrying amount	Unrealized gains (losses)
Other securities with book carrying amount exceeding acquisition cost			
Stocks	¥1	¥2	¥1
Subtotal	1	2	1
Other securities with book carrying amount not exceeding acquisition cost			
Stocks	3,834	2,628	(1,206)
Bonds	815	758	(57)
Other	2,052	1,300	(752)
Subtotal	6,701	4,686	(2,015)
Total	¥6,702	¥4,688	¥(2,014)

	Thousands of U.S. dollars (Note 4)		
	2004		
	Acquisition Cost	Book carrying amount	Unrealized gains (losses)
Other securities with book carrying amount exceeding acquisition cost			
Stocks	\$4,868	\$6,396	\$1,528
Bonds	4,717	4,727	10
Other	1,707	2,726	1,019
Subtotal	11,292	13,849	2,557
Other securities with book carrying amount not exceeding acquisition cost			
Stocks	9,632	9,557	(75)
Bonds	2,830	2,745	(85)
Other	14,255	11,792	(2,463)
Subtotal	26,717	24,094	(2,623)
Total	\$38,009	\$37,943	\$(66)

10. Retirement Benefits

The company maintains tax qualified pension plans and lump-sum payment plans, both of which are defined benefit plans.

The components of a accrued retirement benefits to employees as of March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2004	2003	2004
Benefit obligation	¥12,460	¥12,079	\$117,547
Plan assets	(6,602)	(5,864)	(62,283)
Unfunded benefit obligation	5,858	6,215	55,264
Unrecognized actuarial loss	(1,877)	(2,651)	(17,707)
Accrued retirement benefits to employees	¥3,981	¥3,564	\$37,557

The components of retirement benefit expenses for the years ended March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2004	2003	2004
Service cost	¥700	¥639	\$6,604
Interest cost	299	316	2,821
Expected return on plan assets	(205)	(209)	(1,934)
Amortization of unrecognized actuarial loss	288	162	2,717
Retirement benefit expenses	¥1,082	¥908	\$10,208

The assumptions used for calculation of retirement benefits for the years ended March 31, 2004 and 2003 are as follows:

	2004	2003
Method of attribution of estimated retirement benefits to periods of employee service	Straight-line method	Straight-line method
Discount rate	2.5 %	2.5 %
Expected return on plan assets	3.5 %	3.5 %
Amortization period of unrecognized actuarial gains or losses	10years	10years

11. Deferred Tax

Deferred tax assets and liabilities (both current and non-current) consisted of the following elements:

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2004	2003	2004
Deferred tax assets:			
Accrued enterprise tax	¥94	¥53	\$887
Accrued employees' bonuses not deductible until paid	652	556	6,151
Accrued retirement benefits to directors and corporate auditors not deductible until paid	256	369	2,415
Accrued retirement benefits to employees not deductible until paid	1,470	1,206	13,868
Loss carried forward	430	380	4,057
Loss on write-down of investments in securities and golf club membership not deductible until paid	192	702	1,811
Unrealized loss on other securities	43	818	406
Others	385	348	3,632
Less: valuation allowance	(366)	(323)	(3,453)
Total deferred tax assets	¥3,156	¥4,109	\$29,774
Deferred tax liabilities:			
Reserve for advanced depreciation of building	(25)	(26)	(236)
Others	(113)	(62)	(1,066)
Total deferred tax liabilities	(138)	(88)	(1,302)
Net deferred tax assets	¥3,018	¥4,021	\$28,472
Reconciliation of actual tax rate is shown below:			
Effective statutory tax rate	42.0%	42.0%	
Adjustments:			
Entertainment expenses and other not deductible	0.6	0.9	
Dividends income and other not taxable	(0.4)	(0.5)	
Inhabitant tax on per capita levy	1.5	2.8	
Changes in valuation allowance	-	(8.7)	
Realization of tax benefits on operating losses	(1.9)	(4.6)	
Effect of change in statutory tax rate	0.6	3.8	
Adjustment for consolidation	-	(1.5)	
Tax credit for research and development expenses	(3.4)	-	
Others	0.6	(3.4)	
Actual tax rate	39.6%	30.8%	

12. Segment Information

(1) Industry Segments

The Companies operate primarily in the following two businesses:

1. Time information
2. Environmental equipment

	Millions of Yen				
	2004		Total	Consolidation	Consolid. Total
Information	Environment	Information			
Net Sales:					
Customers	¥43,222	¥22,844	¥66,066	-	¥66,066
Intersegment	-	-	-	-	-
Total	43,222	22,844	66,066	-	66,066
Operating Expenses	37,424	21,362	58,786	¥1,981	60,767
Operating Income	¥5,798	¥1,482	¥7,280	¥(1,981)	¥5,299
Assets					
Depreciation	¥32,720	¥12,709	¥45,429	¥46,441	¥91,870
Capital expenditures	1,938	453	2,391	427	2,818
	1,714	505	2,219	185	2,404

	Millions of Yen				
	2003		Total	Consolidation	Consolid. Total
Information	Environment	Information			
Net Sales:					
Customers	¥40,806	¥24,223	¥65,029	-	¥65,029
Intersegment	-	-	-	-	-
Total	40,806	24,223	65,029	-	65,029
Operating Expenses	36,224	22,633	58,857	¥2,084	60,941
Operating Income	¥4,582	¥1,590	¥6,172	¥(2,084)	¥4,088
Assets					
Depreciation	¥33,034	¥10,813	¥43,847	¥46,088	¥89,935
Capital expenditures	1,972	408	2,380	473	2,853
	3,542	361	3,903	51	3,954

	Thousands of U.S. dollars (Note 4)				
	2004		Total	Consolidation	Consolid. Total
Information	Environment	Information			
Net Sales:					
Customers	\$407,755	\$215,509	\$623,264	-	\$623,264
Intersegment	-	-	-	-	-
Total	407,755	215,509	623,264	-	623,264
Operating Expenses	353,057	201,528	554,585	\$18,688	573,273
Operating Income	\$54,698	\$13,981	\$68,679	\$(18,688)	\$49,991
Assets					
Depreciation	\$308,679	\$119,896	\$428,575	\$438,123	\$866,698
Capital expenditures	18,283	4,274	22,557	4,028	26,585
	16,170	4,764	20,934	1,745	22,679

(2) Geographic Segments

Information by geographic areas based on location for the years ended and as of March 31, 2004 and 2003, is summarized as follows:

	Millions of Yen						
	2004						
	Domestic (in Japan)	Asia	Overseas North America	Europe	Total	Consolidation	Consolid. Total
Net Sales:							
Customers	¥55,755	¥2,064	¥7,250	¥997	¥66,066	-	¥66,066
Intersegment	1,358	45	395	137	1,935	¥(1,935)	-
Total	57,113	2,109	7,645	1,134	68,001	(1,935)	66,066
Operating Expenses	50,094	1,901	7,615	1,115	60,725	42	60,767
Operating Income	¥7,019	¥208	¥30	¥19	¥7,276	¥(1,977)	¥5,299
Assets	¥36,773	¥1,693	¥6,086	¥2,152	¥46,704	¥45,166	¥91,870

	Millions of Yen						
	2003						
	Domestic (in Japan)	Asia	Overseas North America	Europe	Total	Consolidation	Consolid. Total
Net Sales:							
Customers	¥53,801	¥2,058	¥8,167	¥1,003	¥65,029	-	¥65,029
Intersegment	1,497	91	478	83	2,149	¥(2,149)	-
Total	55,298	2,149	8,645	1,086	67,178	(2,149)	65,029
Operating Expenses	49,537	1,915	8,502	1,085	61,039	(98)	60,941
Operating Income	¥5,761	¥234	¥143	¥1	¥6,139	¥(2,051)	¥4,088
Assets	¥33,746	¥1,622	¥7,060	¥2,244	¥44,672	¥45,263	¥89,935

	Thousands of U.S. dollars (Note 4)						
	2004						
	Domestic (in Japan)	Asia	Overseas North America	Europe	Total	Consolidation	Consolid. Total
Net Sales:							
Customers	\$525,991	\$19,471	\$68,396	\$9,406	\$623,264	-	\$623,264
Intersegment	12,811	425	3,727	1,292	18,255	\$(18,255)	-
Total	538,802	19,896	72,123	10,698	641,519	(18,255)	623,264
Operating Expenses	472,585	17,934	71,839	10,519	572,877	396	573,273
Operating Income	\$66,217	\$1,962	\$284	\$179	\$68,642	\$(18,651)	\$49,991
Assets	\$346,915	\$15,972	\$57,415	\$20,302	\$440,604	\$426,094	\$866,698

(3) Overseas and Export Sales

Overseas sales for the Companies for the years ended March 31, 2004 and 2003 are summarized as follows:

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2004	2003	2004
	Export sales and sales by overseas subsidiaries		
Asia	¥2,435	¥2,448	\$22,972
North America	7,259	8,171	68,481
Europe	997	1,003	9,406
Others	118	170	1,113
Total	¥10,809	¥11,792	\$101,972
Percentage of overseas and export sales to consolidated net sales	16.4%	18.1%	

Overseas and export sales represents the total amount of export sales of the Company and domestic subsidiaries' and sales of the overseas subsidiaries.

13. Per Share Data

Net assets and income, listed per share as of and for the years ended March 31, 2004 and 2003:

	Yen		U.S. dollars (Note 4)
	2004	2003	2004
	Per share:		
Net assets	¥869.02	¥838.51	\$8.198
Net Income: Basic	34.85	19.77	0.329

Corporate Data

Board of Directors

Chairman
Yasuyoshi Komoto

President/CEO
Kaoru Haruta

Senior Executive Director
Yoshinori Mizushima

Executive Directors
Ryozo Nakamura
Shuji Noda
Yutaka Suzuki
Keizo Ueno
Kazuo Unno

Directors
Toshiaki Imura
Hirofumi Hayashi
Nobuyuki Tabata
Haruhiko Yamaguchi
Minoru Koyama
Izumi Nakajima
Seiken Uyama
Masamiki Konno
Kazuo Kobayashi
Hiroshi Shiraishi
Bungo Nogawa

Auditors
Katsuhiko Kawada
Toshio Kusanagi
Tatsuyuki Sawada
Hiroo Wakabayashi

Domestic Operations

HEAD OFFICE
275 Mamedocho, Kohokoku, Yokohama,
JAPAN 222-8558

FACILITIES
YOKOHAMA Facility
TSUKUI Facility
HOSOE Facility
MIYAKODA Facility

SALES OFFICE
77 Sales Offices Located in major cities,
including

TOKYO Office
YOKOHAMA Office
NAGOYA Office
OSAKA Office
SAPPORO Office
SENDAI Office
OMIYA Office
NAGANO Office
KANAZAWA Office
KYOTO Office
OKAYAMA Office
HIROSHIMA Office
FUKUOKA Office

SYSTEM CENTERS
TOKYO System Center
KANAGAWA System Center
NAGOYA System Center
OSAKA System Center
SENDAI System Center
OMIYA System Center
SHINJYUKU System Center
SHINAGAWA System Center
SHIZUOKA System Center
NAGANO System Center
KANAZAWA System Center
HIROSHIMA System Center
TAKAMATSU System Center
FUKUOKA System Center

DOMESTIC SUBSIDIARIES
AMANO BUSINESS SOLUTIONS CORPORATION
ENVIRONMENTAL TECHNOLOGY CO., LTD.
AMANO MANAGEMENT SERVICE CORPORATION
AMANO MAINTENANCE ENGINEERING CORPORATION
AMANO ECO TECHNOLOGY CORPORATION
MUSASHI ELECTRIC WORKS CORPORATION
AMANO TIME BUSINESS CORPORATION
AMANO AGENCY CORPORATION

Overseas Operations

- AMANO CINCINNATI, INC.**
CORPORATE HEADQUARTERS
140 Harrison Avenue Roseland, New Jersey 07068-1239 U.S.A.
- OHIO FACTORY**
130 Commerce Blvd. Loveland, Ohio 45140-7726 U.S.A.
- CALIFORNIA FACTORY**
1485 N.Manassero St. Anaheim, California 92807-1938 U.S.A.
- NEW JERSEY BRANCH OFFICE**
140 Harrison Avenue Roseland, New Jersey 07068-1239 U.S.A.
- LOS ANGELES BRANCH OFFICE**
1485 N.Manassero St. Anaheim, California 92807-1938 U.S.A.
- CINCINNATI BRANCH OFFICE**
130 Commerce Blvd. Loveland, Ohio 45140-7726 U.S.A.
- TIME & PARKING SYSTEMS, INC.**
5835 Peachtree Corners East, Bldg 4, Suite D, Norcross, Georgia 30092 U.S.A.
- AMANO CINCINNATI CANADA, INC.**
2740 Matheson Blvd. East, Unit 4 Mississauga, Ontario, Canada L4W 4X3
- AMANO USA, INC.**
140 Harrison Avenue Roseland, New Jersey 07068 U.S.A.
- AMANO SOFTWARE ENGINEERING USA, INC.**
200 Lanidex Plaza Parsippany, NJ 07054 U.S.A.
- PIONEER ECLIPSE CORPORATION**
1 Eclipse Road, Sparta, North Carolina 28675-0909 U.S.A.
- AMANO PIONEER CREDIT CORPORATION**
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- ACCUTIME CORPORATION**
8312 Page Boulevard St. Louis, Missouri 63130 U.S.A.

- AMANO ELECTRONICS EUROPE, N.V.**
CORPORATE OFFICE
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- UK & IRELAND BRANCH OFFICE**
33 Clarendon Dock-Lagarside-BT1 3BG Belfast-Northern Ireland-United Kingdom
- GERMAN BRANCH OFFICE**
Zweigniederlassung Deutschland, Brunnenstrasse 11, DE-45128 Essen, Germany
- AMANO SOFTWARE ENGINEERING R&D EUROPE, N.V.**
Westerring 2, 3600 Genk, Belgium
- AMANO CLEANTECH MALAYSIA SDN. BHD.**
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No-11, Jalan PJS11/16, Bandar Sunway, 46150 Petaling Jaya, Malaysia
- PENANG OFFICE**
2nd Floor, 59, Jalan Selat, Taman Selat Butterworth, 12000 Butterworth, Malaysia
- JOHOR BAHRU OFFICE**
No.16-A, 1st Floor Jalan Suria 69 Seri Alam, 81750 Masai, Johor, Malaysia
- ATAS E&C SERVICES(M) SDN. BHD.**
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- AMANO KOREA CORPORATION**
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- @Park Korea CO., LTD.**
150-103 Woolim E-Biz Center2,4F-408, Yangpyeong-Dong 3Ga-16, Yeongdeungpo-Gu, Seoul, Korea
- AMANO INTERNATIONAL TRADING (SHANGHAI) CO., LTD.**
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- BEIJING OFFICE**
Room 401, Unit 2, Meihut Mansion, No.58 Dongzhong Street, Dongcheng, Beijing, P.R.C. China
- SHENZHEN OFFICE**
Room C, 13/F, Building C, Huaqiang Garden, Fuhong Rd, Futian, Shenzhen, P.R.C. China
- AMANO SOFTWARE ENGINEERING (SHANGHAI) CO., LTD.**
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- AMANO TIME & AIR SINGAPORE PTE. LTD.**
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No.1, Jalan Kilang Timor, #02-01, Pacific Tech Centre, Singapore 159303
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- PT. AMANO INDONESIA**
Gedung Pusat Perfilman H.Usmar Ismail, Lantai 3 JL.H.R.Rasuna Said Kav. C-22 Jakarta 12940 Indonesia
- ATAS SERVICE PTE. LTD.**
No.1, Jalan Kilang Timor, #02-01, Pacific Tech Centre, Singapore 159303
- AMANO ASIA MANAGEMENT PTE. LTD.**
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