



FINANCIAL REPORT

April 2018 - March 2019



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-long term business strategy of the company

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 7th 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 being driven by the strong demand for time & attendance management systems generated by the Labor Reform Act. The Labor Standards Law established approximately 70 years ago, underwent a significant revision with the enactment of the Labor Reform Act in April 2019, which aims to curb long working hours. Even under the newly established Advanced Professional System, the management of health care time is mandatory. In other words, employers are now legally obliged to protect the well-being of their employees by properly grasping working hours and to establish appropriate controls to maintain compliance with legal working hours. As the Labor Reform Act will be applied progressively depending on the company size and its industry, it is expected that further demand will be generated from system renewals and conversions to services using cloud and smart devices.

In response to this market environment, for the small-to-medium sized enterprise (SME) market, we will further strengthen the marketing of holistic solutions with the "TimePro-NX" which is an integrated software to manage time & attendance, human resource management and payroll. For the medium-to-large enterprise market, we are working to strengthen solutions for

time & attendance, human resource management, payroll, accounting software, and consulting services by collaborating with CREO CO., LTD., utilizing "TimePro-VG". We are seeking to become an "HR solutions vendor" by expanding our customer base through the provision of a one-stop service that covers hardware, software and cloud services.

The Parking Systems business continues to grow in the nation's parking lot market despite the cooling down of the real estate market which was 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 offer solutions for new operational methods such as use via web based services and cashless / ticketless use of parking lots is 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 the Environmental systems business, despite the sense of sluggishness, domestic capital investments by companies remained solid especially in the automobile-related industry. Overseas on the other hand, the Chinese economy is showing signs of a slowdown and capital investments by Japanese transplants in the U.S. and other regions were somewhat weak.

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 market by introducing the latest cleaning devices to the factory market. We will also strengthen recurring revenues by means of promoting maintenance contracts and increasing order intake for supplies, which will reinforce our customer base. In addition to promoting comprehensive proposals for commissioned cleaning services and aesthetic maintenance, we will also strive to become a "robotic solutions vendor," with cleaning robots.

2. North American market

In the Parking Systems business, we will focus on the early recovery of Amano McGann, Inc., and at the same time we will continue to expand system sales along with the promotion of a new product for the low-end market so as to gain a sure foothold. In the Information Systems business, we will strive to expand the business 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 new sales channels. In the Environmental Systems business, Amano Time & Ecology de Mexico S.A. de C.V. will strive to boost sales of standard equipment to Japanese transplants in the region, especially the automobile-related companies.

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 mak-

ing use of the ties between our Group companies across Asia and our head office in Japan. We will also expand our local production capabilities in order to enhance cost competitiveness.

Other issues that need to be addressed are listed below:

1. Practical implementation of a work style reform

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

2. Create innovation

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

3. Further improvement of brand value

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

[2] Numerical targets

For the next fiscal year, which is the final year of the current 7th Medium-term Business Plan, we initially planned for net sales at ¥142,000 million, operating income at ¥16,000 million, ordinary income at ¥16,400 million, and net income attributable to parent company shareholders at ¥10,800 million. However, in light of the business performance up to the current fiscal year and the business plan for the next, we have revised the plan to net sales at ¥138,000 million, operating income at ¥16,500 million, ordinary income at ¥16,900 million, and net income attributable to parent company shareholders at ¥11,000 million.

(The main assumptions and points for revising the plan)

- (i) Information systems at unconsolidated ACJ is expected to remain on a growth trend, however, for parking systems, the demand generated by the Olympics is expected to weaken as it come to a full circle. As for environmental systems, it is expected that the US-China trade conflict will affect both unconsolidated ACJ and overseas group companies.
- (ii) Amano McGann Inc., of North America, which is suffering from product issues, is expected to resolve the problems by mid 2019 and begin to recover. However, the accumulated P&L for the first half will remain in deficit.
- (iii) We plan to record loss on sales of fixed assets as an extraordinary loss due to the sale of low-utilization real estate in Japan.

Numerical targets

(Millions of yen)

	FY 2017 (ended March 2018) (Results)		FY 2018 (ended March 2019) (Results)		FY 2019 (ending March 2020)	
	Amount	YoY (%)	Amount	YoY (%)	Amount	YoY (%)
Net sales	124,405	3.6%	131,713	5.9	138,000	4.8
Operating profit	14,350	9.0%	15,161	5.7	16,500	8.8
Operating profit ratio (%)	11.5%	–	11.5%	–	12.0%	–
Ordinary profit	15,060	9.1%	16,090	6.8	16,900	5.0
Net income attributable to owners of the parent company	10,019	8.6%	9,142	(8.8)	11,000	20.3

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 performance-based distributions and to buy back shares, as it deems necessary. The Company aims to maintain a dividend payout ratio of at least 40% on a consolidated basis and a net asset dividend rate of at least 2.5%. However, in order to further enhance shareholder profit returns we are considering to newly adopt the concept of Total Return Ratio in which the target ratio shall be at least 55%.

In line with this policy, taking into account our current-year operations results, we plan to pay a year-end dividend of ¥35 per share, and the annual per-share dividend for this fiscal year will be ¥60 (including ¥25 per share paid as the interim dividend), an increase of ¥3 compared with the previous fiscal year.

Furthermore, in line with the newly adopted target for Total Return Ratio, we plan to payout a special dividend of ¥20 per share, which, combined with the above annual dividend of ¥60, the total will be ¥80 per share representing an increase of ¥23 compared to last year. As a result, the consolidated payout ratio will be 65.9%, the net asset dividend rate will be 5.7%, and the Total Return Ratio will be 65.9%. Moreover, the Total Return Ratio will be 91.4% if we take into consideration the share buy-back between October 2018 and March 2019, which is prior to the adoption of Total Return Ratio.

With regard to the dividend for the next fiscal year ending March 31, 2020, in line with our Basic Policy on Distribution of Profits and in view of our Outlook for the next fiscal year, we aim to pay an annual per-share dividend of ¥64 (with an interim dividend of ¥28 and a year-end dividend of ¥36). We also intend to achieve the Total Return Ratio target of 55% or above through dividends and flexible use of share buy-back.

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.



H. Tsuda.

Hiroyuki TSUDA
President
Representative Director

General Business Results

Business Results in the Year Ended March 31, 2019

General Business Results for This Fiscal Year

During the consolidated fiscal year under review, the U.S. economy remained firm while the uncertainties remained regarding political and economic trends mainly arising from trade issues, the Chinese economic slowdown and the problems surrounding Brexit. In this situation, the Japanese economy remained on a moderate recovery trend, as the employment environment continued to improve and corporate earnings and capital investment were solid despite current signs of a stagnation.

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 7th Medium-term Business 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 ¥131,713 million, up by 5.9% year-on-year. Operating profit increased by 5.7% to ¥15,161 million and ordinary profit went up by 6.8% to ¥16,090 million, resulting in increases in both sales and profit. Meanwhile, net income attributable to owners of the parent company decreased by 8.8% to ¥9,142 million.

(Main factors behind the business results)

- (i) For Amano, on an unconsolidated basis, sales of time & attendance (T&A) management software and terminals, which are its mainstay products, were boosted by the demand generated by “work style reform.” The Environmental Systems business also grew as capital investment in Japan was generally firm.
- (ii) Performance of the Group companies in Japan, Europe and Asia remained favorable.

(iii) In North America, the malfunctions observed at Amano McGann, Inc. remained unresolved, resulting in a year-on-year increase of the loss. However, the Group recorded increases in sales and operating and ordinary profit on a consolidated basis as the loss was covered by the profits recorded at Amano on an unconsolidated basis and Group companies in other regions.

(iv) In terms of extraordinary losses, Amano, on an unconsolidated basis, posted a loss on disposal of fixed assets of ¥1,143 million following the sale of low utilization real estate, as initially scheduled. Additionally, following the unfavorable results for Amano McGann, Inc. in North America, the Group posted an impairment loss of ¥220 million and an income tax adjustment of ¥423 million mainly due to reversal of deferred tax assets. As a result, net income decreased year on year.

The following is a breakdown of sales by business division.

Sales by business division

(Unit: Millions of yen)

Category	FY2017		FY2018		Change	
	(April 1, 2017–March 31, 2018)		(April 1, 2018–March 31, 2019)			
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	%
Time Information System business:						
Information Systems	26,759	21.5	29,176	22.2	2,416	9.0
Time Management Products	3,751	3.0	3,609	2.7	(141)	(3.8)
Parking Systems	60,757	48.8	63,879	48.5	3,122	5.1
Subtotal	91,268	73.3	96,665	73.4	5,397	5.9
Environment System business:						
Environmental Systems	21,993	17.7	23,833	18.1	1,840	8.4
Clean Systems	11,143	9.0	11,213	8.5	70	0.6
Subtotal	33,136	26.7	35,047	26.6	1,911	5.8
Total	124,405	100.0	131,713	100.0	7,308	5.9

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
Parking and bicycle-parking space management systems, and commissioned parking lot management service

Sales in this business totaled ¥96,665 million, representing an increase of ¥5,397 million (5.9%) year-on-year. The following is a breakdown of sales by business division.

Information Systems

¥29,176 million (up 9.0% year-on-year)

In this business, against the backdrop of the enactment of the bills related to 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, software sales increased by ¥1,074 million (15.6%), hardware sales increased by ¥359 million (8.6%), and sales generated by maintenance contracts and supplies services increased by ¥443 million (10.8%) year-on-year. The increase in software sales was mainly attributable to favorable orders for “TimePro-VG” a piece of software for medium-sized and large businesses, and “TimePro-NX” for small

to medium-sized businesses. The increase in hardware sales was due to increased orders from the public sector and several projects requiring multiple units. The cloud services developed by Amano Business Solutions Corporation continued to perform strongly.

Overall overseas sales increased by ¥828 million (8.1%), as the sales of both Accu-Time Systems, Inc. in North America and Horoquartz S.A. in Europe increased.

Time Management Products

¥3,609 million (down 3.8% year-on-year)

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

In this market environment, the Company has been working on expanding sales of its “TimeP@CK series” time recorders, which are equipped with aggregation software compatible with PCs and offer improved usability and functionality, as well as concentrating on expanding its customer base

through the promotion of "User-club," a fee-based service for members.

Overall domestic sales for the current term decreased by ¥26 million (0.9%) year-on-year as increased sales of "TimeP@CK-iC IV CL" were offset by decreased sales of time recorders.

Overall overseas sales decreased by ¥120 million (14.2%), as sales in North America and Asia fell while sales in Europe were flat.

Parking Systems

¥63,879 million (up 5.1% year-on-year)

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.

Domestic sales for the current term were as follows. For Amano, on an unconsolidated basis, while domestic parking equipment sales decreased by ¥329 million (1.6%) partly due to the effect of the large-scale project in the previous term, despite the increase in projects for management firms, sales generated by maintenance contracts and supplies services increased by ¥154 million (1.6%). 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 30,700 (7.1%) from the end of the previous fiscal year.

Overall overseas sales increased by ¥3,118 million (15.7%) due to an increase in sales in the Asian region as the commissioned parking lot management business expanded steadily, mainly in Korea.

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 ¥35,047 million, up by ¥1,911 million (5.8%) year-on-year. The following is a breakdown of sales by business division.

Environmental Systems

¥23,833 million (up 8.4% year-on-year)

In Environmental Systems, while the Chinese economy continues to slow, domestic capital investment has remained solid despite its sluggishness. Therefore, we believe that the business environment remains on a recovery trend.

In this market environment, the Company's domestic strategy focused on capitalizing the demand for its standard equipment by strengthening proposals, mainly targeting companies related to machine tools, electronic parts and automobiles, while seeking to win additional orders from customers in the pharmaceutical, foods and cosmetics markets. 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 ¥322 million (4.1%), sales of large-scale systems increased by ¥875 million (16.1%) and sales generated by maintenance contracts and supplies services increased by ¥52 million (1.0%) year-on-year. Overall overseas sales increased by ¥506 million (13.3%) due to sales increases in Asia, mainly led by China, Thailand and the Philippines.

Clean Systems

¥11,213 million (up 0.6% year-on-year)

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 proposals addressing cleaning issues companies are facing, by introducing new cleaning techniques using cleaning robots and by promoting the new automatic floor scrubbers "EG series" along with the compact cordless polishers which features improved safety and usability.

For this fiscal year, overall domestic sales of cleaning equipment increased by ¥89 million (4.1%) and domestic sales generated by maintenance contracts and supplies services increased by ¥1 million (0.1%) year-on-year due to Amano's increased sales of polishers, carpet cleaners and scrubbers on an unconsolidated basis.

Overall overseas sales decreased by ¥37 million (0.7%) despite the solid performance of the wooden floor sanding equipment business in North America, as other cleaning equipment sales were sluggish and sales decreased:

General Financial Condition for This Fiscal Year

Since the current consolidated fiscal year, the representation has been changed for deferred tax assets and deferred tax liabilities, and the figures after the reclassification reflecting the change were compared and analyzed with the figures as of end of the previous consolidated fiscal year.

• Assets

Total assets as of March 31, 2019 amounted to ¥147,609 million, up by ¥2,169 million from the previous fiscal year-end. Current assets increased by ¥3,384 million year-on-year. This was mainly due to increases of ¥1,033 million in cash and bank deposits and ¥1,734 million in notes and accounts receivable-trade. Fixed assets decreased by ¥1,214 million year-on-year. This was primarily attributable to decrease of ¥1,869 million in tangible fixed assets, despite an increase of ¥414 million in intangible fixed assets.

• Liabilities

Total liabilities as of March 31, 2019 amounted to ¥41,017 million, up by ¥1,211 million from the previous fiscal year-end. Current liabilities increased by ¥1,199 million year-on-year. This was mainly due to increases of ¥560 million in electronically recorded obligations and ¥294 million in short-term bank loans and ¥588 million in other current liabilities following an increase in Advance received. Fixed liabilities increased by ¥12 million year-on-year. This was primarily attributable to increases of ¥95 million in provision for stock benefit and ¥83 million in provision for directors' stock benefit, despite a decrease of

¥235 million in lease obligations.

• Net Assets

Total net assets as of March 31, 2019 amounted to ¥106,592 million, up by ¥957 million from the previous fiscal year-end. This was primarily attributable to increase of ¥2,397 million in shareholders' equity resulting from the recording of net income attributable to shareholders of the parent company, despite a decrease of ¥1,527 million in accumulated other comprehensive income following a decrease in translation adjustments.

Summary of Cash Flows for This Fiscal Year

Consolidated cash and cash equivalents increased by ¥2,255 million from the previous fiscal year-end to a total of ¥42,487 million as of March 31, 2019. 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 ¥15,719 million. This was attributable primarily to income before income taxes amounting to ¥14,834 million, and depreciation and amortization amounting to ¥5,849 million, despite income taxes payments amounting to ¥5,473 million.

• Cash flow from investing activities

Net cash used in investing activities totaled -¥6,133 million. This was mainly because, despite the recording of ¥9,830 million in proceeds from withdrawal of time deposits and ¥2,000 million in proceeds from redemption of securities, the Company recorded expenditures amounting to ¥8,544 million

in time deposits, ¥2,800 million to purchase tangible fixed assets, ¥2,145 million to purchase intangible fixed assets, ¥2,112 million for business acquisitions, and ¥2,000 million to purchase securities.

• Cash flow from financing activities

Net cash used in financing activities amounted to -¥6,800 million. This was chiefly due to the recording of expenditures amounting to ¥4,486 million in payment of dividends, ¥2,328 million in purchase of treasury stock, and ¥1,399 million in repayment of finance lease obligations, despite the recording of ¥1,150 million in proceeds from sale and leaseback.

Future Outlook

In the next fiscal year ending March 31, 2020, various uncertainties will remain internationally over developments in trade frictions between the United States and China, in addition to signs of the economic slowdown in China. In this situation, the Japanese economy will likely remain on a recovery trend as capital investment for improvements in productivity and laborsaving, as well as for other purposes, will remain firm on the back of the “work style reform”, although temporary changes in demand are expected following the increase in consumption taxes.

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 7th Medium-term Business Plan described in “3. Business Policies” on page 1 with a view to maximizing the corporate value of

Amano Corporation.

For the next fiscal year ending March 31, 2020, we have revised our forecast to net sales at ¥138,000 million, operating profit at ¥16,500 million, ordinary profit at ¥16,900 million and net income attributable to parent company shareholders at ¥11,000 million. For details please refer to the numerical targets indicated on page 3, in “3. Business Policies”.

Furthermore, this forecast assumes the currency exchange rates of ¥105 to the US dollar and ¥125 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 24, 2019).

(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, 2019, the Time Information System business ac-

counted for 73.4% of total sales, and the Environment System business accounted for 26.6%. Before the deduction of unallocated expenses, the Time Information System business contributed 70.7% to operating profit, while the Environment System business contributed 29.3%. In terms of weighted average sales over the last five years, the Time Information System business accounted for 72.6% of total sales and 71.6% of operating profit. One future risk factor is that if market expansion is forecast for a business activity within the Time Information System business segment (which accounts for a large proportion of the Group's business) for such reasons as a significant change in the demand structure or the creation of a new market, entities in other industries or other powerful competitors may be tempted to enter the market. In such an event, if a competitor were to enter with innovative products or solutions that surpass Amano's, the Amano Group's market advantage would decline, which may have a material impact on its business performance.

(ii) Fluctuations in exchange rates

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

(iii) Information security

In the course of providing system solutions and developing cloud business services (e.g., ASP, SaaS, and hosting services), the Amano Group handles confidential information, such as personal information concerning, or provided by, customers. In view of this, the Company has strengthened and thoroughly implemented security control measures

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

(iv) Natural disasters

Natural disasters (e.g., large-scale

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

(v) Overseas business development

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

Reference:Trend of cash flow indicators

	As of Mar. 31, 2015	As of Mar. 31, 2016	As of Mar. 31, 2017	As of Mar. 31, 2018	As of Mar. 31, 2019
Equity ratio (%)	69.8	69.5	71.8	72.3	71.8
Fair value equity ratio (%)	83.7	99.4	122.6	150.1	132.5
Ratio of cash flow to interest-bearing liabilities (%)	52.2	25.5	16.0	11.2	14.0
Interest coverage ratio	122.9	292.2	447.8	483.5	539.4

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

Time Information Systems April 2019, Labor Reform & Related Acts were enforced Strong Orders for TimePro-VG & VG Cloud

The Labor Reform & Related Acts were enacted in June 2018 and enforced in April 2019.

This major revision for the first time in about 70 years requires companies to seek new management duties, such as the regulation of working hours and mandatory acquisition of paid leave. In addition, even under the new highly professional system that has no restrictions on working hours, the calculations thereof and vacations, in view of healthcare obligations, companies are required to manage the working time of these professionals. Therefore, more than ever, the management of employee work time has become important for companies.

Medium and large-sized companies are accelerating the introduction of in-house systems adapted to the legal reforms, and we are receiving many orders for T&A management systems, namely the "TimePro-VG", from well-known companies with over 2,000 employees. In addition, many companies are taking this opportunity to switch to cloud services, thus orders for the "TimePro-VG Cloud", which was launched April last year, are also strong.

For some small and medium-sized businesses and industries a regulatory grace period is applied and for such businesses, the new reforms will be applied gradually over the coming years. While further market expansion is expected in the future, we will work to provide labor management systems adapted to the latest labor rules, and will contribute to enterprise efforts to reform their way of working and to improve their productivity.



Environmental Systems Strong sales of the Pulse-jet Dust Collector, our anchor product The Pneumatic Powder Conveying system is playing a major role in the transportation of secondary battery materials.

Capital investment by domestic companies is firm, and sales for both standard dust collectors and large-scale systems remains steady. We have completed the launch of all 9 types of pulse-jet dust collectors (PiF series), which is our anchor product line. The wider offering has improved our competitiveness, so we are now ready to expand sales.

The Pneumatic Powder Conveying systems, which are mainly used by the manufactures of chemicals and tires in their production processes, is now finding new applications in the smartphone and electric vehicle (EV) industry. The increased popularity of smartphones and electric vehicles (EVs) has spurred the demand for capital investments to raise production capabilities and we are now receiving orders from secondary battery related companies in China and Korea. Going forward, we will seek to expand our business by strengthening our proposals to areas of strong demand, such as battery materials and resin films etc., in both domestic and overseas markets.



PiF Serie



Pneumatic Powder Conveying System

Amano Group Companies

Amano USA Holdings, Inc.

Amano Cincinnati, Inc.

Amano Cincinnati, Inc. released the latest addition to our data collection terminal line 3rd Qtr. of last year. This new terminal, MTX-30 with fingerprint recognition and WIFI communication has been well received by all sales channels. It is now in our major account distribution channel and is selling well.

In our continued commitment to keep pace with changing technology we are preparing to release our latest addition to our time information systems product suite. This new line of terminals will include facial recognition and will take employee verification to a new level. This new product offering will work with our Time Guardian software suite and incorporate both WIFI communications as well as real time push technology. Real time (push) communication with time and attendance has been a growing requirement. Even small business customers expect to have access to real time data for their employees. This technology eliminates the requirement to poll individual devices, the data is sent to the software immediately after the employee punches at the terminal. We plan to release this new terminal line 3rd Qtr. of 2019.



As we continue to develop new technologies for the OATS compliant market, we are preparing to release the next generation of the popular TS-3000i. The new model, TS-4000i will incorporate a new communication protocol device. This will help eliminate the potential for interference with network scanning software. This is primarily used by large trading firms concerned with security vulnerabilities. The release is scheduled for late 3rd Qtr.

Accu-Time Systems, Inc.

Accu-Time Systems, Inc. (ATS) continued with strong performance in 2018 with sales growth in both its hardware and cloud-based TimeCom businesses, resulting in the shipment of more than 27,000 time and attendance terminals. These ATS terminals, also known as Time Collection Devices (TCD), continued to evolve in 2018 to meet our customers' needs for customization, new functionality, and enhancements. The PeoplePoint terminal, which is available on both Linux and Android platforms, continued to grow in

popularity, exceeding 2017 sales by approximately 25%.

ATS' TimeCom business experienced continued growth with a 17% increase in recurring subscription revenue over 2017. The TimeCom Solution ("TimeCom") includes a TCD and recurring subscriptions for hosting and professional services. Time-



Com allows customers to link remote TCDs to their Enterprise Resource Planning (ERP), Human Capital Management (HCM) or Workforce Management (WFM) solutions. It offers encryption and enhanced security to protect all potentially sensitive data and can be implemented in 90 days or less.

At the heart of the ATS TimeCom solution is the TimeCom middleware which resides on Amazon Web Services' cloud-based infrastructure and serves as a communication link between the TCD and the ATS customer's system. In 2018, ATS continued to enhance this middleware with the addition of many new employee self-service features. Such features enhanced the employer-employee relationship by allowing individual employees the ability to view their work schedules, request time off, enter tip income, and attest to their actual time worked. Employees can complete these tasks quickly and conveniently using the ATS time collection device.

In 2018, ATS launched a customer-facing Portal. The Portal is designed for use by all ATS customers – including value added resellers (VARs) and direct end-user companies. Representatives within these organizations can assign users and manage their roles and responsibilities within the Portal. The Portal enables ATS's customers to remotely monitor their TCD operations, send and receive files, including software development kits (SDK), software updates and supporting documentation, and enter requests for technical support from ATS.



Also in 2018, operational efficiency became an area of increased focus as ATS positioned itself for growth in 2018 and beyond. During the year, ATS introduced the Set-up Server, a web-based application that allows ATS to more efficiently offer a provision-

ing service to its customers. This semi-automated provisioning process allows ATS to configure specific settings and load a VAR customer's proprietary application onto a time and attendance terminal before it leaves the factory. This provides tremendous benefit to ATS customers in that it allows for a terminal to be shipped directly to a customer location as a plug and play device, facilitating a fast and effortless installation process. The provisioning service is offered to our customers for an incremental fee per terminal. ATS prides itself on partnering with its customers to provide value-added products and services to meet their evolving needs in the workforce management landscape.

Amano McGann, Inc.

Have You Met Aria?



Aria debuted in November of 2018 to much excitement at the National Parking Association Convention and Expo in Las Vegas, Nevada.

Combining over 22 years of CVPS' nimble software success and "get it done" attitude with over 40 years of Amano McGann's U.S.-based hardware manufacturing expertise, Aria utilizes off-the-shelf IP and USB hardware components and the CVPS software backend to deliver a robust PARCS solution suitable for a wide range of clients' self and valet parking needs. The new system was initially installed in Cincinnati, Ohio and has since been installed in Nashville, Tennessee; Orlando, Florida; New York, New York; and Los Angeles, California with additional contracts in the pipeline.

Pro+ Software

Accurate, timely data is the key to making informed, strategic business decisions. To meet the needs of a connected operation, Amano McGann released Pro+ Parking Management Software toward the end of 2018. This solution provides a dynamic, real-time view of a client's assets and makes it easy for them to manage all revenue and access control functions in one fully-scalable, feature-rich program. Pro+ includes multi-credential access, multi-tenant management, digital ticket imaging, system notifications, and more in a browser-based user interface. Paired with in-lane cameras, Pro+ is LPR-capable and facilitates tighter revenue controls and frictionless entry and exit.

Continued Canadian Success

Amano McGann Canada, Inc. operations have continued the growth trend experienced in 2018 and are

well positioned to move into 2020. The Overture product line has been an especially strong motivator with high-profile, successful installations including the Brockville General Hospital in Brockville, Ontario and a dealer installation at the Memorial Parkade in Winnipeg, Manitoba. Western Canada has also experienced a positive trend with several projected installations for the summer of 2019 which include the Meadowview Mile in Calgary, Alberta. This installation will feature all Amano McGann product lines including parking, security, and video surveillance.

Projects Awarded

The City of Rock Hill | OPUSeries

The Amano McGann Carolinas offices, established last year, have been experiencing growth and project success in the region. The team executed a major installation for the City of Rock Hill, South Carolina in the latter half of 2018. The City wanted a scalable solution with integrations for the future expansion of their parking program. To provide residents and visitors to the City with an efficient, user-friendly parking experience, the City chose Amano McGann's OPUSeries line of PARCS. Further enhancement is realized through the integration of Parker Technologies video intercom solution and eParcSuite, Amano McGann's proprietary, web-based validation solution. The project also features Amano McGann's on-street parking system, Sprite powered by Metric, to streamline the City's municipal on-street program. More parking structures will be added to the project over time to ensure the City of Rock Hill's parking patronage has adequate options.

University of Texas Health and Science Center San Antonio | Overture Series



Aging infrastructure and outdated parking equipment led to equipment failures and subsequent revenue loss for the University Parking Department. As such, they looked for a technology-forward solution to improve the end-user experience, simplify operations, minimize operational costs, and increase revenue. This initiative led to the procurement of Amano McGann's Overture Line of Parking Access and Revenue Control Systems hardware, Overture Management System software, and other technologies which resulted in an immediate return on investment. The University realized an immediate 30% increase in daily revenue, on average since the system went live. Lane-time has decreased by 81% from an average of 82 seconds to 15 seconds. The installation was so well received that the University is

committed to implementing Overture in three more garage structures as well as numerous other surface lots. By adopting the modular SaaS Overture model, the University has future-proofed itself for expansion and the advent of future technologies.

Amano Pioneer Eclipse Corporation

Amano Pioneer Eclipse Corporation (APEC), which manufactures and sells products under the Pioneer Eclipse, American Sanders (AS) and Amano Environmental Americas (AEA) brands, finished the year with modest growth in sales over the prior year, although behind its total sales plan. There were several areas where significant growth occurred, including 33% growth with Home Depot, 29% growth in APEC's international wood floor segment, 47% growth in the Australian cleaning business, and 26% growth in AEA equipment.

Continuing its course as an industry leader in new product development, APEC launched multiple new products in 2018, including the 300BU2728, a new Battery Burnisher that can accommodate burnishing pads up to 28" in diameter. This high performance burnisher offers increased productivity, which is attractive to large building service contractors. The 300BU2728 is currently being tested by several large retailers in North America and Australia. 2018 also saw the launch of the PowerLab 120, a device which is used to efficiently diagnose electrical problems on 120V machines or tools, as well as monitor job site power delivery that can affect machine performance. Additionally, to meet the evolving industry needs in floor care, APEC extended its PowerPolish line with new 5" diamond discs designed for concrete floor maintenance.

APEC chemical product launches in 2018 ranged from facility cleaning chemicals to soaps, also expanding the floor coating line with a premium high solids acrylic polymer coating and a resilient low maintenance coating. Private labeling of chemicals in the cleaning industry continued to be a strong segment for APEC with 15% growth in 2018.

In the professional wood floor market, the American Sanders brand continued as the industry's #1 provider of professional edgers with the launch of the EZ-E extension edger. This product was received well in the marketplace, with initial sales exceeding plan by 68%. The EZ-E is



an extension edger with interchangeable 8" and 13" sanding arms, and is engineered for high performance and low maintenance.

American Sanders TimberGuard product line of wood floor finishes experienced strong growth in 2018, enhanced by the launch of TimberGuard Select. This single-component water-based urethane blend is engineered for residential or light commercial applications and expanded the range of applications of the TimberGuard product line. The TimberGuard Sport products achieved certification by the Maple Flooring Manufacturers Association. This MFMA designation is highly valued in the sports flooring market.



With the implementation of Oracle's JD Edwards (JDE) enterprise business software solution completed in February, a focus on manufacturing process improvement continued throughout the year with the implementation of work station efficiency and improved inventory management. Overall efficiency of plant operations has improved by 18.5%.

Amano Europe Holdings, N.V.

Amano Europe, N.V.

Parking 4.0 or "New models for operating parking spaces, offering maximum services at minimum cost by deploying innovative solutions and optimizing existing business processes."

In many cases, the operation of parking spaces is still limited to a financial transaction between the operator and the driver. Supply and demand are driven by the location, size, rates and a number of services offered by the operator, all with the aim of making the parking space as attractive as possible for the driver. In other words, a balance is sought between supply and demand in a typical two-dimensional, two-stakeholders model. This model is outdated for the following reasons:

(1) Municipalities: As parking is inextricably linked to the discussion about mobility, ecology and urban management, the operator, regardless of the public or private nature of the activity, will have to comply to the framework created by the local authorities that typically will try to maximize the specific needs and wishes of all stakeholders such as but not limited to residents, business, schools, city services, hospitals and visitors. It is on the one hand to the extent that the authorities can create such a framework and on the other hand to the extent that parking operators can respond to these complex needs, that we can have a successful parking 4.0 project. Mobility, accessibility and extended local services to other stakeholders are new elements that the operator will

have to take into account if he wants to be successful in this new ecosystem.

(2) Technology platforms: Analogously with the emergence of the automatically driving cars, the parking of the future, in whatever form, will also be automated. Artificial intelligence will become an essential part in traffic and occupancy forecasts, route guidance, accurate reservations, variable tariff calculation, automatic processing of payments, including fines or fees. As such integration to other stakeholders like owners of software and service platforms will be required.

The Shop & Stay project in the city of Genk, Belgium is a good reflection of this vision.



In close cooperation with the municipality of Genk in Belgium, AMANO Europe established the Shop&Stay project. In a well-defined area of the city, Genk envisioned to render improved services to local shops by imposing a new framework developed by Amano. Visitors can typically stay for free for 30 minutes. However, if they choose to participate in local economy, which means they purchase in one or more of the shops in this well-defined area, they enjoy a certain comfort by obtaining an extended free parking time. So there is no concept of buying time. Extra time can only be obtained by showing some activity, in this case "shopping". In order to control the length of stay, the maximum free parking time is capped to 90 minutes. Exceeding the allowed parking time is in all cases demotivated (enforced) by applying the maximum daily fee which will be mailed to driver. For this function Amano integrated to the existing public technology platform which is also used for enforcing speed tickets on the Belgian highway. The system is 100% seamless (ticket and paperless). Entry and exit in the well-defined area are controlled by ANPR camera's. Extended time can be "bought" by scanning specific QR codes which are given to the related shops with the AMANO APP or by sending an SMS to the dedicated AMANO Shop&Stay number. It doesn't require on street hardware, nor physical interventions. Expansion to application of this model with other stakeholders, such as car parks at railway stations, event halls, Kiss&Ride, Park&Ride, business campuses and hospitals are obvious.

Amano Malaysia Sdn. Bhd.

Strengthening the ties with the payment industry! Parking lots are the next target for cashless settlement!!

The wave of cashless settlement has become a big topic here in Malaysia and several payment methods, such as transportation electronic money and QR code settlements, have been established. Under such circumstances, many cashless service providers are approaching us for possible tie-ups and for future expansion of the parking business the collaboration with them is becoming essential.

This time, we would like to introduce the efforts of Amano Malaysia towards cashless settlement, our partner and how cashless settlement works.

Touch'n Go

Similar to the Japanese SUICA card, this system uses a prepaid electronic money card and is widely used to pay highway tolls, public transport fares such as trains and buses but more recently, the provider is actively promoting the system to parking lots. Since 2015, Amano Malaysia has adopted this system into its entry / exit stations and has linked it with the parking management software. Touch'n Go will be available on our pay stations by Q3 2019.

Proximity Type Credit Card Settlement

With the widening use of unmanned credit card terminals, services specialized for parking lots have emerged. Parking operators are showing particular interest as these terminals can handle multiple payment methods including debit cards. Amano Malaysia has completed the development of a system specially designed for AEON parking lots which is currently undergoing on-site testing. The same system for general parking lots will be available in Q3 2019 at which time the system will be installed at existing sites that are scheduled for a second phase of construction.

QR Code Settlement

The success story in China drew attention here in Malaysia and now there are several services provided by banks, taxi companies (Grab), Touch'n Go, and telecommunication companies. Amano Malaysia is working with a company called Boost, an affiliate of Axiata (a telecommunications company) and a pay station capable of Boost QR settlement is scheduled for launch in Q3 2019. Axiata has operations in 11 Asian countries with 150 million users. As for Boost,

a major Japanese trading house has invested in this company and is increasing its user base through numerous campaigns.



Amano Korea Corporation

Developed a smart LPR with advertising function (AK-8700)

AMANO Korea Corporation newly developed a smart LPR device with integrated advertising functions (AK-8700).

This AK-8700 features a 23.8 inch high definition LED screen which is angled at 20 degrees so that the driver can easily see.

The embedded camera eliminates the need for a separate computer and the other 2-line electric screen displays the recognized vehicle license number.

When the AK-8700 recognizes a license number it runs an enquiry through its data base and displays the designated text and image on the 23.8 inch screen. The text and image can be chosen by the AK-8700 owner. For example, if the visitor information (name & vehicle license number etc.) is pre-registered, a welcome message, such as "Welcome Mr. / Mrs. / Ms. XX, please proceed to room 407" can be displayed. Or information such as parking lot guidance (parking fees, vacancies etc.), and event guidance can also be displayed. In order to display advertisements or messages tailored to each visitor, a unique account must be assigned to each visitor on a web server. Access and editing of the information is only granted to authorized persons with the appropriate ID and password. The AK-8700 will be available in the 2nd half of 2019.

The AK-8700 was exhibited at the "International Security Exhibition & Conference SECON 2019" held March 2019 (Photo center)





Amano International Trading (Shanghai) Co.,Ltd

Successful Delivery of Pneumatic Conveying Systems to Chinese Leading Producer of Cathode Materials for Lithium-ion Battery

In line with massive production of EV, or Electric Vehicles supported by China as a National Project, currently we see a big boom in on-vehicle secondary battery industry in China.

Many market players are trying to accelerate investment for relevant plant and equipment, and also there is swelling demand for cathode materials for lithium battery.

We, Amano International Trade (Shanghai) Co., Ltd., which is a subsidiary 100% owned by Amano corporation, successfully delivered pneumatic powder conveying systems to a leading Chinese producer of cathode materials recently in response to their request for "treating multi-powder", "conveying in a short time" and "closed carrying system".

The production process of cathode materials basically consists of "input of raw materials", "primary sintering stage", "water washing stage" and "secondary crushing stage". We received orders for new pneumatic conveying systems to cover the entire process of producing cathode materials on the 1st phase. Then, received subsequent orders to cover the alteration and renewal of existing equipment on the 2nd phase.

We were able to setup the plant in a relatively short period of time realizing a fully automatic air transportation system that can accommodate both "high pressure / high density" and "low pressure / low density" conveyance. Our long-time experience

in air transportation systems and the technological advantages in treating powders were the keys to this success.

Since the official operation of the plant, the system continues to meet targeted conveyance indices and this is highly appreciated by the customer.



Continuous Transport Unit for high pressure and high density conveyance



Continuous Transport System for low pressure and low density conveyance



Landscape of the Customer's Headquarters

Amano Software Engineering (Shanghai) Co., Ltd.

ASE Shanghai developed a cloud T&A system called "Anqinyun", which was released January 2019.

Anqinyun: Attendance Management Cloud Service in Mobile attendance era

There is no need to purchase servers and attendance machines, as long as you have a smartphone, you can easily deploy the attendance management cloud service. Anqinyun uses enterprise WeChat and Tencent Cloud as the platform, makes itself an assured choice.

Punch in, report monthly and apply for approval can be done from a mobile phone.

•Three ways to punch in
Support GPS, WiFi, iBeacon three kinds of punch in, can be selected according to the work style.

- Two kinds of monthly reports
From the color of calendar, you can intuitively find the problem, detailed data can be seen in the form of tabular monthly reports.
- Application and approval
Overtime, leave, travel and other applications and approval, can be completed in the mobile phone, the cloud also has a batch approval function.



Provides the rich functionality required for daily and monthly processing on cloud side

- Error Handling
Because you can confirm the anomalies such as forgetting to punch in, data mismatch and other errors, you can keep the system in a healthy state.
- Editable daily and monthly data
Daily data, monthly data can be modified, and notes can be taken for avoiding forgetting the reasons for the modification.
- Customizable external output
Monthly data, daily data, punch-in data can be exported externally, data items and the format of them can be specified.

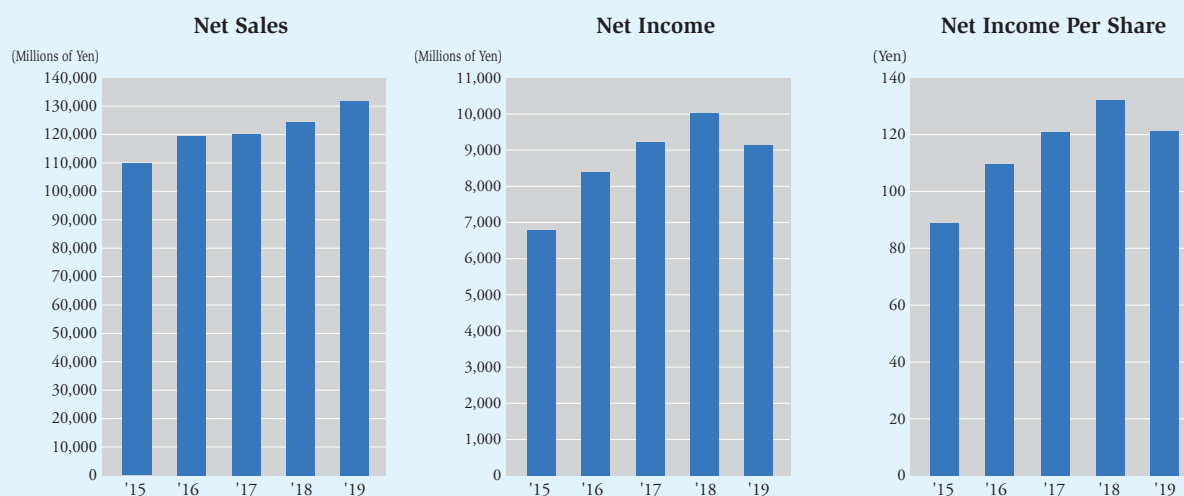


AMANO Corporation and Subsidiaries
Financial Highlights
 For the year ended March 31, 2019

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)
	2019	2018	2019
For the years ended March 31:			
Net sales	¥131,713	¥124,405	\$1,186,608
Net income.....	9,142	10,019	82,362
Per share data (Yen and U.S. Dollars):			
Net income per share (Basic).....	¥121.17	¥132.12	\$1.092
Cash dividends per common share.....	80.00	57.00	0.721
At March 31:			
Total assets.....	¥147,609	¥145,446	\$1,329,815
Working capital	59,879	57,694	539,456
Total net assets.....	106,592	105,634	960,290
Sales by product:			
Time information systems	¥29,176	¥26,759	\$262,849
Time management equipment	3,609	3,751	32,521
Parking systems	63,879	60,757	575,491
Environmental systems	23,833	21,993	214,720
Cleaning systems	11,213	11,143	101,027

Note: U.S. dollar amounts have been translated at the rate of ¥111 = US \$1, the rate prevailing on March 31, 2019.
 - See Note 4 to the Consolidated Financial Statements.



Consolidated Balance Sheet

As at March 31, 2019

ASSETS	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Current assets:			
Cash and bank deposits (Notes 6, 15 and 17)	¥45,558	¥44,525	\$410,441
Marketable securities (Note 17)	1,184	1,377	10,667
Notes and accounts receivable:			
Trade (Notes 7 and 17)	35,367	33,632	318,625
Less allowance for doubtful accounts	(476)	(467)	(4,292)
	34,890	33,165	314,333
Inventories:			
Merchandise and finished goods	4,381	3,699	39,469
Work in process	767	535	6,912
Raw materials and supplies	5,036	5,495	45,375
Other current assets	3,630	3,267	32,708
Total current assets	95,449	92,065	859,905
Property, plant and equipment, at cost:			
Buildings and structures	28,599	30,887	257,652
Machinery and equipment	21,638	20,883	194,939
Leased assets (Note 16)	5,883	6,112	53,007
	56,121	57,883	505,599
Less accumulated depreciation	(40,371)	(41,216)	(363,711)
	15,749	16,667	141,888
Land	6,125	7,135	55,180
Construction in progress	236	177	2,131
Total property, plant and equipment	22,111	23,980	199,199
Intangible fixed assets :			
Goodwill	2,734	2,895	24,636
Software	4,552	4,385	41,009
Software in progress	1,985	2,261	17,890
Other intangible fixed assets	3,510	2,824	31,624
Total intangible fixed assets	12,782	12,367	115,159
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates (Notes 5 and 17)	1,947	1,787	17,545
Investments in securities (Note 17)	8,153	7,629	73,453
Leasehold and guarantee deposits	1,420	1,287	12,800
Deferred tax assets (Note 19)	2,320	2,770	20,907
Other assets	3,933	4,094	35,433
Less allowance for doubtful accounts	(509)	(542)	(4,586)
Total investments and other assets	17,266	17,026	155,552
Total assets	¥147,609	¥145,439	\$1,329,815

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Current liabilities:			
Trade notes and accounts payable (Note 17)	¥7,264	¥7,034	\$65,443
Electronically recorded monetary claims (Note 17)	7,015	6,454	63,200
Short-term bank loans	463	169	4,178
Lease obligations (Notes 16 and 17)	1,105	1,296	9,955
Accrued bonuses for employees	2,531	2,477	22,809
Accrued bonuses for directors	130	130	1,171
Accrued income taxes	3,135	3,472	28,246
Other current liabilities	13,924	13,335	125,445
Total current liabilities	35,569	34,370	320,448
Long-term liabilities:			
Liability for retirement benefits (Note 18)	2,478	2,446	22,328
Long-term accounts payable	1	33	15
Lease obligations (Notes 16 and 17)	2,354	2,590	21,215
Deferred tax liabilities (Note 19)	43	5	395
Asset retirement obligations	32	31	290
Other long-term liabilities	536	326	4,834
Total long-term liabilities	5,447	5,434	49,077
Total liabilities	41,017	39,805	369,525
Net assets (Notes 13 and 14):			
Shareholders' equity:			
Common stock			
Authorized - 185,476,000 shares			
Issued:			
March 31, 2019 and 2018 - 76,657,829 shares			
in 2019 and 2018	18,239	18,239	164,321
Capital surplus	19,293	19,293	173,812
Retained earnings	75,866	71,140	683,481
Treasury stock at cost, 1,924,625 shares in 2019 and 923,903 shares in 2018	(4,220)	(1,892)	(38,023)
	109,178	106,780	983,590
Accumulated other comprehensive income:			
Net unrealized gains (losses) on other securities	1,921	2,225	17,312
Foreign currency translation adjustments	(4,189)	(2,997)	(37,745)
Retirement benefits liability adjustments	(948)	(917)	(8,549)
	(3,216)	(1,689)	(28,982)
Non-controlling interests in consolidated subsidiaries	630	543	5,682
Total net assets	106,592	105,634	960,290
Total liabilities and net assets	¥147,609	¥145,439	\$1,329,815

The accompanying notes are an integral part of these statements.

Consolidated Statement of Income, and Consolidated Statement of Comprehensive Income

For the year ended March 31, 2019

Consolidated Statement of Income

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Net sales	¥131,713	¥124,405	\$1,186,608
Cost of sales (Note 9)	73,467	69,103	661,866
Gross profit	58,246	55,302	524,742
Selling, general and administrative expenses (Notes 8 and 9)	43,084	40,951	388,148
Operating income	15,161	14,350	136,594
Other income (expenses):			
Interest and dividend income	345	288	3,109
Interest expense	(29)	(34)	(264)
Equity in earnings of affiliates	201	108	1,820
Foreign exchange gain (loss)	(15)	(118)	(139)
Gain on sale of fixed assets	25	8	230
Loss on disposal of fixed assets	(26)	(37)	(239)
Loss on sale of fixed assets (Note 10)	(1,145)	(1)	(10,320)
Gain on sale of investments in securities (Note 17)	141	250	1,274
Impairment loss on fixed assets (Note 11)	220	-	(1,988)
Other, net	(396)	465	3,569
Income before income taxes and non-controlling interests	14,834	15,280	133,645
Income taxes (Note 19):			
Current	5,126	4,953	46,188
Deferred	423	209	3,813
Income before non-controlling interests	9,284	10,117	83,644
Non-controlling interests in net income of consolidated subsidiaries	(142)	(97)	(1,282)
Net income.....	¥9,142	¥10,019	\$82,362

Consolidated Statement of Comprehensive Income

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Income before non-controlling interests	¥9,284	¥10,117	\$83,644
Other comprehensive income (loss) (Note 12):			
Net unrealized gains (losses) on other securities	(303)	289	(2,737)
Translation adjustments	(1,201)	566	(10,820)
Retirement benefits liability adjustments	(30)	68	(279)
Share of other comprehensive income (loss) of companies accounted for by the equity method	(0)	(0)	(0)
Total other comprehensive income (loss)	(1,535)	923	(13,836)
Comprehensive income	¥7,748	¥11,041	\$69,808
Total comprehensive income attributable to:			
Shareholders of the Company	¥7,615	¥10,915	\$68,604
Non-controlling interests	¥133	¥126	\$1,204

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2019

Millions of Yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2018	¥18,239	¥19,293	¥71,140	(¥1,892)	¥106,780
Cumulative effect of change in accounting principle			70		70
Restated balance at April 1, 2018	18,239	19,293	71,211	(1,892)	106,851
Changes during the year					
Dividends from surplus			(4,486)		(4,486)
Net income			9,142		9,142
Purchase of treasury stock				(2,328)	(2,328)
Net changes in items other than shareholders' equity					
Total changes during the year	-	-	4,655	(2,328)	2,326
Balance at March 31, 2019	¥18,239	¥19,293	¥75,866	(¥4,220)	¥109,178

	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, 2018	¥2,225	(¥2,997)	(¥917)	(¥1,689)	¥543	¥105,634
Cumulative effect of change in accounting principle						70
Restated balance at April 1, 2018	2,225	(2,997)	(917)	(1,689)	543	105,705
Changes during the year						
Dividends from surplus						(4,486)
Net income						9,142
Purchase of treasury stock						(2,328)
Net changes in items other than shareholders' equity	(303)	(1,192)	(30)	(1,527)	87	(1,439)
Total changes during the year	(303)	(1,192)	(30)	(1,527)	87	886
Balance at March 31, 2019	¥1,921	(¥4,189)	(¥948)	(¥3,216)	¥630	¥106,592

Thousands of U.S. dollars (Note 4)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2018	\$164,321	\$173,812	\$640,903	(\$17,046)	\$961,990
Cumulative effect of change in accounting principle			637		637
Restated balance at April 1, 2018	164,321	173,812	641,541	(17,046)	962,627
Changes during the year					
Dividends from surplus			(40,422)		(40,422)
Net income			82,362		82,362
Purchase of treasury stock				(20,978)	(20,978)
Net changes in items other than shareholders' equity					
Total changes during the year	-	-	41,941	(20,978)	20,963
Balance at March 31, 2019	\$164,321	\$182,010	\$683,481	(\$38,023)	\$983,590

	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, 2018	\$20,047	(\$27,001)	(\$8,270)	(\$15,223)	\$4,896	\$951,663
Cumulative effect of change in accounting principle						637
Restated balance at April 1, 2018	20,047	(27,001)	(8,270)	(15,223)	4,896	952,300
Changes during the year						
Dividends from surplus						(40,422)
Net income						82,362
Purchase of treasury stock						(20,978)
Net changes in items other than shareholders' equity	(2,735)	(10,744)	(279)	(13,759)	786	(12,973)
Total changes during the year	(2,735)	(10,744)	(279)	(13,759)	786	7,990
Balance at March 31, 2019	\$17,312	(\$37,745)	(\$8,549)	(\$28,982)	\$5,682	\$960,290

Millions of Yen

	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
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, 2018	¥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

The accompanying notes are an integral part of these statements.

Consolidated Statement of Cash Flows

For the year ended March 31, 2019

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Cash Flows from Operating Activities:			
Income before income taxes and non-controlling interests	¥14,834	¥15,280	\$133,645
Depreciation and amortization	5,849	5,063	52,694
Amortization of goodwill	545	511	4,917
Impairment loss on fixed assets	220	-	1,988
Increase (decrease) in liability for retirement benefits	12	66	115
Increase (decrease) in allowance for doubtful accounts	2	206	18
Interest and dividend income	(345)	(288)	(3,109)
Equity in earnings of affiliates	(201)	(108)	(1,820)
Interest expenses	29	34	264
Foreign currency translation (gain) loss	36	4	327
(Gain) loss on sale of fixed assets	1,120	(7)	10,091
Loss on disposal of fixed assets	26	37	239
(Gain) loss on sale of investments in securities	(141)	(250)	(1,274)
(Increase) decrease in trade notes and accounts receivable ..	(1,948)	290	(17,556)
(Increase) decrease in inventories	(595)	(235)	(5,369)
Increase (decrease) in trade notes and accounts payable.....	884	(794)	7,969
Others	496	739	4,473
Subtotal	20,825	20,550	187,613
Interest and dividends received	398	303	3,588
Interest paid	(29)	(34)	(263)
Payment for extra retirement payments	(30)	-	(275)
Income taxes paid	(5,473)	(4,141)	(49,310)
Income taxes refunded.....	28	73	261
Net cash provided by operating activities	15,719	16,750	141,615
Cash Flows from Investing Activities:			
Payment for purchase of marketable securities	(2,000)	(2,000)	(18,018)
Proceeds from redemption of marketable securities	2,000	2,150	18,018
Payment for purchase of property, plant and equipment	(2,800)	(3,107)	(25,231)
Proceeds from sale of property, plant and equipment	460	25	4,145
Payment for acquisition of intangible assets	(2,145)	(2,385)	(19,327)
Payment for acquisition of investments in securities	(905)	(967)	(8,161)
Proceeds from sale of investments in securities	241	300	2,176
Increase in time deposits	(8,544)	(9,179)	(76,978)
Decrease in time deposits	9,830	8,771	88,560
Proceeds from sale of investments in subsidiaries and affiliates	-	46	-
Payment for business acquisition	(2,112)	(168)	(19,036)
Collection of loans	-	0	-
Others	(156)	10	(1,408)
Net cash used in investing activities	(6,133)	(6,500)	(55,259)
Cash Flows from Financing Activities:			
Proceeds from short-term bank loans	469	158	4,232
Repayment of short-term bank loans	(160)	(506)	(1,446)
Payment for acquisition of treasury stock	(2,328)	(832)	(20,978)
Repayments of finance lease obligations	(1,399)	(1,547)	(12,607)
Proceeds from sale and leaseback	1,150	1,331	10,368
Dividends paid	(4,486)	(3,954)	(40,422)
Dividends paid to minority interests	(46)	(41)	(418)
Net cash used in financing activities	(6,800)	(5,392)	(61,270)
Effect of exchange rate changes on cash and cash equivalents.....	(528)	103	(4,762)
Net increase (decrease) in cash and cash equivalents	2,255	4,961	20,324
Cash and cash equivalents at beginning of year	40,231	35,270	362,444
Cash and cash equivalents at end of year (Note 15).....	¥42,487	¥40,231	\$382,768

The accompanying notes are an integral part of these statements.

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 27 consolidated subsidiaries at March 31, 2019. 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.

With the establishment of a subsidiary by Corporate Divestiture (Incorporation-type company split), Amano Secure Japan Corporation was newly consolidated during the year ended March 31, 2019.

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, 2018 and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31, 2019. 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 held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates, or other securities had declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

(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 services rendered by directors by that date.

(14) Provision for stock benefit

In order to prepare for the payment of company stocks to employees under the stock benefit program, provision for stock benefit is recorded based on the estimated amount of stock benefit obligation corresponding to the merit points allocated to the employees in the current consolidated fiscal year.

(15) Provision for directors’ stock benefit

In order to prepare for the payment of the Company stocks to officers and directors under the share payment program, provision for stock benefit is recorded based on the estimated amount of stock benefit obligation corresponding to the merit points allocated to the officers and directors in the current consolidated fiscal year.

(16) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(17) 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.

(18) Revenue from Construction Contracts

Revenues and costs of construction contracts are recognized by the percentage-of-completion 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.

(19) Accounting for Consumption Taxes

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

(20) Change in Accounting Policy

(Application of IFRS 15 “Revenue from Contracts with Customers”)

For our subsidiaries that are subject to

IFRS accounting, we have applied IFRS 15 “Revenue from Contracts with Customers” from the current consolidated fiscal year. In adopting this accounting standard, we applied the permitted transitional measure whereby the cumulative effect when applying this standard, is recognized on the effective date of application.

As a result, compared with the previous accounting standard, the balance of retained earnings at the beginning of the current consolidated fiscal year increased by ¥70 million. In the current consolidated fiscal year, net sales decreased by ¥21 million, income tax adjustments decreased by ¥7 million, and net income attributable to parent company shareholders decreased by ¥14 million.

(21) Change in Reporting Method

(Application of Partial Amendments to “Accounting Standard for Tax Effect Accounting”)

Partial Amendments to “Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) have been applied from the beginning of the current consolidated fiscal year. Deferred tax assets are presented in the category of investments and other assets, and deferred tax liabilities are presented in the category of long-term liabilities.

As a result, ¥1,838 million of deferred tax assets in current assets previously presented in the consolidated balance sheet as of March 31, 2018 have been reclassified and included within ¥2,770 million of deferred tax assets in investments and other assets.

(22) 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, 2019 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 ¥ 111 = US\$1, the approximate effective rate of exchange prevailing on March 31, 2019. The inclusion of U.S. dollar amounts is solely for convenience of readers outside Japan and is not intended to imply that yen amounts could be converted, realized, or settled in U.S. dollars at that, or any other rate.

5. Investments in Unconsolidated Subsidiaries and Affiliates

Among investments in securities, the amount in aggregate corresponding to unconsolidated subsidiaries and affiliates at March 31, 2019 and 2018 is as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Investments in equity securities	¥1,893	¥1,733	\$17,054
Others.....	53	53	477

6. Assets Pledged as Collateral and Obligations Secured by Collateral

As at March 31, 2019 and 2018, the following assets were pledged as collateral:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Cash and bank deposits	¥8	¥9	\$72

7. Notes and Accounts Receivable

The Company recognizes settlements of trade notes receivable when the banks actually clear the notes.

As March 31, 2019 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, 2019.

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Trade notes receivable	¥226	¥380	\$2,036

8. Selling, General and Administrative Expenses

Selling, general and administrative expenses during the years ended March 31, 2019 and 2018 principally include:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Employees' bonuses	¥1,699	¥1,705	\$15,306
Directors' bonuses	130	130	1,171
Retirement benefits	1,093	1,148	9,847
Salaries and allowances	18,906	17,741	170,324
Allowance for doubtful accounts ...	98	306	883
Allowance for Provision for stock benefit ...	79	-	712
Allowance for Provision for directors' stock benefit ...	88	-	793

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, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Research and development costs ...	¥1,649	¥1,325	\$14,856

10. Loss on sale of fixed assets

Details of Loss on sale of fixed assets for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Buildings and structures	¥357	¥0	\$3,216
Machinery and equipment	1	¥0	9
Tools, Furniture and Fixtures	5	¥1	45
Land	780	-	7,027
Total	1,145	¥1	10,320

11. Impairment Loss on Fixed Assets

Impairment loss on fixed assets for the years ended March 31, 2019 is as follows:

Location	Purpose of use	Category	Millions of Yen	Thousands of U.S. dollars (Note 4)
			2019	2019
Amano McGann, Inc. (U.S.A.)	Business use	Other intangible fixed assets ...	¥141	\$1,270
		Buildings and structures	78	703

Method to Group Assets:

The Company and its subsidiaries group assets according to minimum units that generate cash flows essentially independent from the cash flows of other assets or groups of assets.

Recognition of Impairment Loss:

As the forecasted profit was not expected due to poor performance, the book values of above groups of assets were reduced to the recoverable amounts, and the reductions were recognized as impairment losses based on US-GAAP.

Calculation of Recoverable Amount:

The recoverable amount for said assets is reasonably estimated based on the value in use, which was determined to be zero as no future cash flow is expected.

12. 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, 2019 and 2018:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Net unrealized gains (losses) on other securities:			
Amount arising during the year	(¥140)	¥432	(\$1,261)
Reclassification adjustments	(141)	-	(1,270)
Amount before tax effect	(282)	432	(2,541)
Tax effect	(21)	(143)	(189)
Net unrealized gains (losses) on other securities	(303)	289	(2,737)
Translation adjustments:			
Amount arising during the year	(1,201)	566	(10,819)
Reclassification adjustments	-	-	-
Amount before tax effect	(1,201)	566	(10,819)
Tax effect	-	-	-
Translation adjustments	(1,201)	566	(10,820)
Retirement benefits liability adjustments:			
Amount arising during the year	(300)	(205)	(2,703)
Reclassification adjustments	256	304	2,306
Amount before tax effect	(44)	98	(396)
Tax effect	13	(30)	117
Retirement benefits liability adjustments	(30)	68	(279)
Share of other comprehensive income (loss) of companies accounted for by the equity method:			
Amount arising during the year	0	0	0
Reclassification adjustments	-	(0)	-
Share of other comprehensive income of companies accounted for by the equity method	(0)	(0)	(0)
Total other comprehensive income (loss)	(¥1,535)	¥923	(\$13,836)

13. Changes in Shareholders' Equity

Changes in "Shares issued and outstanding" and "Shares of treasury stock" during the period from April 1, 2018 to March 31, 2019 are as follows:

(1) Shares issued and outstanding

Share type	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
Common stock (shares)	76,657,829	–	–	76,657,829

(2) Shares of treasury stock

Share type	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
Common stock (shares)	923,903	1,000,722	–	1,924,625

(Reason for change)

The increase in the number of shares is due to the purchases of 722 shares less than one unit.

The increase in the number of shares is due to the purchases of 1,000,000 shares by a resolution of the Board of Directors meeting held on October 29, 2018.

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, 2017
Common stock (shares)	607,651	316,252	–	923,903

(Reason for 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).

14. Dividends

Information on dividends for the fiscal year ended March 31, 2019 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 28, 2018	Common stock	¥2,585	\$23,294	¥34	\$0.306	March 31, 2018	June 29, 2018
Board of directors meeting, October 29, 2018	Common stock	¥1,901	\$17,128	¥25	\$0.225	September 30, 2018	December 4, 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).

"Total dividend" as determined by the Board of Directors' resolution on October 29, 2018 includes ¥ 4 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 27, 2019	Common stock	Retained earnings	¥4,127	\$37,180	¥55	\$0.495	March 31, 2019	June 28, 2019

(NOTES)

"Total dividend" as determined by the Ordinary general meeting of shareholders' resolution on June 27, 2019 includes ¥ 9 million for dividends on the Company's shares owned by Directors' Compensation BIP Trust and ¥ 8 million for dividends on our shares owned by Employee Stock Ownership Plan (J-ESOP).

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).

15. Cash and Cash Equivalents

Reconciliations of cash and cash equivalents to the amounts shown in the consolidated balance sheet as at March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Cash and bank deposits	¥45,558	¥44,525	\$410,441
Marketable securities	1,184	1,377	10,667
Sub total	46,742	45,903	421,108
Time deposits due over three months	(3,255)	(4,671)	(29,331)
Marketable securities due over three months	(1,000)	(1,000)	(9,009)
Cash and cash equivalents	¥42,487	¥40,231	\$382,768

(Supplemental disclosure of non-cash transactions)

The significant non-cash transactions for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Leased assets	¥884	¥1,045	\$7,964
Lease obligations	1,112	1,290	10,018

16. Lease Commitments

(1) Lessees' accounting

Minimum future lease payments under operating leases subsequent to March 31, 2019 and 2018 for non-cancelable operating leases are summarized as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Due within one year	¥1,321	¥987	\$11,901
Due over one year	1,094	1,332	9,856
Total	¥2,415	¥2,319	\$21,757

(2) Lessors' accounting

Minimum future lease income under operating leases subsequent to March 31, 2019 and 2018 for non-cancelable operating leases is summarized as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Due within one year	¥101	¥101	\$910
Due over one year	502	604	4,523
Total	¥604	¥705	\$5,441

17. 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, 2019 and 2018 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)		
	2019			2019		
	Carrying value	Estimated fair value	Difference in amounts	Carrying value	Estimated fair value	Difference in amounts
(1) Cash and bank deposits	¥45,558	¥45,558	-	\$410,441	\$410,441	-
(2) Notes and accounts receivable	35,367	35,367	-	318,625	318,625	-
(3) Marketable securities and investments in securities						
① Held-to-maturity	1,651	1,649	(¥1)	14,874	14,856	(\$9)
② Subsidiaries and affiliates	1,843	3,261	1,417	16,604	29,378	12,766
③ Other securities	7,402	7,402	-	66,685	66,685	-
Total (Assets).....	¥91,823	¥93,239	¥1,415	\$827,234	\$839,991	\$12,748
(4) Trade notes and accounts payable	¥7,264	¥7,264	-	\$65,443	\$65,443	-
(5) Electronically recorded monetary claims ...	7,015	7,015	-	63,200	63,200	-
Total (Liabilities)	¥14,279	¥14,279	-	\$128,640	\$128,640	-

	Millions of Yen		
	2018		
	Carrying value	Estimated fair value	Difference in amounts
(1) Cash and bank deposits	¥44,525	¥44,525	-
(2) Notes and accounts receivable	33,632	33,632	-
(3) Marketable securities and investments in securities			
① Held-to-maturity	1,350	1,341	(¥8)
② Subsidiaries and affiliates	1,681	2,764	1,082
③ Other securities	7,378	7,378	-
Total (Assets).....	¥88,568	¥89,642	¥1,074
(4) Trade notes and accounts payable	¥7,034	¥7,034	-
(5) Electronically recorded monetary claims ...	6,454	6,454	-
Total (Liabilities)	¥13,488	¥13,488	-

(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, 2019 and 2018.

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)
	2019	2018	2019
Unlisted securities (Carrying value)	¥333	¥331	\$3,000

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			
	2019			
	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	¥45,558	-	-	-
Notes and accounts receivable	35,367	-	-	-
Marketable securities and investments in securities:				
Held-to-maturity securities.....	1,000	-	¥651	-
Total	¥81,926	-	¥651	-

	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	-

	Thousands of U.S.dollars (Note 4)			
	2019			
	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	\$410,441	-	-	-
Notes and accounts receivable	318,625	-	-	-
Marketable securities and investments in securities:				
Held-to-maturity securities.....	9,009	-	\$5,865	-
Total	\$738,072	-	\$5,865	-

(*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					
		2019					
		Due within 1 year	The second year	The third year	The fourth year	The fifth year	Thereafter
Long-term loans payable.....		-	-	-	-	-	-
Lease obligations		¥1,105	¥909	¥623	¥394	¥220	¥206
Total		¥1,105	¥909	¥623	¥394	¥220	¥206

		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

		Thousands of U.S.dollars (Note 4)					
		2019					
		Due within 1 year	The second year	The third year	The fourth year	The fifth year	Thereafter
Long-term loans payable.....		-	-	-	-	-	-
Lease obligations		\$9,955	\$8,197	\$5,614	\$3,556	\$1,985	\$1,863
Total		\$9,955	\$8,197	\$5,614	\$3,556	\$1,985	\$1,863

(*5) Held-to-maturity and other securities with readily determinable fair value as at March 31, 2019 and 2018 are as follows:

		Millions of Yen			Thousands of U.S.dollars (Note 4)		
		2019			2019		
		Carrying value	Fair value	Unrealized gains (losses)	Carrying value	Fair value	Unrealized gains (losses)
Held-to-maturity securities with fair value exceeding carrying value		¥201	¥201	¥0	\$1,811	\$1,811	\$0
Held-to-maturity securities with fair value not exceeding carrying value		¥1,450	¥1,448	(¥2)	\$13,063	\$13,045	(\$18)
Total		¥1,651	¥1,649	(¥1)	\$14,874	\$14,856	(\$9)

		Carrying value	Acquisition cost	Unrealized gains (losses)	Carrying value	Acquisition cost	Unrealized gains (losses)
Other securities with carrying value exceeding acquisition cost							
Stocks		¥6,505	¥3,650	¥2,854	\$58,604	\$32,883	\$25,712
Other		184	181	2	1,658	1,631	18
Subtotal.....		6,689	3,832	2,857	60,261	34,523	25,739
Other securities with carrying value not exceeding acquisition cost							
Stocks		712	799	(87)	6,414	7,198	(784)
Other		-	-	-	-	-	-
Subtotal.....		712	799	(87)	6,414	7,198	(784)
Total		¥7,402	¥4,632	¥2,769	\$66,685	\$41,730	\$24,946

		Millions of Yen		
		2018		
		Carrying value	Fair value	Unrealized gains (losses)
Held-to-maturity securities with fair value not exceeding carrying value		¥1,350	¥1,341	(¥8)

		Carrying value	Acquisition cost	Unrealized gains (losses)
Other securities with carrying value exceeding acquisition cost				
Stocks		¥6,606	¥3,546	¥3,059
Other		375	373	2
Subtotal.....		6,981	3,919	3,061
Other securities with carrying value not exceeding acquisition cost				
Stocks		394	399	(5)
Other		2	2	-
Subtotal.....		396	402	(5)
Total		¥7,378	¥4,322	¥3,056

(*6) Other securities sold for the year ended March 31, 2019 and 2018 are as follows:

	Millions of Yen			Thousands of U.S.dollars (Note 4)		
	2019			2019		
	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	¥241	¥141	¥0	\$2,176	\$1,274	\$0
Total	¥241	¥141	¥0	\$2,176	\$1,274	\$0

	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	-

18. 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.

The changes in the retirement benefit obligation for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Balance at the beginning of the year	¥12,926	¥12,008	\$116,450
Service cost	937	885	8,441
Interest cost	58	56	523
Actuarial loss	265	176	2,387
Retirement benefits paid	(676)	(313)	(6,090)
Prior service cost	-	63	-
Other	(53)	50	(477)
Balance at the end of the year	¥13,458	¥12,926	\$121,243

The changes in plan assets for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Balance at the beginning of the year	¥10,661	¥9,733	\$96,045
Expected return on plan assets	264	242	2,378
Actuarial loss	(65)	(26)	(586)
Contributions by the Company	909	935	8,189
Retirement benefits paid	(580)	(249)	(5,225)
Other	(21)	25	(189)
Balance at the end of the year	¥11,168	¥10,661	\$100,613

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2019 and 2018 for the Company's and the consolidated subsidiaries' defined benefits plans:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Funded retirement benefit obligation.....	¥13,360	¥12,796	\$120,360
Plan assets at fair value	(11,168)	(10,661)	(100,613)
	2,191	2,135	19,739
Unfunded retirement benefit obligation	97	129	874
Net liability for retirement benefits in the balance sheet ...	2,289	2,265	20,622
Liability for retirement benefits	2,289	2,265	20,622
Asset for retirement benefits.....	-	-	-
Net liability for retirement benefits in the balance sheet ...	¥2,289	¥2,265	\$20,622

The components of retirement benefit expense for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Service cost	¥937	¥885	\$8,441
Interest cost	58	56	523
Expected return on plan assets	(264)	(242)	(2,378)
Amortization of actuarial loss	289	304	2,604
Amortization of prior service cost	(3)	59	(27)
Retirement benefit expense	¥1,017	¥1,064	\$9,162

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Prior service cost	(¥3)	(¥3)	(\$27)
Actuarial loss (gain)	(41)	102	(369)
Total	(¥44)	¥98	(\$396)

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Unrecognized prior service cost	-	¥3	-
Unrecognized actuarial loss	(1,366)	(1,325)	(12,306)
Total	(¥1,366)	(¥1,322)	(\$12,306)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2019 and 2018 is as follows:

	Millions of Yen	
	2019	2018
General accounts	12%	12%
Bonds	54%	56%
Stocks	13%	13%
Other	21%	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.

	2019	2018
Discount rate	0.6%	0.7%
Expected long-term rate of return on plan assets.....	2.5%	2.5%
Expected rates of salary increases	5.0%	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, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Balance at the beginning of the year	¥84	¥82	\$757
Retirement benefit expense	45	38	405
Retirement benefits paid	(19)	(12)	(171)
Contributions to plans	(24)	(24)	(216)
Other	(0)	0	(0)
Balance at the end of the year	¥85	¥84	\$766

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2019 and 2018 for the Company's and the consolidated subsidiaries' defined benefits plans:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Funded retirement benefit obligation	¥247	¥224	\$2,225
Plan assets at fair value	(296)	(269)	(2,667)
Unfunded retirement benefit obligation	134	129	1,207
Net liability for retirement benefits in the balance sheet ...	85	84	766
Liability for retirement benefits	188	181	1,694
Asset for retirement benefits	(102)	(96)	(919)
Net liability for retirement benefits in the balance sheet ...	¥85	¥84	\$766

Retirement benefit expenses calculated using the simplified method for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Retirement benefit expenses	¥45	¥38	\$405

Contributions to defined contribution plans of the Company and its consolidated subsidiaries for the years ended March 31, 2019 and 2018 are as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Contributions to defined contribution plans	¥581	¥563	\$5,234

19. Income Taxes

Deferred tax assets and liabilities (both current and non-current) as at March 31, 2019 and 2018 consisted of the following elements:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Deferred tax assets:			
Accrued enterprise tax	¥177	¥192	\$1,595
Accrued employees' bonuses	840	826	7,568
Net liability for retirement benefits.....	734	729	6,613
Loss carried forward (* 2).....	1,306	972	11,766
Loss on write-down of investments in securities	228	305	2,054
Surplus on allowance for doubtful accounts.....	136	156	1,225
Unrealized gains	555	585	5,000
Others	1,246	1,137	11,225
Subtotal deferred tax assets	¥5,225	¥4,905	\$47,072
Less: valuation allowance for tax loss carryforwards(* 2)	(1,185)	-	(10,676)
Less: valuation allowance for deductible temporary difference.....	(856)	-	(7,712)
Subtotal valuation allowance(* 1)	(2,041)	(1,239)	(18,387)
Total deferred tax assets	¥3,184	¥3,666	\$28,685
Deferred tax liabilities:			
Reserve for advanced depreciation of building	-	(10)	-
Unrealized loss on other securities	(769)	(824)	(6,928)
Others	(137)	(66)	(1,234)
Total deferred tax liabilities	(907)	(901)	(8,171)
Net deferred tax assets	¥2,276	¥2,764	\$20,505

(NOTES)

(* 1): Valuation allowance increased by ¥ 802 million. While valuation allowance of the Company decreased by ¥ 551 million, valuation allowance of a consolidated subsidiary in North America increased by ¥ 1,204 million.

(* 2): A breakdown of net operating loss carryforwards and valuation allowance by expiry date as of March 31, 2019 is as follows:

	Millions of Yen						Total
	2019						
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	
Net operating loss forwards (a) ...	-	-	-	-	-	¥1,306	¥1,306
Valuation allowance	-	-	-	-	-	(1,185)	(1,185)
Deferred tax assets	-	-	-	-	-	120	120
							(b)

	Thousands of U.S. dollars (Note 4)						Total
	2019						
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	
Net operating loss forwards (a) ...	-	-	-	-	-	\$11,766	\$11,766
Valuation allowance	-	-	-	-	-	(10,676)	(10,676)
Deferred tax assets	-	-	-	-	-	\$1,081	\$1,081
							(b)

(a): The amount is determined by multiplying the corresponding net operating loss carryforwards by the effective statutory tax rate.

(b): Deferred tax assets of ¥ 120 million are related to tax loss carryforwards of ¥ 1,306 million. The tax loss carryforwards for which the Company recognized deferred tax assets are determined to be recoverable by expected future taxable income.

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

	<u>2019</u>	<u>2018</u>
Effective statutory tax rate	30.6%	30.8%
Adjustments:		
Entertainment and other nondeductible expenses	0.7	0.6
Dividends and other nontaxable income	(2.7)	(2.3)
Inhabitant tax on per capita levy	0.6	0.6
Nondeductible amortization of goodwill	0.7	0.8
Eliminated dividend received from subsidiaries.....	3.1	2.5
Realization of tax benefits on operating losses	(0.8)	(0.5)
Tax credit for research and development expenses	(0.3)	(0.2)
Valuation allowance	5.9	(0.2)
Deferred tax assets reduced by change of taxation rates	–	2.4
Difference of foreign subsidiaries' taxation rates	(0.3)	(0.7)
Equity in earnings of affiliates	(0.4)	(0.2)
Others	0.3	0.2
Actual tax rate	<u>37.4%</u>	<u>33.8%</u>

20. Business Combinations

Business Combinations by Acquisition:

(1) Outline

(a) Name of Company and Description of Acquired Business

Name of Company : Service Tracking Systems, Inc. (hereinafter referred to as "STS")

Description of Acquired Business : Valet Parking Business

(b) Purpose of Business Acquisition

In addition to the market share of parking fee maintenance system which is Amano McGann, Inc. (hereinafter referred to as "AMI") mainstream business, through the acquisition of the valet parking business from STS who pioneered the related market and has the top market share, we are seeking further growth in the parking business in North America based on STS's products, services and customer base.

(c) Acquisition Date

February 2, 2018

(d) Legal form for Business Combinations

Business Acquisition

(e) Main basis for deciding on the acquirer

As AMI took over the business in compensation for cash, AMI was determined to be an acquirer.

(2) Period of performance of the acquired company included in the consolidated financial statements

From February 2, 2018 to December 31, 2018

(3) Purchase Price

Acquisition price : ¥2,178 million (US\$20.5 million)

Acquisition cost : ¥2,178 million (US\$20.5 million)

*Convert 1USD = JPY106.27: as of March 31, 2018

(4) Goodwill

(a) Amount of Goodwill

¥519 million (US\$4.892 million)

*Convert 1USD = JPY106.27: as of March 31, 2018

(b) Cause of occurrence

Expected excess earning power of future by business expansion from now on.

(c) Amortization method and period

Straightline method for 3 years

(5) Amount and details of main acquisition related expenses

Remuneration and fees for Lawyer, Accountant, Advisory : ¥94 million (US\$0.85 million)

Transactions under common control (Incorporation-type Company Split of consolidated subsidiary)

(1) Outline of transactions

(a) Name and content of the targeted business

Time distribution & authentication service, Time stamp service

(b) Date of business combination

July 2, 2018

(c) Legal form for Business Combinations

Incorporation-type company split in which Amano Business Solutions Corporation (hereinafter referred to as "ABS") is the splitting company and Amano Secure Japan Corporation is the newly established successor company.

(d) Company name after combination

Amano Secure Japan Corporation

(e) Other Matters for outline of transactions

Following the enforcement of the Act on Electronic Signatures and Certification Business (E-Signature Law) in the year 2000, the Amano Group started its timestamp service business in 2001.

In 2003, Amano Time Business Corporation ("ATB") was established and in 2010, ATB was merged into ABS. ABS has continued to provide time certification and distribution services as well as engaging in the timestamp service business as a part of its business.

As demand for timestamp service has been increasing not only in Japan but also overseas, the Company has decided to spin off this time certification, distribution and timestamp service business from ABS and create a new subsidiary enabling faster decision-making processes and to allow greater organizational independence for further expansion and growth of this business.

(2) Outline of implemented accounting

Accounted for as transactions under common control in accordance with "Accounting Standard for Business Combination" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures".

21. 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				
	2019				
	Reportable segments		Total	Adjustments/ Eliminations	Consolidated
Time information system business	Environment system business				
Net sales:					
Sales to third parties	¥96,665	¥35,047	¥131,713	-	¥131,713
Intersegment sales and transfers	-	-	-	-	-
Total	96,665	35,047	131,713	-	131,713
Segment profit or loss	13,590	5,621	19,211	(¥4,049)	15,161
Segment assets	71,224	29,277	100,501	47,107	147,609
Depreciation and amortization	4,706	565	5,271	577	5,849
Investment in equity-method affiliates.....	1,843	-	1,843	-	1,843
Increase in tangible and intangible fixed assets ...	4,020	513	4,534	547	5,081

	Millions of Yen				
	2018				
	Reportable segments		Total	Adjustments/ Eliminations	Consolidated
Time information system business	Environment system business				
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

	Thousands of U.S. dollars (Note 4)				
	2019				
	Reportable segments		Total	Adjustments/ Eliminations	Consolidated
Time information system business	Environment system business				
Net sales:					
Sales to third parties	\$870,861	\$315,747	\$1,186,608	-	\$1,186,608
Intersegment sales and transfers	-	-	-	-	-
Total	870,861	315,747	1,186,608	-	1,186,608
Segment profit or loss	122,437	50,641	173,078	(\$36,484)	136,594
Segment assets	641,658	263,762	905,420	424,395	1,329,815
Depreciation and amortization	42,397	5,097	47,495	5,200	52,694
Investment in equity-method affiliates.....	16,612	-	16,612	-	16,612
Increase in tangible and intangible fixed assets ...	36,222	4,626	40,848	4,930	45,778

(2) Related Information

Geographic Segments

Information by geographic region for the years ended March 31, 2019 and 2018 is summarized as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Net sales:			
Japan	¥86,425	¥83,620	\$778,610
North America	16,895	16,469	152,209
Others	28,392	24,315	255,787
Total	¥131,713	¥124,405	\$1,186,608
	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Tangible fixed assets:			
Japan	¥18,765	¥20,745	\$169,055
Others	3,345	3,234	30,143
Total	¥22,111	¥23,980	\$199,199

(3) Information on both “amortization of goodwill” and “unamortized balance” by reportable segments as at and for the years ended March 31, 2019 and 2018 is summarized as follows:

	Millions of Yen				
	2019				
	Reportable segments		Total	Eliminations/ Corporate	Total
Time information system business	Environment system business				
Amortization of goodwill	¥485	60	¥545	-	¥545
Unamortized balance	¥2,598	135	¥2,734	-	¥2,734
	Millions of Yen				
	2018				
	Reportable segments		Total	Eliminations/ Corporate	Total
Time information system business	Environment system business				
Amortization of goodwill	¥450	60	¥511	-	¥511
Unamortized balance	¥2,695	199	¥2,895	-	¥2,895
	Thousands of U.S.dollars (Note 4)				
	2019				
	Reportable segments		Total	Eliminations/ Corporate	Total
Time information system business	Environment system business				
Amortization of goodwill	\$4,375	540	\$4,916	-	\$4,916
Unamortized balance	\$23,412	1,223	\$24,635	-	\$24,635

(4) Information on “Impairment loss of fixed assets” by reportable segments for the years ended March 31, 2019 is summarized as follows:

	Millions of Yen				
	2019				
	Reportable segments		Total	Eliminations/ Corporate	Total
Time information system business	Environment system business				
Impairment loss	¥220	-	¥220	-	¥220
	Thousands of U.S. dollars (Note 4)				
	2019				
	Reportable segments		Total	Eliminations/ Corporate	Total
Time information system business	Environment system business				
Impairment loss	\$1,988	-	\$1,988	-	\$1,988

22. Per Share Data

Net assets and net income per share as at and for the years ended March 31, 2019 and 2018 are as follows:

(1) Net assets per share

	Yen		U.S.dollars (Note 4)
	2019	2018	2019
Net assets per share	¥1,417.86	¥1,381.90	\$12.774

The basis for these calculations is as follows:

	Millions of Yen		Thousands of U.S.dollars (Note 4)
	2019	2018	2019
Total net assets in consolidated balance sheet ...	¥106,592	¥105,634	\$960,290
Amount to be deducted from total net assets ...	630	543	5,682
(Out of the above non-controlling interest portion) ...	(630)	(543)	(5,682)
Net assets relating to common stock	105,961	105,091	954,605

	Shares	
	2019	2018
Number of shares of common stock used to compute net assets per share	74,733,204	76,048,226

(2) Net income per share

	Yen		U.S.dollars (Note 4)
	2019	2018	2019
Net income per share	¥121.17	¥132.12	\$1.092

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)
	2019	2018	2019
Net income in the consolidated statement of income ...	¥9,142	¥10,019	\$82,362
Net income relating to common stock	9,142	10,019	82,362

	Shares	
	2019	2018
Average number of shares of common stock outstanding during the year ...	75,452,437	75,839,732

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 & Managing Operating Officer

Takeshi AKAGI

Yasuhiro SASAYA

Director & Operating Officer

Kunihiro IHARA

Manabu YAMAZAKI

(Outside) Director

Isao KISHI

Kiyoshi KAWASHIMA

Michinobu OMORI

(Full-time) Audit & Supervisory Board Member

Toru UENO

Bungo NOGAWA

(Outside) Audit & Supervisory Board Member

Takehide ITONAGA

Hanae NAKAYA

Executive Operating Officer

Hiroshi SHIRAISHI

Managing Operating Officer

Minoru YONEZAWA

Operating Officers

Susumu IKOMA

Tatsuo NIIHO

Masahiko MORITA

Myeong-Jin JEON

Tetsuhiro KONDO

Jun NAKAKURO

Sachio OTAKA

Takashi KASAI

Yoshihiko HATA

Hiroyuki KOBARI

Kirihito NINOMIYA

Fujinori TAZO

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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