FINANCIAL REPORT

April 2017 - March 2018

AMANO Corporation

Management Policy

1. Basic Management Policy

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

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

Amano launched the 7th Medium-term Business Plan for the three years from April 2017 to March 2020. An outline of the plan is set out below.

[1] Basic Policies

Under the 7th Medium-term Business Plan, with the Group's management concept of "The 2nd Stage Towards a 100-year Company-Innovative Creation of Value for Sustainable Growth," we will address four key issues towards achieving the goal of "enhancing our corporate value" while emphasizing compliance and further strengthening corporate governance as a foundation.

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

The target of the new medium-term business plan is the achievement of the "triple 11."

(1) Operating profit ratio: 11% or more
(2) ROE: 11% or more
(3) The ratio of consolidated net sales to non-consolidated net sales: 11% growth

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

1. Japanese market

In the Japanese market, we will reinforce ties among domestic Group companies and also with other companies outside the Group and strengthen our capacity to provide holistic solutions (which cover hardware, software, and services) across all business fields both qualitatively and quantitatively. We will also promote the strategic "3-in-1 activity" to increase our customer base by cultivating and further attracting existing customers and aim to be the clear niche leader on a medium- to long-term basis in each business field.
The Information Systems business is witnessing tangible demand for time & attendance management systems, which enables proper employee work management. Amid the implementation of the Japanese government guidance to eradicate long working hours (overworking) and to improve productivity, corporate measures to establish a framework to manage appropriate work hours have become the subject of attention. In addition, against the backdrop of the revision to the Labor Standards Act, which aims to facilitate diverse ways of working, it is expected that demand for system upgrades along with systems utilizing cloud services and smart devices will increase.

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

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

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

In Environmental Systems, capital investment by companies in Japan, especially automobile-related firms, remained solid, and capital investment by Japanese companies operating overseas including in the U.S., was strong, while the Chinese economy continued to improve.

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

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

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

2. North American market

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

3.European market

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

4. Asian market

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

Other issues that need to be addressed are listed below:

1. Practical implementation of a work style reform

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

2. Create innovation

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

3. Further improvement of brand value

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

[2] Numerical targets

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

Numerical targets

(Millions of yen)

	FY 2017 (ended March 2018) (Results)		FY 2018 (ending March 2019)		FY 2019 (ending March 2020)	
	Amount	YoY (%)	Amount	YoY (%)	Amount	YoY (%)
Net sales	124,405	3.6%	130,000	4.5%	142,000	9.2%
Operating profit	14,350	9.0%	15,000	4.5%	16,000	6.7%
Operating profit ratio (%)	11.5%	–	11.5%	–	11.3%	–
Ordinary profit	15,060	9.1%	15,700	4.2%	16,400	4.5%
Net income attributable to owners of the parent company	10,019	8.6%	9,800	(2.2%)	10,800	10.2%

3. Basic Policy on Distribution of Profits and Payment of Dividends for This Fiscal Year and the Next

Amano places great importance on its policy of paying dividends to shareholders. Its fundamental policy to return profits to shareholders is to make appropriate results-based distributions and to buy back treasury stock, as it deems necessary. The Company aims to maintain a dividend payout ratio of at least 40% on a consolidated basis and a dividend on equity ratio of at least 2.5%.

In line with this policy, taking into account our current-year operations results, we plan to pay a year-end dividend of ¥34 per share. As a result, the annual per-share dividend for this fiscal year will be ¥57 (including ¥23 per share paid as the interim dividend), an increase of ¥5 compared with the previous fiscal year. This corresponds to a dividend payout ratio of 43.3% and a 4.2% ratio of dividends to net assets on a consolidated basis.

With regard to the dividend for the next fiscal year, in line with our Basic Policy on Distribution of Profits and in view of our Outlook for Fiscal Year Ending March 31, 2019, we aim to pay an annual per-share dividend of ¥57 (with an interim dividend of ¥25 and a year-end dividend of ¥32).

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

Hiroyuki TSUDA
President
Representative Director

Business Performance

General Business Results

Business Results in the Year Ended March 31, 2018

General Business Results for This Fiscal Year

During the consolidated fiscal year under review, the U.S. economy remained steady and the Chinese economy continued to improve, despite the uncertainties regarding the future prospects of geopolitical risks and political and economic trends in the U.S. and Europe. In this situation, the Japanese economy remained on a recovery trend, as the employment environment and capital investment remained solid and exports increased against the backdrop of robust corporate performances.

Amid this business environment, the Amano Group set forth the management concept of "The 2nd Stage Towards a 100-year Company—Innovative Creation of Value for Sustainable Growth" in the new medium-term management plan launched in April 2017, aiming at achieving growth in Japan, North America, Europe and Asia, respectively. The Amano Group has also been striving to strengthen management practices through cost reduction activities and Amano's work style reform methodology.

As a result of the above, during the fiscal year under review, the Company recorded sales of ¥124,405 million, up by 3.6% year-on-year. Operating profit increased by 9.0% to ¥14,350 million, ordinary profit went up by 9.1% to ¥15,060 million, and net income, which is attributable to parent company shareholders, increased by 8.6% to ¥10,019 million, resulting in increases in both sales and profit.

The following is a breakdown of sales by business division.

Sales by business division

(Unit: Millions of yen)

Category	FY2016 (April 1, 2016–March 31, 2017)		FY2017 (April 1, 2017–March 31, 2018)		Change	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	%
Time Information System business:						
Information Systems	24,789	20.6	26,759	21.5	1,970	7.9
Time Management Products	3,818	3.2	3,751	3.0	(66)	(1.7)
Parking Systems	58,402	48.6	60,757	48.8	2,354	4.0
Subtotal	87,010	72.4	91,268	73.3	4,257	4.9
Environment System business:						
Environmental Systems	21,712	18.1	21,993	17.7	281	1.3
Clean Systems	11,401	9.5	11,143	9.0	(257)	(2.3)
Subtotal	33,113	27.6	33,136	26.7	23	0.1
Total	120,124	100.0	124,405	100.0	4,281	3.6

Time Information System business

- Information Systems:
  Time & attendance (T&A), payroll, human-resource management, access control, and cafeteria systems
- Time Management Products:
  Time recorders and time stamps
- Parking Systems:
  Parking and bicycle-parking space management systems, and commissioned parking lot management service

Sales in this business division totaled ¥91,268 million, representing an increase of ¥4,257 million (4.9%) year-on-year. The following is a breakdown of sales by business division.

Information Systems

In this business division, against the backdrop of the "work style reform" promoted by the Japanese government, attention is turning to the future trends of companies' efforts to address long working hours, improve productivity and make full use of diverse human resources.
In response to these market conditions, the Company, being "Amano—active in the area of HR (Human Resources)," added access control and security to the list of its "3-in-1" proposal, comprising time & attendance (T&A), payroll, and human-resource management, thus striving to bolster its activities to provide total solutions from system ownership to system use.
Domestic sales for the current term were as follows. For Amano, on an unconsolidated basis, hardware sales decreased by ¥90 million (2.1%), software sales increased by ¥1,222 million (21.5%), and sales generated by maintenance contracts and supplies services increased by ¥65 million (1.6%) year-on-year. The decrease in hardware sales was due to a rebound from large orders in the previous term, while the robust software sales was attributable to increased orders for "TimePro-NX," which is a new piece of software for small and medium businesses and "TimePro-VG" for medium and large businesses. Sales of cloud services developed by Amano Business Solutions Corporation increased, owing to its continuous robust performance.
Overall overseas sales increased by ¥802 million (8.5%) year-on-year as the sales of both Accu-Time Systems, Inc. in North America and Horoquartz S.A. in Europe increased.
As a result of the above, sales in this business division totaled ¥26,759 million, representing an increase of 7.9% year-on-year.

Time Management Products

Although there is a constant demand for standard devices, this business division continues to respond to the current trend toward lower prices. In the meantime, amid the reforms to ways of working in Japan, a constant level of demand for the Company's products is being maintained due to their ease of introduction.
In this market environment, the Company has been working on expanding its customer base through the "User-club" (a fee-based service for members), as well as concentrating on expanding sales of time recorders equipped with aggregation software compatible with PCs, which offers improved usability and functionality.
Overall domestic sales for this fiscal year increased by ¥16 million (0.5%) year-on-year, as sales of time recorders increased.
Overall overseas sales decreased by ¥152 million (15.2%) year-on-year, as sales in North America and Asia fell while sales in Europe were flat.
As a result of the above, sales in this business division totaled ¥3,751 million, representing a decrease of 1.7% year-on-year.

Parking Systems

To respond to the increasingly diverse needs of parking lot management in Japan, the Parking Systems business division has been working on improving the efficiency and reducing the cost of parking lot management, increasing the level of convenience for parking lot users, ensuring safety and security in parking lots, and integration with the Internet.
In response to these market conditions, the Company further strengthened its cooperation with major parking lot management firms and, at the same time, concentrated on offering various services to small to medium-sized parking lot management firms through its parking lot data centers. The Company has also worked to improve the functionality and usability of its system equipment and made efforts to expand into new markets, such as bicycle parking systems, security-gate systems and toll road systems, as well as strengthening proposals for improving parking lot management efficiency and making new proposals for enhancing parking lot services to users.
During the current term for Amano, on an unconsolidated basis, domestic parking equipment sales in-

creased by ¥210 million (1.1%) year-on-year due to increases in renewal orders and orders for security gates, and domestic sales generated by maintenance contracts and supplies services decreased by ¥113 million (1.2%) year-on-year. Amano Management Service Corporation's commissioned parking lot management business has been steadily expanding with increased sales, and the number of parking spaces under management increased by 46,000 (12.0%) from the end of the previous fiscal year.

Overall overseas sales increased by ¥1,551 million (8.5%) year-on-year due to an increase in sales in the Asian region as the commissioned parking lot management business in Korea, Hong Kong, and Malaysia grew with the steady expansion, while sales of Amano McGann, Inc. decreased in North America.

As a result of the above, sales in this business division totaled ¥60,757 million, representing an increase of 4.0% year-on-year.

Environment System business

- Environmental Systems:
  Standard dust collectors, large dust collection systems, pneumatic powder conveyance systems, high-temperature hazardous-gas removal systems, and deodorization systems
- Clean Systems:
  Cleaning equipment, dry-care cleaning systems, cleaning management services, and electrolytic water generators

The sales in this business totaled ¥33,136 million, up by ¥23 million (0.1%) year-on-year. The following is a breakdown of sales by business division.

Environmental Systems

In Environmental Systems, companies' capital investment has remained solid in Japan, and the overseas business environment is on a recovery trend owing to a picking up of the China's economy, etc.

In this market environment, the Company's domestic strategy focused on capitalizing the demand for its standard equipment by strengthening proposals, mainly targeting automobile-related companies, while seeking to win additional orders from customers in the pharmaceutical, foods and cosmetics markets. Meanwhile, the Company enhanced cooperation with its overseas Group companies, reinforced its platforms for engineering, sales and services. Furthermore, the Company endeavored to achieve greater cost competitiveness by expanding its local procurement, while observing the investment trend of Japanese companies operating overseas.

During the current term for Amano, on an unconsolidated basis, domestic sales of standard equipment increased by ¥393 million (5.3%), sales of large-scale systems decreased by ¥1,318 million (19.6%) and sales generated by maintenance contracts and supplies services increased by ¥386 million (8.2%) year-on-year.

Overall overseas sales increased by ¥931 million (32.3%), owing to robust sales in Mexico and signs of recovery of sales in Asia as the China's economy is picking up.

As a result of the above, sales of this business division totaled ¥21,993 million, representing an increase of 1.3% year-on-year.

Clean Systems

In Clean Systems, while the trend of companies trying to reduce cleaning costs continues domestically amid a shortage of sanitary workers in the building maintenance industry, needs for proposals that lead to higher cleaning efficiency and improved quality have been increasing.

In response to these market conditions, we strengthened our proposal, addressing cleaning issues companies are facing, through implementation of new cleaning techniques using cleaning robots and the launch of the new EG series automatic floor scrubbers, which further increased safety levels and improved usability.

For this fiscal year, even though Amano's domestic sales of new products on an unconsolidated basis fared well, overall domestic sales of cleaning equipment decreased by ¥10 million (0.5%) and domestic sales generated by maintenance contracts and supplies services declined by ¥88 million (3.5%) year-on-year.

Overall overseas sales decreased by ¥101 million (1.8%) year-on-year, despite the solid performance of the wooden floor sanding equipment business in North America.

As a result of the above, sales of this business division totaled ¥11,143 million, representing a decrease of 2.3% year-on-year.

General Financial Condition for This Fiscal Year

• Assets

Total assets as of March 31, 2018 amounted to ¥145,446 million, up by ¥7,557 million from the previous fiscal year-end. Current assets increased by ¥6,264 million year-on-year. This was mainly due to increases of ¥5,584 million in cash and bank deposits and ¥706 million in other current assets. Fixed assets increased by ¥1,293 million year-on-year. This was primarily attributable to increases of ¥291 million in tangible fixed assets and ¥1,124 million in investments and other assets due to an increase in investment securities, despite a decrease of ¥122 million in intangible fixed assets.

• Liabilities

Total liabilities as of March 31, 2018 amounted to ¥39,812 million, up by ¥1,344 million year-on-year. Current liabilities increased by ¥2,136 million year-on-year. This was mainly due to increases of ¥890 million in accrued income taxes and ¥1,616 million in other current liabilities following an increase in accrued expenses. Fixed liabilities decreased by ¥791 million year-on-year. This was primarily attributable to decreases of ¥469 million in long-term borrowings and ¥364 million in lease obligations.

• Net Assets

Total net assets as of March 31, 2018 amounted to ¥105,634 million, up by ¥6,213 million from the previous fiscal year-end. This was primarily attributable to increases of ¥5,232 million in shareholders' equity resulting from the recording of net income attributable to owners of the parent company and ¥895 million in accumulated other comprehensive income following an increase in translation adjustments, among other factors..

General Cash Flows for This Fiscal Year

Consolidated cash and cash equivalents increased by ¥4,961 million from the previous fiscal year-end to a total of ¥40,231 million as of March 31, 2018. The status of each type of cash flow at year-end and the underlying factors are as follows.

• Cash flow from operating activities

Net cash provided by operating activities totaled ¥16,750 million. This was attributable primarily to income before income taxes amounting to ¥15,280 million, and depreciation and amortization amounting to ¥5,063 million, despite income taxes payments amounting to ¥4,141 million.

• Cash flow from investing activities

Net cash used in investing activities totaled −¥6,500 million. This was mainly because, despite the recording of ¥8,771 million in proceeds from withdrawal of time deposits and ¥2,150 million in proceeds from redemption of securities, the Company recorded expenditures amounting to ¥9,179 million in time deposits, ¥3,107 million to purchase tangible fixed assets, ¥2,385 million to purchase intangible fixed assets, and ¥2,000 million yen to purchase securities.

• Cash flow from financing activities

Net cash used in financing activities amounted to −¥5,392 million. This was chiefly due to the recording of expenditures amounting to ¥3,954 million in payment of dividends, ¥1,547 million in repayment of finance lease obligations, and ¥832 million in purchase of treasury stock, despite the recording of ¥1,331 million yen in proceeds from sale and leaseback.

Future Outlook

In the next fiscal year ending March 31, 2019, overseas, there will be growing uncertainty about the future of political and economic trends due to geopolitical risks and the destabilization of trade policies, mainly in the U.S. In this situation, the Japanese economy will likely remain on a recovery trend as capital investment will remain strong due to Olympic Games-related demand and the growth in corporate earnings, while exports will continue to increase.

Amid this business environment, Amano Corporation and its Group companies will set "The 2nd Stage Towards a 100-year Company-Innovative Creation of Value for Sustainable Growth" as its management concept and work to address key issues in the new medium-term management plan described in "Management Policy" on page 1 with a view to maximizing the corporate value of Amano Corporation.

The following business results are projected for the next fiscal year ending March 31, 2019: net sales of ¥130,000 million, operating profit of ¥15,000 million, ordinary profit of ¥15,700 million, and net income attributable to parent company shareholders of ¥9,800 million. These projections assume currency exchange rates of ¥105 to the US dollar and ¥130 to the euro.

Operating and Other Risk Factors

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

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

Forward-looking statements are current as of the date of the release of these financial results (April 25, 2018).

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

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

In the year ended March 31, 2018, the Time Information System business accounted for 73.3% of total sales, and the Environment System business accounted for 26.7%. Before the deduction of unallocated expenses, the Time Information System business contributed 71.5% to operating profit, while the Environment System business contributed 28.5%. In terms of weighted average sales over the last five years, the Time Information System business accounted for 72.8% of total sales and 73.2% of operating profit.

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

(ii) Fluctuations in exchange rates

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

(iii) Information security

In the course of providing system solutions and developing cloud business services (e.g., ASP, SaaS, and hosting services), the Amano Group handles con-

Reference: Trend of cash flow indicators

	As of Mar. 31, 2014	As of Mar. 31, 2015	As of Mar. 31, 2016	As of Mar. 31, 2017	As of Mar. 31, 2018
Equity ratio (%)	67.6	69.8	69.5	71.8	72.3
Fair value equity ratio (%)	66.5	83.7	99.4	122.6	150.1
Ratio of cash flow to interest-bearing liabilities (%)	37.3	52.2	25.5	16.0	11.2
Interest coverage ratio	219.7	122.9	292.2	447.8	483.5

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

Assumptions

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

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

(iv) Natural disasters

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

(v) Overseas business development

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

Topics

Orders for T&A systems remain strong as Amano continues to support "Work Style Reform"! Cleaning Robots attracting attention due to labor shortage

"Work Style Reform" initiatives to cope with labor shortage and to improve productivity are progressing in many companies in Japan. In view of regulatory compliance and CSR, orders are firm from small to medium sized enterprises (SMEs), for TimePro-VG and TimePro-NX to allocate necessary personnel for improved efficiency.

The market for T&A systems is expanding due to renewal demand for compliant T&A terminals and the growing needs for T&A management using timecards for educational personnel.

In addition, for the janitorial-sanitation (jan-san) related companies, which are suffering from acute labor shortage, negotiations for cleaning robots are increasing together with T&A systems.

In order to comprehensively improve the work environment of our customers, we will continue to promote multiple solutions (3-in-1 proposals).

Parking systems; Trial operation for ETC card settlement! Business Domain Expansion in the US market

Amid the growing interest regarding the use of the ETC (Electronic Toll Collection) system other highways, experimental trials are being conducted jointly with industry related companies. Amano conducted a trial operation at a parking lot of a large shopping mall in January through to February this year. By enabling parking fee settlement using the ETC system, ticketless parking will be possible, which will shorten entry and exit times. In addition, by collaborating with commercial facilities, the emergence of new services can also be expected.

Overseas, this February, Amano McGann Inc., which is subsidiary in the United States, acquired the Valet parking management system business from Service Tracking Systems, Inc., based in California.

Valet parking is a popular chargeable parking method at Hotels and Casinos across the United States where the driver, upon arrival, entrusts the vehicle to the valet parking attendant at the entrance and receives it when leaving. This acquired business developed a valet parking system that enables accurate and smooth operations, which can be considered as a gesture of warm hospitality. In addition to the conventional self-parking systems, AMI has expanded its business domain by entering into this business.

Company that cares about the health of employees Certified as a "White 500" company!

Following last year's Yokohama health management certification, this February, Amano Corporation was certified as "Health Management Superior Corporation 2018 – White 500".

Under this program, with the cooperation of the health insurance associations, large enterprises practicing superior health management are certified by the Ministry of Economy, Trade and Industry (METI) and the Japan Health Conference. The Amano Corporation, in accordance with the founder's philosophy, "Enterprises are made of people", has placed hard and steady efforts towards "health management".

Amano will continue to proactively promote "health management" with the aim of becoming a company where employees can work vividly, by prioritizing both the physical and mental health of employees.

Amano Group Companies

Amano USA Holdings, Inc.

Amano Cincinnati, Inc.

Amano Cincinnati, Inc. is preparing to launch the latest addition to our data collection terminal line. This new series of terminals will include Wi-Fi as a communication option. This will facilitate many small business requirements as wired communications and IT services for small business is limited. This development comes from listening to our customer requirements and addressing the need. The launch is planned for early 3rd quarter and will be released with an updated version of Time Guardian software.

ACI has a renewed focus on the OATS compliant market and TS-3000i time stamp. We have noticed many changes in the IT infrastructure, related to security, for large trading firms and financial institutions. As security concerns continue to be a major focus, these firms look to Amano to keep up with changing requirements. ACI is preparing to release its latest version time stamp incorporating security features that meet the challenging IT requirements.

This release is scheduled for the 3rd quarter. The features of this new unit will allow us to approach customers that have upgraded their infrastructure and are no longer compliant.

Recent changes to the ACI management team include Mr. Hiro Yamagishi returning to Japan after serving as president of ACI for 3 years. During his tenure, Mr. Yamagishi was instrumental in getting many new products released. He was also a driving force in reducing costs in our factory which was critical in our very competitive time clock and systems market. Mr. Yoshi Kawahara will be replacing Mr. Yamagishi as President of ACI. Mr. Kawahara will be located in the Ohio factory. The transition is scheduled for May 2018.

Accu-Time Systems, Inc.

Accu-Time Systems, Inc. (ATS) continued the development of our Peoplepoint products with enhanced functionality. Market response to the new functionality has accelerated with a 19% increase in Peoplepoint terminal sales in 2017. Acceptance continues to grow with a major Value Added Reseller (VAR) adopting an Android version of the Peoplepoint terminal as their Employee Self Service terminal of choice. Major retail customers have also chosen the Peoplepoint terminal as their time data collection and employee self-service terminal. The PeoplePoint Premium®, a 10.1 inch terminal which offers a new level of interaction for employee self-service applications began shipping in 2017 to a major international hotel and resort organization. The 10.1 inch wide touch-screen display makes it easy to navigate schedules, view accruals and enforce attestation. The terminal can also deliver training videos, support video chats, and display other web-based content. These capabilities are delivered through PeoplePoint Premium's rich graphics, speakers and camera.

ATS' TimeCom business continued growth with a 26% increase in revenue from the sale of terminals and related professional services. The TimeCom solution includes a Maximus or Peoplepoint terminal, a monthly Software-as-a-Service subscription and professional services. The solution allows our end-user customers to link remote terminals to their enterprise resource planning (ERP), human capital management (HCM) and workforce management solutions. The heart of the solution is the ATS TimeCom cloud middleware that serves as a communication link between the terminal and the customer's system. The TimeCom solution offers enhanced security to protect all potentially sensitive data. An independent third party security company performed extensive penetration testing during 2017 to validate the enhanced security of the TimeCom solution.

Currently, the TimeCom solution allows end-user customers of Workday, an on-demand financial management and human capital management software vendor, to implement a secure cloud based communication with the ATS terminals in 90 days or less. The flexible solution allows the end-user to select the functionality that meets their requirements various operating systems including the Ipv4 and Ipv6 internet protocols. The flexibility and ease of implementation has gained wide acceptance in a variety of industries and market segments including higher education, hospitality, pharmaceutical, retail, waste management, finance and gaming.

The TimeCom solution received its validated status by Oracle, a global ERP organization, in 2017. The Oracle validation demonstrates ATS' commitment to expand its cloud based offerings. The validated solution, consisting of a full integration of ATS' TimeCom solution with the Oracle HCM Cloud Time and Labor application, opened the market segment for Oracle customers seeking a solution with their Oracle application. Similar to the Workday solution, ATS' Oracle solution includes a monthly recurring subscription-based, Cloud-based Software-as-a-Service solution and our PeoplePoint terminals. This solution will now be available to Oracle's customer base through their market place and ATS' direct sales activities.

ATS also opened a new Tech Center housing its hardware and software engineering teams. This new installation will continue to support ATS' product innovation and enhance collaboration among both hardware and software teams.

Amano McGann, Inc.

Preparing for the Future

Tom Benton, who has been running APEC since 2010, assumed the role of President and CEO of Amano McGann, Inc. in April of 2017. While the executive team has been working on an updated strategy for the future, an interim plan has been put in place calling for a focus on product, customer service and support, and financial controls and reporting. The team made numerous structural changes, including the addition of a new CFO, Jim Kinahan.

2017 was a challenging and enduring year for Amano McGann, Inc. AMI placed strenuous efforts in adopting new processes, improve software performance and to close out a large backlog of unfinished field installation projects. But unfortunately, AMI fell short of its goal and continues to struggle well into 2018. This has necessitated additional stronger measures, which include organizational restructuring and business reforms. For AMI this is yet another challenge, but on the other hand, it is also an opportunity to truly rejuvenate AMI into a lean & mean organization capable of sustaining growth into the future and securing its position as the premier PARCS provider.

Amano McGann Acquires CVPS

In February of 2018, Amano McGann, Inc. acquired substantially all of Computer Valet Parking Systems (CVPS), formerly a division of Service Tracking Systems, Inc. Known for exceptional, dedicated employees, paired with quality products that bolster revenue and customer satisfaction for their clients, CVPS was a pioneer in the electronic valet parking industry over 20 years ago. As the current market-leader, CVPS will enable Amano McGann to expand and enhance their capabilities, markets, technological capacity and customer service.

Canadian Market Expansion

IFrontier Technologies

In the summer of 2017, Frontier Technologies signed a contract to become the official dealer and service provider of Amano McGann parking and security solutions. The new ally in the north now provides services to the eastern coast of Canada including Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland. Through this partnership, Amano McGann will further their goal of meeting the needs of the Canadian market with incomparable support and innovative solutions.

Synerion North America

Amano McGann Canada and Synerion North America formed a partnership to offer Amano McGann Security solutions throughout Canada. This partnership, formed in November of 2017, combine Synerion's over 30 years of experience and customer-centric approach with Amano Security's wide range of products to meet the access control needs in the Canadian market.

Keeping Up with The Carolinas

In an effort to provide North and South Carolina with exceptional installation, support, and post-installation service, Amano McGann opened a new office in Charlotte, North Carolina and another office is slated to open in Raleigh, North Carolina in June of 2018. Both Branch Offices include sales and operations teams as well as a factory-trained team of software and hardware technicians. The Carolina offices are led by Greg Brewer, a 15-year veteran of the parking industry working directly with Amano McGann products. Greg supports branch operations to achieve greater success while continuing to improve customer satisfaction across the Southeast.

Major Project Awards

Irvine Towers

A development of The Irvine Company in Irvine, California, Irvine Towers consists of over one million square feet of workspace spanning five towers in Irvine, California. The property features innovative office space paired with hotel, retail, and green space. Irvine Towers has three parking structures and three surface lots to accommodate a variety of tenant and transient parking patrons. Expedited ingress and egress is facilitated through the integration of Automatic Vehicle Identification (AVI) readers that are specifically calibrated to the Irvine Company's format for compatibility across the property portfolio. Additionally, Irvine Towers will take advantage of Amano McGann's extensive validation solutions via eParcSuite®, a web-based solution that allows Irvine Towers parking management to create online validations for reduced-fee or free parking.

Misericordia Health Centre

In June of 2017, Amano McGann Canada installed the first Overture® system in Canada at the Misericordia Health Centre in Winnipeg, Manitoba. The PARCS system was installed in the visitor parkade. The Overture Series was chosen because it is an efficient, automated parking management solution that utilizes linear barcode technology and offers a sleek, attractive aesthetic to Misericordia Health Centre's new garage. Entry, exit, and pay-on-foot stations accept EMV credit card payment including Point to Point Encryption (P2PE) which enhances payment security on the site while significantly reducing the Payment Application Data Security Standard (PA-DSS) scope for the site.

Amano Pioneer Eclipse Corporation

Amano Pioneer Eclipse Corporation (APEC), which manufactures and sells products under the Pioneer Eclipse, American Sanders and Amano Environmental Americas brands, finished the year behind its total sales plan due to soft sales in its cleaning markets. Results were positive in other segments of the business, where the tool rental channel surpassed plan by 7%, international sales of wood floor equipment exceeded plan by 69%, and sales into Latin and South America surpassed plan by 15%.

Pioneer Eclipse (PE) remained active with new product development in 2017 by launching three new floor care coatings and a new sanitation line of 39 new chemical products. This chemical product development further enhances Pioneer Eclipse's position as a leader in floor care coatings and serves to accelerate growth in the general cleaning chemical categories.

The Pioneer Eclipse floor care machine line also expanded in 2017 with the addition of dust control models for the 225BU corded burnisher line, as well as a two-speed corded floor polisher. These new machines, along with new safety features and accessories for our propane line, help solidify PE as the leader in burnishing technology.

The American Sanders (AS) brand experienced another year of strong sales in the wood floor business, growing 4% in 2017. The AS brand launched the Epoch, a new 16" rotary sander that is proving to be one of the most versatile sanding machines on the market. The Epoch features a two-speed high-torque motor and adjustable sanding pressure. These functions, combined with the HydraSand multi-disc sanding head, make this machine highly capable in a variety of applications. The machine is receiving high acclaim for its ability to smooth an uneven floor and its finesse to provide a swirl-free surface ready for a high-quality finish. Initial sales far exceeded launch projections by 67%, contributing nearly $1M revenue in less than 6 months.

Continued efforts to strengthen the distribution network for the Amano Environmental Americas (AEA) business has proven successful, resulting in growth of 65% in the small mist collector category. Sales of custom dust collection units on large industrial projects slowed in 2017 as manufacturers delayed factory construction projects.

In February 2018 APEC's operational infrastructure was improved with the implementation of Oracle's JD Edwards (JDE) enterprise business software solution. Implementation extends into the current year, but is already demonstrating benefits for streamlining manufacturing operations, improved visibility and tracking of inventory, and increased efficiency in order fulfillment. To complement the JDE system, warehousing procedure of finished products was transformed to a "first in-first out" inventory system to further improve inventory management and profitability.

Amano Europe Holdings, N.V.

Amano Europe, N.V.

Amano Europe continued to grow both revenue and profit in the main business segments; parking solutions and time and attendance.

The X-Parc parking solution has been installed successfully worldwide in a variety of business segments like airports, hotels, hospitals, retail, leisure and municipalities. With X-Parc Amano offers a reliable, flexible and network centric parking solution that complies with modern needs in parking and mobility industry. We welcomed new partnerships and opportunities in Africa and in the Middle East like for example Riyadh airport. With the X-Parc SMART solution Amano offers cloud services like inn-app payment solutions, advanced recognition services and flexible tariff calculations. X-Parc SMART line is also the entry point to SMART-CITY solutions. Understanding the customer needs and guiding them not only in pre- but also after sales is the key to our success.

Astrow Cloud, the next generation of the proven T&A software solution for small and medium sized businesses with an installed base of more than 5.000 customers in Europe and Africa, is getting widely accepted. As a result we passed the threshold of 1 million bookings per month in 2017 and we could install the cloud solution in South Africa for one company with more than 2000 employees. We successfully launched the replacement of iT-300 terminal; ST-25 with touch screen and extended functionality and Astrow V7.0 with business intelligence. 2017 was also the year in which we launched mobility solutions. In one of the major cities in Belgium, Gent, we started to offer a solution that organizes and schedules transportation of employees between their home and the company.

Amano Time & Parking Spain S.A.

During the year 2017, ATPS realized several X-parc installations which required specific software integration. These challenging experiences opened up a new horizon for us. In collaboration with "CBL Informatica", our most important partner and a leading supplier of software for Truck Parking management, we have successfully entered a new sector, which also enables us to contact with future potential clients.

Among others, Mercagranada, a large wholesale market situated in Granada, a historic Andalusian city, should be first mentioned as a successful example. We installed here X-parc machines with a special adaptation in combination with CBL software, which enables a wider range of tariff calculation and other complex requirements of our client. Now our machines, including one that has a double height, are working in three lanes allowing a smooth flow of hundreds of incoming and outgoing 3 meters high trucks, loaded with vegetables, fruits and seafoods.

Andamur Pamplona is also a fine example which highlighted our excellent triangle collaboration among ATPS, CBL and Amano Europe. In this project we realized a new method of communication by WebSercvice between Amano and CBL's different equipments. This means we can offer a software solution to our clients as an initial stage, leaving a hardware investment on entry and exit machines as a later stage.

With these new experiences ATPS is also in a new stage ready for future growth.

Horoquartz,S.A.

Horoquartz observed a strong growth in its core business of workforce management solutions, consolidated its business in the main markets segments such as manufacturing and public sector and entered into new segments. In the retail sector, our workforce management solution eTemptation was chosen by one of the world's leading retailers. Many local authorities have also trusted Horoquartz like e.g. the city of Lyon, the second largest local authority in France, with 9000 employees. eTemptation has also been successfully deployed by the French Blood Establishment, confirming that the solution can also meet the needs of healthcare facilities. The seamless integration of time management, scheduling optimization and activity tracking features is an essential decision-making factor for these customers. At the same time, Horoquartz reinforced its competitive positioning in the small and medium sized businesses market by having a dedicated sales team allocated to this segment. The Process4people solution was launched in March 2017. This solution is designed to automate HR related processes by the use of a customizable HR Portal. In June, more than 320 customers were able to discover the new eTemptation 5.4 version which offers a completely renewed user experience. The eTemptation User Group reached more than 170 members, making it the biggest user club in France in this area.

The Safety and Security division of Horoquartz started to consolidate its organization by completing its sales and technical teams across the country. Major industrial groups, such as Alstom, Safran, Areva, Goodyear, Merck have deployed our Protecsys 2 Suite solution both in France and abroad. In addition to its access control solutions, Horoquartz has developed partnerships with leading specialists (Honeywell, Milestone…) to offer a comprehensive solution also including video surveillance or intrusion detection features.

Customers are increasingly delegating the maintenance of their solutions to Horoquartrz in order to refocus on their core business. Thus, Horoquartz experienced a significant increase in service contract subscriptions, particularly in the field of Third Party Application Maintenance.

Horoquartz recruited 100 new employees in 2017 to cope with the growth of its activities and set up HQ Academy, a dedicated training center intended to facilitate the integration of new talents into the company and guarantee the best level of skills to the customers.

Amano Malaysia Sdn. Bhd.

Expanding MS business in Malaysia

Besides having No. 1 Parking System Installations in Malaysia, Amano Malaysia (AM) has increased the number of parking operation sites and currently operating 14 sites of car parks throughout Malaysia. This growing business has made AM's foundation much stronger and contributed for the history high sales and profit in 2017.

One of our success in 2017 is the car park operation at Mydin. Mydin is the largest local hypermarket chain in Malaysia with total 78 outlets. Since late 2017, AM has been operating 5 sites of Mydin malls in Subang Jaya, Ipoh, Melaka, Senawang and Gong Badak. For operating car park facilities in the Mydin malls, we have allocated total 36 staff and invested the equipment of 22 entry stations, 22 exit stations, and 23 Automatic Pay Stations.

Together with 5 Mydin's car park facilities, AM's car park operations have been expanded to all major cities in Malaysia Peninsular. As demonstrated by this positive growth, AM's vision to be the No. 1 Car Park Operator in Malaysia by 2022 can be attained.

Amano Korea Corporation

International Security Exhibition & Conference

AKC exhibited its products at the "World Security EXPO SECON 2018" held in Korea from 14th to 16th March, 2018. SECON is the largest International Security Exhibition & Conference in Asia, which is held every year. This year there were 46,324 visitors and among the 433 exhibiting companies, AKC was only company from the parking industry. More than 3,000 people visited AKC's booth where the state-of-the-art parking systems were displayed.

Construction companies, general trading companies, and municipalities, etc., showed great interest in LPR (License Plate Recognition) systems with built-in EV (Electric Vehicle) charging capabilities along with parking control systems, parking guidance system, and centralized call centers. As such, there are many new negotiations in progress after the exhibition. This exhibition has greatly contributed greatly to AKC's brand strategy which professes "Overwhelming No. 1 company" in the Korean parking industry.

A view of AKC's booth

Main Products that were Displayed

(1) Parking system with a built-in quick charger for electric vehiclest

With the collaboration of SignetEV, a world-class company with top share in EV quick chargers, AKC developed a LPR system with a built-in multiple high output quick charger. The system is capable of quick charging up to 4 vehicles per unit, and also capable of settling parking and charging fees simultaneously.

(2) Intelligent LED lighting control system

Lights on during vehicle movement

Lights dim when no Vehicle Movemen

Using cameras, this system detects the motion of people and vehicles and automatically lights up the predicted forward direction. The lights then turn off once the moving object has passed. By eliminating unnecessary lighting this system is an energy-saver. In addition, the system uses wireless transmission for lighting control signals enabling great savings on installation and maintenance costs.

(3) Web / Mobile systems

AKC is providing a service that connects parking facilities and parking users through mobile digital devices such as smartphones and tablets. AKC is collaborating with Kakao Corporation, which is a leading Korean company providing SNS services. The photo shows an example of screens corresponding to various inquiries such as purchasing seasonal passes, information regarding newly opened parking lots and discounts, parking lot locations and parking fees etc.

(4) Centralized Call Center

The 24-hour Centralized Control (Call) Center responds to customer complaints and handles system malfunctions. The sites are monitored real-time via cameras and through remote control, most malfunctions can be resolved. The use of this control center enables the reduction of on-site staffing and is contributing to systems sales together with the expansion of Management Service sites.

AMANO Corporation and Subsidiaries

Financial Highlights

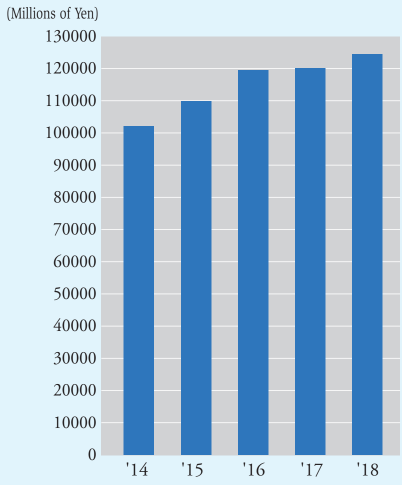
For the year ended March 31, 2018

Yen in millions and U.S.dollars in thousands, except per share amounts
- See Note 4 to the Consolidated Financial Statements.

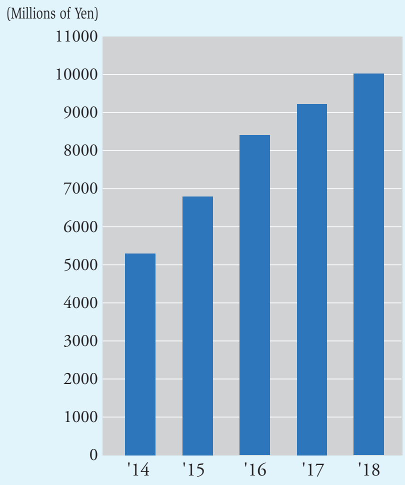
	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
For the years ended March 31:			
Net sales	**¥124,405**	¥120,124	**$1,173,636**
Net income	**10,019**	9,223	**94,526**
Per share data (Yen and U.S. Dollars):			
Net income per share (Basic)	**¥132.12**	¥120.79	**$1.246**
Cash dividends per common share	**57.00**	52.00	**0.538**
At March 31:			
Total assets	**¥145,446**	¥137,888	**$1,372,140**
Working capital	**59,533**	55,404	**561,634**
Total net assets	**105,634**	99,421	**996,553**
Sales by product:			
Time information systems	**¥26,759**	¥24,789	**$252,452**
Time management equipment	**3,751**	3,818	**35,391**
Parking systems	**60,757**	58,402	**573,182**
Environmental systems	**21,993**	21,712	**207,485**
Cleaning systems	**11,143**	11,401	**105,127**

Note: U.S. dollar amounts have been translated at the rate of ¥106 = US $1, the rate prevailing on March 31, 2018.
- See Note 4 to the Consolidated Financial Statements.

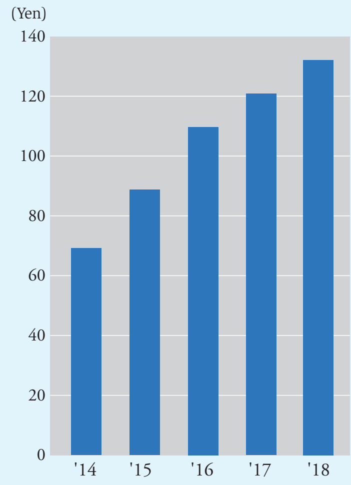
Net Sales



Net Income



Net Income Per Share



AMANO Corporation and Subsidiaries

Consolidated Balance Sheet

As at March 31, 2018

	Millions of Yen		Thousands of U.S.dollars (Note 4)
ASSETS	**2018**	2017	**2018**
Current assets:			
Cash and bank deposits (Notes 6, 12 and 15)	**¥44,525**	¥38,940	**$420,049**
Marketable securities (Note 15)	**1,377**	1,435	**13,000**
Notes and accounts receivable:			
Trade (Notes 7 and 15)	**33,632**	33,710	**317,290**
Less allowance for doubtful accounts	**(467)**	(357)	**(4,412)**
	33,165	33,353	**312,879**
Inventories:			
Merchandise and finished goods	**3,699**	3,753	**34,897**
Work in process	**535**	477	**5,048**
Raw materials and supplies	**5,495**	5,227	**51,843**
Deferred tax assets (Note 17)	**1,838**	1,889	**17,345**
Other current assets	**3,267**	2,560	**30,823**
Total current assets	**93,903**	87,638	**885,884**
Property, plant and equipment, at cost:			
Buildings and structures	**30,887**	30,166	**291,393**
Machinery and equipment	**20,883**	19,768	**197,013**
Leased assets (Note 14)	**6,112**	6,330	**57,666**
	57,883	56,264	**546,072**
Less accumulated depreciation	**(41,216)**	(40,029)	**(388,834)**
	16,667	16,235	**157,238**
Land	**7,135**	7,125	**67,313**
Construction in progress	**177**	327	**1,679**
Total property, plant and equipment	**23,980**	23,689	**226,230**
Intangible fixed assets :			
Goodwill	**2,895**	3,165	**27,318**
Software	**4,385**	3,322	**41,377**
Software in progress	**2,261**	2,989	**21,336**
Other intangible fixed assets	**2,824**	3,013	**26,645**
Total intangible fixed assets	**12,367**	12,490	**116,676**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates (Notes 5 and 15)	**1,787**	1,710	**16,863**
Investments in securities (Note 15)	**7,629**	6,376	**71,977**
Leasehold and guarantee deposits	**1,287**	1,142	**12,147**
Deferred tax assets (Note 17)	**938**	1,273	**8,855**
Other assets	**4,094**	3,995	**38,625**
Less allowance for doubtful accounts	**(542)**	(428)	**(5,117)**
Total investments and other assets	**15,195**	14,070	**143,350**
Total assets	**¥145,446**	¥137,888	**$1,372,140**

LIABILITIES AND NET ASSETS	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S.dollars (Note 4) 2018
Current liabilities:			
Trade notes and accounts payable (Note 15)	**¥7,034**	¥7,629	**$66,360**
Electronically recorded monetary claims (Note 15)	**6,454**	6,580	**60,891**
Short-term bank loans	**169**	37	**1,598**
Lease obligations (Notes 14 and 15)	**1,296**	1,391	**12,236**
Accrued bonuses for employees	**2,477**	2,204	**23,372**
Accrued bonuses for directors	**130**	90	**1,226**
Accrued income taxes	**3,472**	2,581	**32,757**
Other current liabilities	**13,335**	11,719	**125,810**
Total current liabilities	**34,370**	32,234	**324,249**
Long-term liabilities:			
Long-term loans payable (Note 15)	**–**	469	**–**
Liability for retirement benefits (Note 16)	**2,446**	2,445	**23,082**
Long-term accounts payable	**33**	21	**321**
Lease obligations (Notes 14 and 15)	**2,590**	2,954	**24,437**
Deferred tax liabilities (Note 17)	**12**	8	**115**
Asset retirement obligations	**31**	31	**298**
Other long-term liabilities	**326**	302	**3,084**
Total long-term liabilities	**5,441**	6,233	**51,338**
Total liabilities	**39,812**	38,467	**375,587**
Net assets (Notes 10 and 11):			
Shareholders' equity:			
Common stock			
Authorized - 185,476,000 shares			
Issued:			
March 31, 2018 and 2017 - 76,657,829 shares in 2018 and 2017	**18,239**	18,239	**172,072**
Capital surplus	**19,293**	19,293	**182,010**
Retained earnings	**71,140**	65,075	**671,135**
Treasury stock at cost, 923,903 shares in 2018 and 607,651 shares in 2017	**(1,892)**	(1,059)	**(17,850)**
	106,780	101,548	**1,007,367**
Accumulated other comprehensive income:			
Net unrealized gains (losses) on other securities	**2,225**	1,934	**20,993**
Foreign currency translation adjustments	**(2,997)**	(3,533)	**(28,274)**
Retirement benefits liability adjustments	**(917)**	(986)	**(8,660)**
	(1,689)	(2,585)	**(15,941)**
Non-controlling interests in consolidated subsidiaries	**543**	458	**5,127**
Total net assets	**105,634**	99,421	**996,553**
Total liabilities and net assets	**¥145,446**	¥137,888	**$1,372,140**

The accompanying notes are an integral part of these statements.

AMANO Corporation and Subsidiaries

Consolidated Statement of Income, and Consolidated Statement of Comprehensive Income

For the year ended March 31, 2018

Consolidated Statement of Income

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Net sales	**¥124,405**	¥120,124	**$1,173,636**
Cost of sales (Note 9)	**69,103**	68,180	**651,918**
Gross profit	**55,302**	51,943	**521,718**
Selling, general and administrative expenses (Notes 8 and 9)	**40,951**	38,778	**386,336**
Operating income	**14,350**	13,165	**135,382**
Other income (expenses):			
Interest and dividend income	**288**	238	**2,724**
Interest expense	**(34)**	(30)	**(328)**
Equity in earnings of affiliates	**108**	71	**1,027**
Foreign exchange gain (loss)	**(118)**	(89)	**(1,113)**
Gain on sale of fixed assets	**8**	3	**80**
Loss on disposal of fixed assets	**(37)**	(24)	**(357)**
Loss on sale of fixed assets	**(1)**	(19)	**(13)**
Gain on sale of investments in securities (Note 15)	**250**	100	**2,366**
Loss on liquidation of subsidiaries	**–**	(35)	**–**
Other, net	**465**	452	**4,390**
Income before income taxes and non-controlling interests	**15,280**	13,831	**144,158**
Income taxes (Note 17):			
Current	**4,953**	4,490	**46,733**
Deferred	**209**	26	**1,977**
Income before non-controlling interests	**10,117**	9,314	**95,447**
Non-controlling interests in net income of consolidated subsidiaries	**(97)**	(90)	**(922)**
Net income	**¥10,019**	¥9,223	**$94,526**

Consolidated Statement of Comprehensive Income

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Income before non-controlling interests	**¥10,117**	¥9,314	**$95,447**
Other comprehensive income (loss) (Note 13):			
Net unrealized gains (losses) on other securities	**289**	484	**2,730**
Translation adjustments	**566**	(1,219)	**5,341**
Retirement benefits liability adjustments	**68**	192	**648**
Share of other comprehensive income (loss) of companies accounted for by the equity method	**(0)**	(6)	**(4)**
Total other comprehensive income (loss)	**923**	(549)	**8,715**
Comprehensive income	**¥11,041**	¥8,765	**$104,163**
Total comprehensive income attributable to:			
Shareholders of the Company	**¥10,915**	¥8,681	**$102,973**
Non-controlling interests	**¥126**	¥83	**$1,190**

The accompanying notes are an integral part of these statements.

AMANO Corporation and Subsidiaries

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2018

Millions of Yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2017	¥18,239	¥19,293	¥65,075	(¥1,059)	¥101,548
Changes during the year					
Dividends from surplus			(3,954)		(3,954)
Net income			10,019		10,019
Purchase of treasury stock				(832)	(832)
Net changes in items other than shareholders' equity					
Total changes during the year	–	–	6,065	(832)	5,232
Balance at March 31, 2017	¥18,239	¥19,293	¥71,140	(¥1,892)	¥106,780

	Accumulated other comprehensive income				Non-controlling interests in consolidated subsidiaries	Total net assets
	Net unrealized gains (losses) on other securities	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)		
Balance at April 1, 2017	¥1,934	(¥3,533)	(¥986)	(¥2,585)	¥458	¥99,421
Changes during the year						
Dividends from surplus						(3,954)
Net income						10,019
Purchase of treasury stock						(832)
Net changes in items other than shareholders' equity	290	536	68	895	85	980
Total changes during the year	290	536	68	895	85	6,213
Balance at March 31, 2018	¥2,225	(¥2,997)	(¥917)	(¥1,689)	¥543	¥105,634

Thousands of U.S. dollars (Note 4)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2017	$172,072	$182,010	$613,916	($9,996)	$958,002
Changes during the year					
Dividends from surplus			(37,307)		(37,307)
Net income			94,526		94,526
Purchase of treasury stock				(7,854)	(7,854)
Net changes in items other than shareholders' equity					
Total changes during the year	–	–	57,218	(7,854)	49,365
Balance at March 31, 2018	$172,072	$182,010	$671,135	($17,850)	$1,007,367

	Accumulated other comprehensive income				Non-controlling interests in consolidated subsidiaries	Total net assets
	Net unrealized gains (losses) on other securities	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)		
Balance at April 1, 2017	$18,254	($33,334)	($9,308)	($24,388)	$4,324	$937,938
Changes during the year						
Dividends from surplus						(37,307)
Net income						94,526
Purchase of treasury stock						(7,854)
Net changes in items other than shareholders' equity	2,739	5,060	648	8,447	803	9,249
Total changes during the year	2,739	5,060	648	8,447	803	58,614
Balance at March 31, 2018	$20,993	($28,274)	($8,660)	($15,941)	$5,127	$996,553

Millions of Yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2016	¥18,239	¥19,293	¥59,757	(¥56)	¥97,233
Changes during the year					
Dividends from surplus			(3,906)		(3,906)
Net income			9,223		9,223
Purchase of treasury stock				(1,002)	(1,002)
Net changes in items other than shareholders' equity					
Total changes during the year	–	–	5,317	(1,002)	4,314
Balance at March 31, 2017	¥18,239	¥19,293	¥65,075	(¥1,059)	¥101,548

	Accumulated other comprehensive income				Non-controlling interests in consolidated subsidiaries	Total net assets
	Net unrealized gains (losses) on other securities	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)		
Balance at April 1, 2016	¥1,456	(¥2,321)	(¥1,178)	(¥2,043)	¥416	¥95,606
Changes during the year						
Dividends from surplus						(3,906)
Net income						9,223
Purchase of treasury stock						(1,002)
Net changes in items other than shareholders' equity	478	(1,212)	192	(541)	42	(499)
Total changes during the year	478	(1,212)	192	(541)	42	3,814
Balance at March 31, 2017	¥1,934	(¥3,533)	(¥986)	(¥2,585)	¥458	¥99,421

The accompanying notes are an integral part of these statements.

AMANO Corporation and Subsidiaries

Consolidated Statement of Cash Flows

For the year ended March 31, 2018

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Cash Flows from Operating Activities:			
Income before income taxes and non-controlling interests	**¥15,280**	¥13,831	**$144,158**
Depreciation and amortization	**5,063**	4,933	**47,767**
Amortization of goodwill	**511**	684	**4,824**
Increase (decrease) in liability for retirement benefits	**66**	(225)	**625**
Increase (decrease) in allowance for doubtful accounts	**206**	81	**1,949**
Interest and dividend income	**(288)**	(238)	**(2,724)**
Equity in earnings of affiliates	**(108)**	(71)	**(1,027)**
Interest expenses	**34**	30	**328**
Foreign currency translation (gain) loss	**4**	(27)	**42**
(Gain) loss on sale of fixed assets	**(7)**	16	**(68)**
Loss on disposal of fixed assets	**37**	24	**357**
(Gain) loss on sale of investments in securities	**(250)**	(100)	**(2,366)**
(Increase) decrease in trade notes and accounts receivable	**290**	309	**2,745**
(Increase) decrease in inventories	**(235)**	(813)	**(2,220)**
Increase (decrease) in trade notes and accounts payable	**(794)**	266	**(7,496)**
Others	**739**	278	**6,976**
Subtotal	**20,550**	18,980	**193,871**
Interest and dividends received	**303**	266	**2,865**
Interest paid	**(34)**	(30)	**(327)**
Income taxes paid	**(4,141)**	(5,488)	**(39,072)**
Income taxes refunded	**73**	6	**690**
Net cash provided by operating activities	**16,750**	13,734	**158,027**
Cash Flows from Investing Activities:			
Payment for purchase of marketable securities	**(2,000)**	(2,000)	**(18,868)**
Proceeds from redemption of marketable securities	**2,150**	2,300	**20,283**
Payment for purchase of property, plant and equipment	**(3,107)**	(3,109)	**(29,319)**
Proceeds from sale of property, plant and equipment	**25**	23	**244**
Payment for acquisition of intangible assets	**(2,385)**	(2,464)	**(22,500)**
Payment for acquisition of investments in securities	**(967)**	(108)	**(9,124)**
Proceeds from sale of investments in securities	**300**	400	**2,838**
Increase in time deposits	**(9,179)**	(8,601)	**(86,596)**
Decrease in time deposits	**8,771**	9,011	**82,754**
Payment for acquisition of investments in subsidiaries resulting in change in scope of consolidation	**–**	(62)	**–**
Proceeds from sale of investments in subsidiaries and affiliates	**46**	–	**441**
Payment for business acquisition	**(168)**	–	**(1,586)**
Collection of loans	**0**	3	**7**
Others	**10**	(78)	**98**
Net cash used in investing activities	**(6,500)**	(4,684)	**(61,328)**
Cash Flows from Financing Activities:			
Proceeds from short-term bank loans	**158**	–	**1,493**
Repayment of short-term bank loans	**(506)**	(1,195)	**(4,781)**
Payment for acquisition of treasury stock	**(832)**	(1,002)	**(7,854)**
Repayments of finance lease obligations	**(1,547)**	(1,713)	**(14,596)**
Proceeds from sale and leaseback	**1,331**	1,602	**12,562**
Dividends paid	**(3,954)**	(3,906)	**(37,307)**
Dividends paid to minority interests	**(41)**	(41)	**(387)**
Net cash used in financing activities	**(5,392)**	(6,256)	**(50,871)**
Effect of exchange rate changes on cash and cash equivalents	**103**	(248)	**975**
Net increase (decrease) in cash and cash equivalents	**4,961**	2,544	**46,804**
Cash and cash equivalents at beginning of year	**35,270**	32,725	**332,737**
Cash and cash equivalents at end of year (Note 12)	**¥40,231**	¥35,270	**$379,541**

The accompanying notes are an integral part of these statements.

AMANO Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of AMANO Corporation [hereafter, "the Company"] and its subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations in Japan. The accounts of the Company and domestic subsidiaries included in the consolidation are based on the accounting records maintained in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and the disclosure requirements of International Financial Reporting Standards.

As permitted by the Financial Instruments and Exchange Act, amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. Principles of Consolidation

(1) Scope of Consolidation

The Company had 26 consolidated subsidiaries at March 31, 2018. The accompanying consolidated financial statements include the accounts of the Company and those of its subsidiaries that are controlled by the Company. Under the control concept, major subsidiaries in which the Company is able to exercise control over operations are to be fully consolidated.

HOROQUARTZ, S.A., a consolidated subsidiary, implemented an absorption-type merger with Horosmart, S.A., a consolidated subsidiary,during the consolidated fiscal year under review.

The accounts of the overseas consolidated subsidiaries are consolidated using their financial statements as of their respective fiscal year end, which falls on December 31, 2017 and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31, 2018. All significant intercompany balances and transactions have been eliminated in consolidation.

(2) Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

None of the 3 unconsolidated subsidiaries are accounted for by the equity method, because the effect of their net income or losses and retained earnings on the accompanying consolidated financial statements is immaterial. The affiliates accounted for by the equity method are listed below:

- Creo Co., Ltd.

3. Summary of Significant Accounting Policies

(1) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(2) Inventories

Inventories are stated at cost (writedown due to reduced profitability). 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, based on the estimated useful lives, except for buildings acquired on or after April 1, 1998 and for facilities attached to buildings and structures acquired on or after April 1, 2016, which are computed on the straightline method. The ranges of the useful lives of assets are:

Buildings and structures 5-50 years

Machinery and vehicles 7-17 years

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

(4) Intangible 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). Software developed for external sale is amortized over the estimated sales period, 3 years. Goodwill is amortized over the estimated useful life, or where the amount of goodwill is immaterial, is charged to income in the year of acquisition.

(5) Leased Assets

Leased assets in finance lease transactions not involving transfer of ownership are depreciated by the straight-line method over the term of the lease, with a residual value of zero.

(6) Accounting for Financial Instruments

(a) Derivatives

All derivatives are stated at their fair values, 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 their fair values, with changes in fair values 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 their costs after accounting for any 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 net assets section 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 heldtomaturity 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.

(7) Foreign Currency Translation

Foreign currency transactions are translated using foreign exchange rates prevailing at the respective transaction dates. Receivables and payables in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates and the resulting transaction gains or losses are included in net profit or loss for the period.

(8) 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 the balance sheet accounts of foreign subsidiaries and affiliates are translated at the foreign exchange rates prevailing at the respective balance sheet dates except for common stock and capital surplus. On the other hand, all the profit and loss accounts are translated at the average foreign exchange rates for the respective periods. Differences arising from translation are presented as "Foreign currency translation adjustments" and "Non-controlling interests in consolidated subsidiaries" in the accompanying consolidated financial statements.

(9) Income Taxes

The Company recognizes the 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 statement 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.

(10) 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 from companies with financial difficulty, which could affect the debtors' ability to perform their obligations, the allowance is provided for estimated unrecoverable amounts individually.

(11) Retirement Benefits

The Company and some of its subsidiaries recognize accrued pension and severance costs to employees based on the actuarial valuation of projected benefit obligation and plan assets at their value. The retirement benefit obligation for employees is attributed to each period by the benefit formula method. Prior service costs are amortized based on the straight-line method over a period of ten years. Actuarial gains and losses are amortized based on the straight-line method over a period of ten years starting from the beginning of the subsequent year.

(12) Accrued Employees' Bonuses

Accrued employees' bonuses at the balance sheet date are based on an estimate of the amounts to be paid as bonuses for services rendered by employees by that date.

(13) Accrued Directors' Bonuses

Accrued directors' bonuses at the balance sheet date are based on an estimate of the amounts to be paid as bonuses for servises rendered by directors by that date.

(14) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(15) Net Income and Dividends per Share

Basic net income per share is computed based on the net income and the weighted average number of shares of common stock outstanding during each period. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted-average numbers of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock subscription rights and stock options. Cash dividends per share shown for each fiscal period in the accompanying consolidated statement of income represent actual dividends declared as applicable to a common stock during the respective fiscal period.

(16) Revenue from Construction Contracts

Revenues and costs of construction contracts are recognized by the percentage-ofcompletion method in case the percentage of completion for each contract can be reliably estimated. The percentage of completion is measured by the percentage of total costs incurred to date to estimated total costs for each contract. The completed-contract method is applied to the contracts in case the percentage of completion cannot be reliably estimated.

(17) Accounting for Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(18) Additional Information

For the purpose of enhancing the motivation to contribute the improvement of medium to long-term business performance and to increase the corporate value,Amano Corporation and some of its subsidiaries have introduced the Compensation BIP Trust system for directors (excluding external directors and directors residing overseas) and operating officers (excluding officers residing overseas), as well as the Employee Stock Ownership Plan (J-ESOP) system for employees who meet the prescribed requirements.

(a) Outline of the system

Under the system, a trust is established with funds contributed by Amano Corporation. Stocks of Amano Corporation are acquired by the trust and to be provided to eligible persons. Under the Directors' Compensation BIP Trust, in accordance with the stock distribution rules and based on points granted according to their positions and the attainment level of numerical targets of performance indicators,stocks of Amano Corporation are provided by the trust to directors and operating officers. Under the Employee Stock Ownership Plan (J-ESOP), in accordance with the stock distribution rules and based on points granted according to their positions and operating performance, stocks of Amano Corporation are provided by the trust to employees who meet the prescribed requirements.

(b) Stocks of Amano Corporation that remain in the trust

Stocks of Amano Corporation that remain in the trust are recorded as treasury stock in the net assets section with the book value of the trust (excluding incidental expenses). The book value and the numbers of the treasury stock at March 31,2018 are ¥827 million and 314,300 shares,respectively.

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, 2018. The inclusion of U.S. dollar amounts is solely for convenience of readers outside Japanand 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. Investments in Unconsolidated Subsidiaries and Affiliates

Among investments in securities, the amount in aggregate corresponding to unconsolidated subsidiaries and affiliates at March 31, 2018 and 2017 is as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Investments in equity securities	**¥1,733**	¥1,656	**$16,349**
Others	**53**	53	**500**

6. Assets Pledged as Collateral and Obligations Secured by Collateral

As at March 31, 2018 and 2017, the following assets were pledged as collateral:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Cash and bank deposits	**¥9**	¥65	**$85**

7. Notes and Accounts Receivable

The Company recognizes settlements of trade notes receivable when the banks actually clear the notes.
As March 31, 2018 was a holiday for financial institutions, the following account includes the unsettled balance of trade notes receivable due on that date in the accompanying consolidated balance sheet as of March 31, 2018.

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Trade notes receivable	**¥380**	–	**$3,585**

8. Selling, General and Administrative Expenses

Selling, general and administrative expenses during the years ended March 31, 2018 and 2017 principally include:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Employees' bonuses	**¥1,705**	¥1,514	**$16,085**
Directors' bonuses	**130**	68	**1,226**
Retirement benefits	**1,148**	1,133	**10,830**
Salaries and allowances	**17,741**	16,842	**167,368**
Allowance for doubtful accounts	**306**	129	**2,887**

9. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing cost for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Research and development costs	**¥1,325**	¥1,331	**$12,500**

10. Changes in Shareholders' Equity

Changes in "Shares issued and outstanding" and "Shares of treasury stock" during the period from April 1, 2017 to March 31, 2018 are as follows:

(1) Shares issued and outstanding

Share type	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Common stock (shares)	76,657,829	–	–	76,657,829

(2) Shares of treasury stock

Share type	As of April 1, 2017	Increase	Decrease	As of March 31, 2018
Common stock (shares)	607,651	316,252	–	923,903

(Reason of change)
The increase in the number of shares is due to the purchases of 1,952 shares less than one unit.
The increase in the number of shares is due to acquisitions of 164,900 shares by Directors' Compensation BIP Trust.
The increase in the number of shares is due to acquisitions of 149,400 shares by Employee Stock Ownership Plan (J-ESOP).

Changes in "Shares issued and outstanding" and "Shares of treasury stock" during the period from April 1, 2016 to March 31, 2017 are as follows:
(1) Shares issued and outstanding

Share type	As of April 1, 2016	Increase	Decrease	As of March 31, 2017
Common stock (shares)	76,657,829	–	–	76,657,829

(2) Shares of treasury stock

Share type	As of April 1, 2016	Increase	Decrease	As of March 31, 2017
Common stock (shares)	68,109	539,542	–	607,651

(Reason of change)
The increase in the number of shares is due to the purchases of 1,642 shares less than one unit and purchases of 537,900 shares by a resolution of the Board of Directors meeting held on October 28, 2016.

11. Dividends

Information on dividends for the fiscal year ended March 31, 2018 is as follows:

(1) Dividends paid

Resolution	Share type	Total dividend (Millions of Yen)	Total dividend (Thousands of U.S.dollars)	Dividend per share (Yen)	Dividend per share (U.S.dollars)	Date of record	Effective date
Ordinary general meeting of shareholders, June 29, 2017	Common stock	¥2,205	$20,806	¥29	$0.274	March 31, 2017	June 30, 2017
Board of directors meeting, October 27, 2017	Common stock	¥1,749	$16,501	¥23	$0.217	"September 30, 2017"	December 4, 2017

(NOTES)
"Total dividend" as determined by the Board of Directors' resolution on October 27, 2017 includes ¥ 3 million for dividends on the Company's shares owned by Directors' Compensation BIP Trust and ¥ 3 million for dividends on our shares owned by Employee Stock Ownership Plan (J-ESOP).

(2) Dividends for which the date of record falls in the fiscal year, but the effective date is after the end of the fiscal year.

Resolution	Share type	Dividend funding	Total dividend (Millions of Yen)	Total dividend (Thousands of U.S.dollars)	Dividend per share (Yen)	Dividend per share (U.S.dollars)	Date of record	Effective date
Ordinary general meeting of shareholders, June 28, 2018	Common stock	Retained earnings	¥2,585	$24,387	¥34	$0.321	March 31, 2018	June 29, 2018

(NOTES)
"Total dividend" as determined by the Ordinary general meeting of shareholders' resolution on June 28, 2018 includes ¥ 5 million for dividends on the Company's shares owned by Directors' Compensation BIP Trust and ¥ 5 million for dividends on our shares owned by Employee Stock Ownership Plan (J-ESOP).

Information on dividends for the fiscal year ended March 31, 2017 is as follows:
(1) Dividends paid

Resolution	Share type	Total dividend (Millions of Yen)	Dividend per share (Yen)	Date of record	Effective date
Ordinary general meeting of shareholders, June 29, 2016	Common stock	¥2,144	¥28	March 31, 2016	June 30, 2016
Board of directors meeting, October 28, 2016	Common stock	¥1,761	¥23	September 30, 2016	December 2, 2016

(2) Dividends for which the date of record falls in the fiscal year, but the effective date is after the end of the fiscal year.

Resolution	Share type	Dividend funding	Total dividend (Millions of Yen)	Dividend per share (Yen)	Date of record	Effective date
Ordinary general meeting of shareholders, June 29, 2017	Common stock	Retained earnings	¥2,205	¥29	March 31, 2017	June 30, 2017

12. Cash and Cash Equivalents

Reconciliations of cash and cash equivalents to the amounts shown in the consolidated balance sheet as at March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Cash and bank deposits	**¥44,525**	¥38,940	**$420,049**
Marketable securities	**1,377**	1,435	**13,000**
Sub total	**45,903**	40,376	**433,049**
Time deposits due over three months	**(4,671)**	(4,056)	**(44,074)**
Marketable securities due over three months	**(1,000)**	(1,050)	**(9,434)**
Cash and cash equivalents	**¥40,231**	¥35,270	**$379,541**

(Supplemental disclosure of non-cash transactions)
The significant non-cash transactions for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Leased assets	**¥1,045**	¥814	**$9,858**
Lease obligations	**1,290**	1,366	**12,170**

13. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2018 and 2017:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
Net unrealized gains (losses) on other securities:	**2018**	2017	**2018**
Amount arising during the year	**¥432**	¥692	**$4,075**
Reclassification adjustments	**–**	(100)	**–**
Amount before tax effect	**432**	592	**4,075**
Tax effect	**(143)**	(107)	**(1,349)**
Net unrealized gains (losses) on other securities	**289**	484	**2,730**
Translation adjustments:			
Amount arising during the year	**566**	(1,219)	**5,341**
Reclassification adjustments	–	–	**–**
Amount before tax effect	**566**	(1,219)	**5,341**
Tax effect	–	–	**–**
Translation adjustments	**566**	(1,219)	**5,341**
Retirement benefits liability adjustments:			
Amount arising during the year	**(205)**	(8)	**(1,934)**
Reclassification adjustments	**304**	285	**2,868**
Amount before tax effect	**98**	276	**925**
Tax effect	**(30)**	(84)	**(283)**
Retirement benefits liability adjustments	**68**	192	**648**
Share of other comprehensive income (loss) of companies accounted for by the equity method:			
Amount arising during the year	**0**	1	**0**
Reclassification adjustments	**(0)**	(8)	**0**
Share of other comprehensive income of companies accounted for by the equity method	**(0)**	(6)	**(4)**
Total other comprehensive income (loss)	**¥923**	(¥549)	**$8,715**

14. Lease Commitments

(1) Lessees' accounting
Minimum future lease payments under operating leases subsequent to March 31, 2018 and 2017 for non-cancelable operating leases are summarized as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Due within one year	**¥987**	¥810	**$9,311**
Due over one year	**1,332**	1,365	**12,566**
Total	**¥2,319**	¥2,176	**$21,877**

(2) Lessors' accounting
Minimum future lease income under operating leases subsequent to March 31, 2018 and 2017 for non-cancelable operating leases is summarized as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Due within one year	**¥101**	¥100	**$953**
Due over one year	**604**	705	**5,698**
Total	**¥705**	¥805	**$6,651**

15. Financial Instruments

Overview

(1) Management policy

The management policy of the Company is to invest surplus funds into low-risk financial instruments. The Company has not held any high-risk financial instruments.

(2) Financial instruments and their risks

Both notes receivable and accounts receivable as operating receivables are exposed to credit-related losses in the event of nonperformance by counterparties. Trade notes, accounts payable and electronically recorded monetary claims as trade liabilities are due and payable within one year. Marketable securities and investments in securities are exposed to changes in market price. The Company holds marketable securities and investments in securities mainly as held-to-maturity or due to relationship-building with counterparties.

(3) Risk management policies

a) Management policy for credit risk (losses in the event of nonperformance by counterparties)

The Company has an established credit management policy, whereby credit risk exposure arising from both notes and accounts receivable is monitored on an ongoing basis in order to detect credit deterioration as well as to trigger appropriate minimizing measures at its early stages.
Held-to-maturity investments are subject to the examination and decision of the Funds Management Review Committee and accordingly, investments largely consist of negotiable deposits and high graded securities, which are considered to have minimal credit risk.

b) Management policy for market risk (foreign currency exchange and interest rates)

Marketable securities and investment securities are marked to market and the financial condition of the issuer (client company) is monitored periodically.
In addition, the holdings of bonds and securities, other than held-to-maturity investments, are reviewed on an ongoing basis, taking into consideration the relationship, and other factors, with the issuer.

c) Management policy for liquidity risk (in default on its financial obligations)

The Company has managed liquidity risk by holding appropriate funds based on the forecasts, and actual cash flow is continuously monitored by the management.

(4) Supplementary explanation on the fair value of financial instruments

The fair values of financial instruments are based on quoted market prices. If quoted market prices are unavailable, the fair values are estimated based on the prices which are assessed as reasonable by the Company. Since the Company takes contingent variable factors into account when estimating the fair value, it would vary depending on the different preconditions.

Estimated fair value of financial instruments

Differences between carrying value and estimated fair value as of March 31, 2018 and 2017 are as follows:
Financial instruments whose fair values are difficult to estimate are not stated in the following table; refer to (* 2).

	Millions of Yen			Thousands of U.S.dollars (Note 4)		
	2018			2018		
	Carrying value	**Estimated fair value**	**Difference in amounts**	**Carrying value**	**Estimated fair value**	**Difference in amounts**
(1) Cash and bank deposits	**¥44,525**	**¥44,525**	**–**	**$420,049**	**$420,049**	**–**
(2) Notes and accounts receivable	**33,632**	**33,632**	**–**	**317,290**	**317,290**	**–**
(3) Marketable securities and investments in securities						
① Held-to-maturity	**1,350**	**1,341**	**(¥8)**	**12,736**	**12,651**	**($75)**
② Subsidiaries and affiliates	**1,681**	**2,764**	**1,082**	**15,858**	**26,075**	**10,208**
③ Other securities	**7,378**	**7,378**	**–**	**69,604**	**69,604**	**-**
Total (Assets)	**¥88,568**	**¥89,642**	**¥1,074**	**$835,547**	**$845,679**	**$10,132**
(4) Trade notes and accounts payable	**¥7,034**	**¥7,034**	**–**	**$66,360**	**$66,360**	**–**
(5) Electronically recorded monetary claims	**6,454**	**6,454**	**–**	**60,891**	**60,891**	**–**
Total (Liabilities)	**¥13,488**	**¥13,488**	**–**	**$127,245**	**$127,245**	**–**

	Millions of Yen		
	2017		
	Carrying value	Estimated fair value	Difference in amounts
(1) Cash and bank deposits	¥38,940	¥38,940	–
(2) Notes and accounts receivable	33,710	33,710	–
(3) Marketable securities and investments in securities			
① Held-to-maturity	1,150	1,147	(¥2)
② Subsidiaries and affiliates	1,607	1,134	(472)
③ Other securities	6,439	6,439	–
Total (Assets)	¥81,849	¥81,374	(¥474)
(4) Trade notes and accounts payable	¥7,629	¥7,629	–
(5) Electronically recorded monetary claims	6,580	6,580	–
Total (Liabilities)	¥14,209	¥14,209	–

(NOTES)

(* 1): Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions.

Assets:

(1) Cash and bank deposits, and (2) Notes and accounts receivable:
Since these items are settled in a short period of time, their carrying value approximates fair value.

(3) Marketable securities and investments in securities:
Since negotiable certificate of deposits are settled in a short period of time, their carrying values approximate fair value.
The fair value of the other stocks is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, please refer to (*5) Held-to-maturity and other securities with readily determinable fair value as at March 31, 2018 and 2017.

Liabilities:

(4) Trade notes and accounts payable, and (5) Electronically recorded monetary claims:
Since these items are settled in a short period of time, their carrying value approximates fair value.

(*2): Financial instruments whose fair values are difficult to estimate are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Unlisted securities (Carrying value)	**¥331**	¥271	**$3,123**

The unlisted securities as stated above are not included in (3) Marketable securities and investments in securities because it is difficult to estimate the fair value based on the quoted market prices in active markets.

(*3) Redemption schedule for monetary claims and securities with maturities subsequent to the balance sheet date is as follows:

	Millions of Yen			
	2018			
	Due within 1 year	**Due after 1 year but within 5 years**	**Due after 5 years but within 10 years**	**Due after 10 years**
Cash and bank deposits	**¥44,525**	**–**	**–**	**–**
Notes and accounts receivable	**33,632**	**–**	**–**	**–**
Marketable securities and investments in securities:				
Held-to-maturity securities	**1,000**	**–**	**¥350**	**–**
Total	**¥79,157**	**–**	**¥350**	**–**

	Millions of Yen			
	2017			
	Due within 1 year	Due after 1 year but within 5 years	Due after 5 years but within 10 years	Due after 10 years
Cash and bank deposits	¥38,940	–	–	–
Notes and accounts receivable	33,710	–	–	–
Marketable securities and investments in securities:				
Held-to-maturity securities	1,050	–	¥100	–
Total	¥73,701	–	¥100	–

	Thousands of U.S.dollars (Note 4)			
	2018			
	Due within 1 year	**Due after 1 year but within 5 years**	**Due after 5 years but within 10 years**	**Due after 10 years**
Cash and bank deposits	**$420,049**	**–**	**–**	**–**
Notes and accounts receivable	**317,290**	**–**	**–**	**–**
Marketable securities and investments in securities:				
Held-to-maturity securities	**9,434**	**–**	**$3,302**	**–**
Total	**$746,764**	**–**	**$3,302**	**–**

(*4) Repayment schedule for bonds payable, long-term loans payable, lease obligations and other interest-bearing liabilities subsequent to the balance sheet date:

	Millions of Yen					
	2018					
	Due within 1 year	**The second year**	**The third year**	**The fourth year**	**The fifth year**	**Thereafter**
Long-term loans payable	–	–	–	–	–	–
Lease obligations	**¥1,296**	**¥944**	**¥748**	**¥460**	**¥239**	**¥198**
Total	**¥1,296**	**¥944**	**¥748**	**¥460**	**¥239**	**¥198**

	Millions of Yen					
	2017					
	Due within 1 year	The second year	The third year	The fourth year	The fifth year	Thereafter
Long-term loans payable	–	¥469	–	–	–	–
Lease obligations	¥1,391	¥1,125	¥766	¥568	¥301	¥192
Total	¥1,391	¥1,594	¥766	¥568	¥301	¥192

	Thousands of U.S.dollars (Note 4)					
	2018					
	Due within 1 year	**The second year**	**The third year**	**The fourth year**	**The fifth year**	**Thereafter**
Long-term loans payable	–	–	–	–	–	–
Lease obligations	**$12,236**	**$8,909**	**$7,058**	**$4,343**	**$2,255**	**$1,873**
Total	**$12,236**	**$8,909**	**$7,058**	**$4,343**	**$2,255**	**$1,873**

(*5) Held-to-maturity and other securities with readily determinable fair value as at March 31, 2018 and 2017 are as follows:

	Millions of Yen			Thousands of U.S.dollars (Note 4)		
	2018			**2018**		
	Carrying value	**Fair value**	**Unrealized gains (losses)**	**Carrying value**	**Fair value**	**Unrealized gains (losses)**
Held-to-maturity	**¥1,350**	**¥1,341**	**(¥8)**	**$12,736**	**$12,651**	**($75)**
	Carrying value	**Acquisition cost**	**Unrealized gains (losses)**	**Carrying value**	**Acquisition cost**	**Unrealized gains (losses)**
Other securities with carrying value exceeding acquisition cost						
Stocks	**¥6,606**	**¥3,546**	**¥3,059**	**$62,321**	**$33,453**	**$28,858**
Other	**375**	**373**	**2**	**3,538**	**3,519**	**19**
Subtotal	**6,981**	**3,919**	**3,061**	**65,858**	**36,972**	**28,877**
Other securities with carrying value not exceeding acquisition cost						
Stocks	**394**	**399**	**(5)**	**3,717**	**3,764**	**(47)**
Other	**2**	**2**	**–**	**19**	**19**	**–**
Subtotal	**396**	**402**	**(5)**	**3,736**	**3,792**	**(47)**
Total	**¥7,378**	**¥4,322**	**¥3,056**	**$69,604**	**$40,774**	**$28,830**

	Millions of Yen		
	2017		
	Carrying value	Fair value	Unrealized gains (losses)
Held-to-maturity	¥1,150	¥1,147	(¥2)
	Carrying value	Acquisition cost	Unrealized gains (losses)
Other securities with carrying value exceeding acquisition cost			
Stocks	¥5,537	¥2,843	¥2,693
Other	382	377	4
Subtotal	5,919	3,221	2,698
Other securities with carrying value not exceeding acquisition cost			
Stocks	517	597	(80)
Other	2	2	–
Subtotal	519	599	(80)
Total	¥6,439	¥3,820	¥2,618

(*6) Other securities sold for the year ended March 31, 2018 and 2017 are as follows:

	Millions of Yen			Thousands of U.S.dollars (Note 4)		
	2018			2018		
	Sales amount	**Total amount of gain on sale**	**Total amount of loss on sale**	**Sales amount**	**Total amount of gain on sale**	**Total amount of loss on sale**
Stocks	**¥300**	**¥250**	**–**	**$2,838**	**$2,366**	**–**
Total	**¥300**	**¥250**	**–**	**$2,838**	**$2,366**	**–**

	Millions of Yen			Thousands of U.S.dollars (Note 4)		
	2017			2017		
	Sales amount	**Total amount of gain on sale**	**Total amount of loss on sale**	**Sales amount**	**Total amount of gain on sale**	**Total amount of loss on sale**
Stocks	**¥400**	**¥100**	**–**	**$3,576**	**$896**	**–**
Total	**¥400**	**¥100**	**–**	**$3,576**	**$896**	**–**

16. Retirement Benefits

Outline of the retirement benefit plans adopted

(1) Defined benefit corporate pension scheme: From March 1, 2009, the Company adopted a defined benefit corporate pension scheme as part of its retirement benefit plan.

(2) Defined contribution pension scheme: From March 1, 2009, the Company adopted a defined contribution pension scheme as part of its retirement benefit plan.

(3) Employees' pension fund: Since April 1, 1980, the Company has used an multi-employer contributory funded pension plan as a supplement to its existing retirement benefit scheme.

In addition, certain subsidiaries have lump-sum payment plans and a defined benefit corporate pension plan. They calculate the retirement benefit expenses, and assets and liabilities for retirement benefits by means of a simplified method.

Multi-employer scheme
The required contributions for the employees' pension fund system, which is a multi-employer pension scheme that is accounted for in the same manner as a defined contribution plan, were ¥ 286 million in the year ended March 31, 2017. There is no contribution for the year ended March 31, 2018.

(1) Most recent funded status of the multi-employer plan

	Millions of Yen	Thousands of U.S.dollars (Note 4)
	As of March 31, 2016	**As of March 31, 2016**
Amount of pension assets	**¥57,799**	**$545,274**
Total of amount of pension obligations based on amount of pension financing calculations in the scheme and minimum reserve amount	**60,538**	**571,113**
Net amount	**(¥2,738)**	**($25,830)**

(2) Amount paid by the Company as a percentage of contributions to the multi-employer plan

For the year ended March 31, 2016: 22.9%

(3) Supplemental information

The net amount in (1) above was mainly due to a prior service obligation in pension financing (As of March 31, 2016: ¥ 8,554 million). The method of amortizing the prior service obligation in this plan is to evenly amortize the principal and interest over a period of 20 years, and special contributions of ¥ 187 million were expensed in the Company's consolidated financial statements in the year ended March 31, 2017. The percentage of the Company's contribution in (2) above does not match the percentage of its actual pension obligation.The information for the year ended March 31,2018 is omitted as the plan has been already dissolved.

The changes in the retirement benefit obligation for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Balance at the beginning of the year	**¥12,008**	¥11,996	**$113,283**
Service cost	**885**	853	**8,349**
Interest cost	**56**	50	**528**
Actuarial loss	**176**	(99)	**1,660**
Retirement benefits paid	**(313)**	(754)	**(2,953)**
Prior service cost	**63**	–	**594**
Other	**50**	(38)	**472**
Balance at the end of the year	**¥12,926**	¥12,008	**$121,943**

The changes in plan assets for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Balance at the beginning of the year	**¥9,733**	¥9,181	**$91,821**
Expected return on plan assets	**242**	229	**2,283**
Actuarial loss	**(26)**	(84)	**(245)**
Contributions by the Company	**935**	1,016	**8,821**
Retirement benefits paid	**(249)**	(615)	**(2,349)**
Other	**25**	5	**236**
Balance at the end of the year	**¥10,661**	¥9,733	**$100,575**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2018 and 2017 for the Company's and the consolidated subsidiaries' defined benefits plans:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Funded retirement benefit obligation	**¥12,796**	¥11,892	**$120,717**
Plan assets at fair value	**(10,661)**	(9,733)	**(100,575)**
	2,135	2,159	**20,142**
Unfunded retirement benefit obligation	**129**	116	**1,217**
Net liability for retirement benefits in the balance sheet	**2,265**	2,275	**21,368**
Liability for retirement benefits	**2,265**	2,275	**21,368**
Asset for retirement benefits	**–**	–	**–**
Net liability for retirement benefits in the balance sheet	**¥2,265**	¥2,275	**$21,368**

The components of retirement benefit expense for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Service cost	**¥885**	¥853	**$8,349**
Interest cost	**56**	50	**528**
Expected return on plan assets	**(242)**	(229)	**(2,283)**
Amortization of actuarial loss	**304**	264	**2,868**
Amortization of prior service cost	**59**	(3)	**557**
Retirement benefit expense	**¥1,064**	¥935	**$10,038**

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Prior service cost	**(¥3)**	(¥3)	**($28)**
Actuarial gain	**102**	280	**962**
Total	**¥98**	¥276	**$925**

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Unrecognized prior service cost	**¥3**	¥6	**$28**
Unrecognized actuarial loss	**(1,325)**	(1,428)	**(12,500)**
Total	**(¥1,322)**	(¥1,421)	**($12,472)**

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 is as follows:

	Millions of Yen	
	2018	2017
General accounts	**12%**	9%
Bonds	**56%**	60%
Stocks	**13%**	12%
Other	**19%**	19%
Total	**100%**	100%

The expected return on plan assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans were as follows:*
*They are calculated by the weighted average method.

	2018	2017
Discount rate	**0.7%**	0.7%
Expected long-term rate of return on plan assets	**2.5%**	2.5%
Expected rates of salary increases	**5.1%**	5.1%

For defined benefit plans to which the simplified method is applied, the changes in the retirement benefit obligation for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Balance at the beginning of the year	**¥82**	¥89	**$774**
Retirement benefit expense	**38**	35	**358**
Retirement benefits paid	**(12)**	(18)	**(113)**
Contributions to plans	**(24)**	(23)	**(226)**
Other	**0**	(0)	**(0)**
Balance at the end of the year	**¥84**	¥82	**$792**

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2018 and 2017 for the Company's and the consolidated subsidiaries' defined benefits plans:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Funded retirement benefit obligation	**¥224**	¥202	**$2,113**
Plan assets at fair value	**(269)**	(241)	**(2,538)**
	(44)	(38)	**(415)**
Unfunded retirement benefit obligation	**129**	121	**1,217**
Net liability for retirement benefits in the balance sheet	**84**	82	**792**
Liability for retirement benefits	**181**	170	**1,708**
Asset for retirement benefits	**(96)**	(88)	**(906)**
Net liability for retirement benefits in the balance sheet	**¥84**	¥82	**$792**

Retirement benefit expenses calculated using the simplified method for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Retirement benefit expenses	**¥38**	¥35	**$358**

Contributions to defined contribution plans of the Company and its consolidated subsidiaries for the years ended March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Contributions to defined contribution plans	**¥563**	¥397	**$5,311**

17. Income Taxes

Deferred tax assets and liabilities (both current and non-current) as at March 31, 2018 and 2017 consisted of the following elements:t

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	2018
Deferred tax assets:			
Accrued enterprise tax	¥192	¥155	$1,811
Accrued employees' bonuses	826	747	7,792
Accounts payable and long-term accounts payable	–	45	–
Net liability for retirement benefits	729	736	6,877
Loss carried forward	972	1,168	9,170
Loss on write-down of investments in securities	305	304	2,877
Surplus on allowance for doubtful accounts	156	154	1,472
Unrealized gains	585	629	5,519
Others	1,137	1,423	10,726
Less: valuation allowance	(1,239)	(1,455)	(11,689)
Total deferred tax assets	¥3,666	¥3,911	$34,585
Deferred tax liabilities:			
Reserve for advanced depreciation of building	(10)	(11)	(94)
Acquired intangible assets	–	(3)	-
Unrealized loss on other securities	(824)	(681)	(7,774)
Others	(66)	(59)	(623)
Total deferred tax liabilities	(901)	(756)	(8,500)
Net deferred tax assets	¥2,764	¥3,154	$26,075

Reconciliation of the effective statutory tax rate and the actual tax rate is shown below:

	2018	2017
Effective statutory tax rate	30.8%	30.8%
Adjustments:		
Entertainment and other nondeductible expenses	0.6	0.6
Dividends and other nontaxable income	(2.3)	(2.0)
Inhabitant tax on per capita levy	0.6	0.6
Nondeductible amortization of goodwill	0.8	1.2
Eliminated dividend received from subsidiaries	2.5	2.3
Realization of tax benefits on operating losses	(0.5)	(0.4)
Tax credit for research and development expenses	(0.2)	(0.4)
Valuation allowance	(0.2)	(0.2)
Deferred tax assets reduced by change of taxation rates	2.4	–
Difference of foreign subsidiaries' taxation rates	(0.7)	(0.0)
Equity in earnings of affiliates	(0.2)	(0.1)
Others	0.2	0.3
Actual tax rate	33.8%	32.7%

(NOTES)
Due to the tax reform acts enacted in the United States on December 22, 2017, the federal corporate income tax rate in the U.S. is reduced from 35% to 21% from the fiscal year commencing after January 1,2018. As a result, the Company's deferred tax assets(net of deferred tax liabilites) decreased by ¥ 349 million and income taxes-deferred increased by the same amount in the year ended March 31,2018.

Also, due to the tax reform acts enacted in Belgium on December 25, 2017, the effective tax rate utilized for deferred tax assets and liabilities is changed from 33.99% to 29.58% for deferred tax assets and liabilities expected to be settled or realized in the periods from January 1, 2018 to December 31, 2019 and to 25% for the subsequent periods.As a result, the Company's deferred tax assets(net of deferred tax liabilities) decreased by ¥ 21 million and income taxes-deferred increased by the same amount in the year ended March 31,2018.

18. Segment Information

The reportable segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The reportable segments are as follows:

1. Time information system business
2. Environment system business

(1) Sales, profits or losses, assets and other items by reportable segments

Millions of Yen — **2018**

	Reportable segments				
	Time information system business	**Environment system business**	**Total**	**Adjustments/ Eliminations**	**Consolidated**
Net sales:					
Sales to third parties	**¥91,268**	**¥33,136**	**¥124,405**	**–**	**¥124,405**
Intersegment sales and transfers	**–**	**–**	**–**	**–**	**–**
Total	**91,268**	**33,136**	**124,405**	**–**	**124,405**
Segment profit or loss	**13,044**	**5,189**	**18,234**	**(¥3,884)**	**14,350**
Segment assets	**69,041**	**27,422**	**96,464**	**48,982**	**145,446**
Depreciation and amortization	**3,980**	**509**	**4,489**	**573**	**5,063**
Investment in equity-method affiliates	**1,681**	**–**	**1,681**	**–**	**1,681**
Increase in tangible and intangible fixed assets	**4,537**	**466**	**5,004**	**655**	**5,659**

Millions of Yen — 2017

	Reportable segments				
	Time information system business	Environment system business	Total	Adjustments/ Eliminations	Consolidated
Net sales:					
Sales to third parties	¥87,010	¥33,113	¥120,124	–	¥120,124
Intersegment sales and transfers	–	–	–	–	–
Total	87,010	33,113	120,124	–	120,124
Segment profit or loss	11,890	4,893	16,784	(¥3,618)	13,165
Segment assets	62,616	27,275	89,892	47,996	137,888
Depreciation and amortization	3,865	513	4,379	554	4,933
Investment in equity-method affiliates	1,607	–	1,607	–	1,607
Increase in tangible and intangible fixed assets	4,438	481	4,919	668	5,587

Thousands of U.S. dollars (Note 4) — **2018**

	Reportable segments				
	Time information system business	**Environment system business**	**Total**	**Adjustments/ Eliminations**	**Consolidated**
Net sales:					
Sales to third parties	**$861,024**	**$312,612**	**$1,173,636**	**–**	**$1,173,636**
Intersegment sales and transfers	**–**	**–**	**–**	**–**	**–**
Total	**861,024**	**312,612**	**1,173,636**	**–**	**1,173,636**
Segment profit or loss	**123,063**	**48,962**	**172,025**	**($36,642)**	**135,382**
Segment assets	**651,339**	**258,703**	**910,043**	**462,097**	**1,372,140**
Depreciation and amortization	**37,553**	**4,803**	**42,356**	**5,411**	**47,767**
Investment in equity-method affiliates	**15,864**	**–**	**15,864**	**–**	**15,864**
Increase in tangible and intangible fixed assets	**42,807**	**4,403**	**47,210**	**6,186**	**53,396**

(2) Related Information

Geographic Segments

Information by geographic region for the years ended March 31, 2018 and 2017 is summarized as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
Net sales:	**2018**	2017	**2018**
Japan	**¥83,620**	¥82,035	**$788,869**
North America	**16,469**	17,141	**155,376**
Others	**24,315**	20,947	**229,390**
Total	**¥124,405**	¥120,124	**$1,173,636**

	Millions of Yen		Thousands of U.S.dollars (Note 4)
Tangible fixed assets:	**2018**	2017	**2018**
Japan	**¥20,745**	¥21,036	**$195,711**
Others	**3,234**	2,653	**30,517**
Total	**¥23,980**	¥23,689	**$226,230**

(3) Information on both "amortization of goodwill" and "unamortized balance" by reportable segments as at and for the years ended March 31, 2018 and 2017 is summarized as follows:

	Millions of Yen				
	2018				
	Reportable segments			**Eliminations/ Corporate**	**Total**
	Time information system business	**Environment system business**	**Total**		
Amortization of goodwill	**¥450**	**60**	**¥511**	**–**	**¥511**
Unamortized balance	**¥2,695**	**199**	**¥2,895**	**–**	**¥2,895**

	Millions of Yen				
	2017				
	Reportable segments			Eliminations/ Corporate	Total
	Time information system business	Environment system business	Total		
Amortization of goodwill	¥624	59	¥684	–	¥684
Unamortized balance	¥2,895	269	¥3,165	–	¥3,165

	Thousands of U.S.dollars (Note 4)				
	2018				
	Reportable segments			**Eliminations/ Corporate**	**Total**
	Time information system business	**Environment system business**	**Total**		
Amortization of goodwill	**$4,248**	**575**	**$4,824**	**–**	**$4,824**
Unamortized balance	**$25,432**	**1,885**	**$27,318**	**–**	**$27,318**

19. Per Share Data

Net assets and net income per share as at and for the years ended March 31, 2018 and 2017 are as follows:

(1) Net assets per share

	Yen		U.S.dollars (Note 4)
	2018	2017	**2018**
Net assets per share	**¥1,381.90**	¥1,301.29	**$13.037**

The basis for these calculations is as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Total net assets in consolidated balance sheet	**¥105,634**	¥99,421	**$996,553**
Amount to be deducted from total net assets	**543**	458	**5,127**
(Out of the above non-controlling interest portion)	**(543)**	(458)	**(5,127)**
Net assets relating to common stock	**105,091**	98,963	**991,426**

	Shares	
	2018	2017
Number of shares of common stock used to compute net assets per share	**76,048,226**	76,050,178

(2) Net income per share

	Yen		U.S.dollars (Note 4)
	2018	2017	**2018**
Net income per share	**¥132.12**	¥120.79	**$1.246**

Notes: Diluted net income per share is omitted as there were no potential shares with dilutive effect.

The basis for these calculations is as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2018	2017	**2018**
Net income in the consolidated statement of income	**¥10,019**	¥9,223	**$94,519**
Net income relating to common stock	**10,019**	9,223	**94,519**

	Shares	
	2018	2017
Average number of shares of common stock outstanding during the year	**75,839,732**	76,364,626

(3) Significant Subsequent Events

On February 1, 2018, the Board of Directors of Amano Corporation approved the acquisition of a valet parking business through its subsidiary in the United States, Amano McGann, Inc. (hereinafter referred to as “AMI”) from Service Tracking Systems, Inc. (hereinafter referred to as “STS”), a California-based company, and the acquisition of the business was completed on February 2, 2018.

(1) Purpose of Business Acquisition
In addition to the market share of parking fee maintenance system which is AMI’s mainstream business,through the acquisition of the valet parking business from STS who pioneered the related market and has the top market share and its products,services and customer base,we are seeking further growth in the parking business in North America.

(2) Name of Company Subject to Business Acquisition
Service Tracking Systems, Inc.

(3) Description of Acquired Business
Valet Parking Business

(4) Purchase Price
US$20.5 million
*Approximately ¥2.3 billion (1USD = JPY113.05: as of December 31, 2017)

(5) Acquisition Date
February 2, 2018

Corporate Data

Domestic Operations

HEAD OFFICE

275 Mamedocho, Kohoku-ku, Yokohama, Kanagawa, JAPAN 222-8558

FACILITIES

SAGAMIHARA Factory
HOSOE Factory

SALES OFFICES

72 Sales Offices Located in major cities, including

SAPPORO Office, SENDAI Office
OMIYA Office, TOKYO Office
NAGANO Office, NIIGATA Office
YOKOHAMA Office, HAMAMATSU Office
NAGOYA Office, KANAZAWA Office
KYOTO Office, OSAKA Office
OKAYAMA Office, HIROSHIMA Office
TAKAMATSU Office, FUKUOKA Office

DOMESTIC SUBSIDIARIES

AMANO MANAGEMENT SERVICE CORPORATION
AMANO MAINTENANCE ENGINEERING CORPORATION
AMANO BUSINESS SOLUTIONS CORPORATION
AMANO SECURE JAPAN CORPORATION
ENVIRONMENTAL TECHNOLOGY CO., LTD.
AMANO MUSASHI ELECTRIC CORPORATION
AMANO AGENCY CORPORATION

Board of Directors

Chairman & Representative Director

Izumi NAKAJIMA

President & Representative Director

Hiroyuki TSUDA

Director & Executive Operating Officer

Hiroshi SHIRAISHI

Director & Managing Operating Officer

Takeshi AKAGI
Yasuhiro SASAYA

Director & Operating Officer

Kunihiro IHARA
Manabu YAMAZAKI

(Outside) Directors

Isao KISHI
Kiyoshi KAWASHIMA

(Full-time) Audit & Supervisory Board Member

Toru UENO
Bungo NOGAWA

(Outside) Audit & Supervisory Board Member

Yoshiyuki SATO
Takehide ITONAGA

Operating Officers

Minoru YONEZAWA
Susumu IKOMA
Tatsuo NIIHO
Masahiko MORITA
Myeong-Jin JEON
Tetsuhiro KONDO
Jun NAKAKURO
Sachio OTAKA
Takashi KASAI
Yoshihiko HATA
Hiroyuki KOBARI
Kirihito NINOMIYA

Overseas Operations

1. AMANO USA HOLDINGS,INC.
2. AMANO CINCINNATI,INC.
3. AMANO CINCINNATI,INC. OHIO FACTORY
4. AMANO McGANN CANADA INC.
5. AMANO PIONEER ECLIPSE CORPORATION
6. AMANO McGANN, INC.
7. ACCU-TIME SYSTEMS, INC.
8. AMANO TIME&ECOLOGY DE MEXICO S.A. DE C.V.
9. ACCU-TECH SYSTEMS, Ltd.
10. AMANO EUROPE HOLDINGS, N.V.
11. AMANO EUROPE, N.V.
12. AMANO TIME&PARKING SPAIN S.A.
13. HOROQUARTZ, S.A.
14. HOROQUARTZ MAROC, S.A.
15. AMANO KOREA CORPORATION
16. AMANO INTERNATIONAL TRADING(SHANGHAI)CO.,LTD.
17. AMANO SOFTWARE ENGINEERING (SHANGHAI)CO.,LTD.
18. AMANO PARKING SERVICE LTD.
19. AMANO MALAYSIA SDN.BHD.
20. AMANO TIME&AIR SINGAPORE PTE.LTD.
21. PT.AMANO INDONESIA
22. AMANO THAI INTERNATIONAL CO.,LTD.

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