# FINANCIAL REPORT

April 2009 – March 2010


AMANO Corporation

# Management Policy

## 1. Basic Management Policy

Throughout its history, Amano has adhered to a basic policy of putting the customer first. This has meant paying heed to what its customers say, based on the corporate themes of “people and time” and “people and the environment,” and giving pivotal importance to customer satisfaction throughout its business activities, particularly in sales, production, and development activities.

In accordance with this fundamental policy, Amano continues to undertake business activities with the goal of earning the trust and high regard of all those who support it: customers, employees, shareholders, suppliers and other entities with which it does business, and the local community. It achieves this by providing a variety of products, systems, services, and solutions that match the needs of customers in relation to the themes of “people and time” and “people and the environment.”

Amano and its Group companies direct their efforts towards maximizing corporate value by fostering innovation in management and by ensuring a strong earnings structure and sustained growth in business performance.

## 2. New Medium-Term Management Plan

### [1] Basic Policies

Building on the success of the previous management plan, which aimed at “a strong profit structure and sustainable growth,” under the new medium-term management plan the Group is positioning Amano McGann, Inc. of the U.S. and Horosmart, S.A. of France as key drivers for global development of parking system and information system businesses, particularly in the U.S. and Europe, and focusing on business expansion in Japan.

Amano and its Group companies each continue the tradition of evolving continuously in response to changes in the times, while maintaining the following four immutable strategies of the Amano Group.

1) Emphasis on Time & Ecology business fields, and enhancement of core business
2) Being a niche leader in the business fields in which we excel
3) Constant restructuring
4) Management based on cash flow

Based on these four fundamental strategies, in April 2008 Amano inaugurated a new three-year medium-term management plan.

However, from the latter part of 2008, the worldwide financial crisis stemming from the subprime mortgage issue in the U.S. seriously affected the real economy on a global scale. Since the business environment envisaged when we formulated this medium-term management plan has changed dramatically.

1. Business Strategy

- Expanding business in the North American and European markets

In North America we will merge Amano McGann's parking management software with Amano Group's software and hardware, and expand the market for parking systems by strengthening direct sales structures to work closely with customers in proposing solutions.

In Europe we will merge Horosmart's French software, hardware, and customer base with Amano Group's software and hardware. We will also expand our information system business in the French market and use this as a springboard for expansion into the wider European market, including the UK and the Benelux region.

- Expanding business in the Japanese market

In the Japanese market we will reinforce ties with domestic group companies, particularly in the information system and parking system fields. We will also further expand our existing customer base and create new markets by strengthening our service and holistic solution capabilities and launching new products.

2. Enhancing Profitability

- Boosting profitability in the information system and parking system businesses

In overseas markets we will increase profitability by implementing our business strategies for Amano McGann and Horosmart to maximize these profitable companies' contribution to consolidated results. This will be achieved through increased sales in the North American and European markets, particularly sales of high-added-value products.

As for the Japanese market, in the information systems field we will continue to standardize large-scale solution systems and increase added value by expanding sales of software to small and medium-sized businesses. In the parking systems field we will boost profitability by developing cost-competitive products and strengthening cost control for each site.

3. Improving Capital Efficiency

- Return on equity (ROE)

As well as focusing on enhancing the profitability of all businesses, we will strive to improve capital efficiency through steps such as flexible purchasing of treasury stock and aim for ROE of 10.0% on a consolidated basis.

[2] Numerical target plans

The original numerical target plans for fiscal year ended March 31, 2011, were revised to; Net Sales ¥83.1bn (+5.7% year-to-year), Operating Income ¥3.2bn (+66.1% year-to-year), Ordinary Profit ¥3.5bn (+43.7% year-to-year), Net Income ¥1.3bn (+28.7% year-to-year).

3. Basic Policy on Distribution of Profits, and Dividend for This and Next Term

Amano places great importance on its policy for dividends to shareholders. Fundamental to this is its policy for the return of profit to shareholders, based on maintaining a stable ordinary dividend of ¥26 annually (¥13 interim and ¥13 year-end), together with appropriate results-based distributions and flexible purchasing of treasury stock. The Company aims to maintain a payout ratio of at least 35% on a consolidated basis and a ratio of dividend to net assets of at least 2.5%.

In line with this policy, we plan to pay a year-end dividend of ¥13 per share, unchanged from the amount paid at the end of the previous year. As a result, the annual per-share dividend will be ¥26 (including the ¥13 per share paid as the interim dividend), ¥4 lower than the previous year. This corresponds to a dividend payout ratio of 197.0% and a 2.7% ratio of dividends to net assets on a consolidated basis.

With regard to the dividend for the next fiscal year, we will aim to pay a dividend for the year of ¥26 (interim dividend of ¥13, and year-end dividend of ¥13).

Retained earnings will be earmarked for 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 plant and equipment for the purpose of reducing costs and further improving product quality.

Kaoru Haruta
President and CEO

# Business Performance

## Analysis of Business Results

Business Results in the Year Ended March 31, 2010

The Japanese economy during the fiscal year ended March 31, 2010 saw some evidence of economic recovery and signs of bottoming of capital expenditure on the back of an increase in exports. This was supported by factors including economic growth in Asian countries. However, difficult circumstances continued as the employment and income environment remained sluggish.

Amid this business environment, we emphasized Group growth strategies based on our new medium-term management plan. While working to globally develop products and markets and enhance our capacity to provide holistic solutions, the entire company focused on the in-depth cultivation of client needs and continued efforts to reduce cost of sales and selling, general and administrative expenses.

However, the impact of decreased demand due to our clients' increasing unwillingness for capital spending exceeded our expectations by a significant margin.

As a result of the above, during the year the Company recorded sales of ¥78,586 million, down by 14.4% year-on-year. Operating profit fell by 64.1% to ¥1,927 million, ordinary profit declined by 54.0% to ¥2,436 million, and net income dropped by 54.3% to ¥1,011 million.

The following is an overview of sales by business division.

### Sales by business division

(Unit: Millions of yen)

| | Year ended March 31, 2009 | | Year ended March 31, 2010 | | Change | |
|---|---|---|---|---|---|---|
| | April 1, 2008 to March 31, 2009 | | April 1, 2009 to March 31, 2010 | | | |
| | Amount | Ratio (%) | Amount | Ratio (%) | Amount | % |
| Time Information System Business | | % | | % | | % |
| Information Systems | 19,848 | 21.6 | 17,440 | 22.2 | (2,408) | (12.1) |
| Time Management Equipment | 5,361 | 5.8 | 4,316 | 5.5 | (1,045) | (19.5) |
| Parking Systems | 38,968 | 42.5 | 37,786 | 48.1 | (1,182) | (3.0) |
| Subtotal | 64,177 | 69.9 | 59,542 | 75.8 | (4,635) | (7.2) |
| Environment System Business | | | | | | |
| Environmental Systems | 19,066 | 20.8 | 11,521 | 14.6 | (7,545) | (39.6) |
| Cleaning Systems | 8,569 | 9.3 | 7,523 | 9.6 | (1,046) | (12.2) |
| Subtotal | 27,635 | 30.1 | 19,044 | 24.2 | (8,591) | (31.1) |
| Total | 91,812 | 100.0 | 78,586 | 100.0 | (13,226) | (14.4) |

## Time Information Systems Business

- Information Systems:
  Time & attendance (T&A), payroll, human-resource management, access control, and cafeteria management systems

- Time Management Equipment:
  Time recorders, and time stamps

- Parking Systems
  Parking and bicycle-parking space management equipment, and management services

### Information Systems

This business division has continued to experience a tough business environment in the domestic market due to factors including flagging demand, reflecting less IT investments by companies, in addition to growing competition in the market, despite signs of economic recovery. Meanwhile, the environment surrounding the business in this segment has been undergoing a significant shift from a period of owning systems to a period of utilizing them, with an increasingly prominent movement in the industry toward cloud computing which is known as the next-generation business.

Under these circumstances, the Company has focused on strengthening its operating activities by holding private seminars throughout Japan and providing solutions to existing customers. The aim was to capitalize on opportunities arising out of

demands such as system renewal and program modifications, in order to comply with the Revised Labor Standards Act by the time it came into force on April 1, 2010. In addition, the Company has worked on expanding demand for Application Service Provider (ASP) services by reinforcing alliances with Group companies in Japan in order to respond to the needs in the marketplace.

During the year, hardware sales declined by ¥1,292 million (20.6%) year-on-year, due to factors including a decrease in orders for large projects. Software sales decreased by ¥239 million (6.3%), and sales generated by maintenance contracts and supplies services slipped by ¥224 million (7.0%). Although software sales decreased compared with the previous fiscal year, the number of pieces of software sold increased year-on-year as a result of increased demand in association with activities to comply with the Revised Labor Standards Act in the fourth quarter.

As a result, T&A system sales were down by ¥1,413 million (14.4%), while access control system sales slipped by ¥300 million (22.7%).

While European sales remained strong with increased revenue on a local currency basis, driven by the solid growth of Horosmart S.A., exchange rate fluctuations resulted in reduced revenue on a yen basis. Sales decreased in North America and Asia. Total overseas sales dropped ¥648 million (down 10.8% year-on-year).

As a net result of the above, overall sales in this business division totaled ¥17,440 million, representing a decrease of 12.1% from the previous year.

### Time Management Equipment

This segment continues to face a difficult business environment in Japan as a result of a continued decrease in unit sales due to factors including a shift toward low-cost units, in addition to a drop in the number of new store openings and the sluggish demand for replacements.

In order to combat this market environment, Amano has been making efforts to cultivate demand for replacement and developing new markets. These include launching a new type of time recorder, with a low-cost design that offers high-functionality, and an IC-type time recorder which can be connected to a PC with enhanced usability and ecological elements.

During the year, aggregate sales including exports fell by ¥545 million (14.7%) year-on-year, despite a positive effect from launching new products in the domestic market.

As overseas demand remained sluggish during the period across North America, Europe and Asia, overall overseas sales were down by ¥663 million (a year-on-year decrease of 30.5%).

As a result of the above, the time management equipment business division generated sales totaling ¥4,316 million, down by 19.5% from the previous year.

### Parking Systems

This segment saw moderate recovery in demand both for new and renewal projects in Japan. Amid the recovery in car sales supported by economic measures including subsidies for those who are purchasing new cars for replacement, parking lot occupancy rates improved in line with an increased car usage and this resulted in the resumption of renewal projects which had been postponed. Another factor behind the recovery is advancement in "Scrap and Rebuild" plans of unprofitable parking lots by parking management companies.

In the operational environment surrounding the parking business, the number of new initiatives reflecting the motorized society has been increasing. These include measures against greenhouse gas emissions, efforts to build park-and-ride parking spaces which aim to ease traffic congestion, introduction of car sharing services, and an expansion of charging stations for electric vehicles. As a result of the above, parking space management that focuses on the needs of parking lot users has become increasingly important.

Amid this market environment, the Company has been striving to spur demand for replacement by focusing on making proposals from the customer's perspective, emphasizing areas such as higher profitability and efficiency of parking space management and reinforcing its provision of solutions in collaboration with Group companies in Japan.

In the market for exclusive gate systems, the Company has also focused on cultivating new markets to promote safety and security in addition to encouraging efforts for labor saving and rationalization.

Sales of car and bicycle parking system devices decreased by ¥1,473 million (10.4%) from a year earlier due to a decrease in orders for large projects, while revenues from maintenance contracts and supplies services increased by ¥197 million (2.4%).

The number of parking spaces managed by Group subsidiary, Amano Management Service Corporation in its commissioned parking lot management business increased by 24,400 (16.1%) from the end of the previous fiscal year.

Overseas, sales in North America and Europe declined due to the deteriorating economic climate while revenue in Asia increased from the previous year as a result of double-digit growth in South Korea and Malaysia. Overall, overseas sales decreased by ¥1,510 million, down 11.9% year-on-year.

As a net result of the above, the Parking Systems business division provided sales totaling ¥37,786 million, a drop of 3.0% from the previous year.

## Environment System Business

- Environmental Systems:
  Standard dust collectors, large dust collection systems, pneumatic powder conveyance systems, high-temperature hazardous-gas removal systems, deodorization systems, and electrolytic water generators

- Cleaning Systems:
  Cleaning equipment, dry-care cleaning systems, and cleaning management services

### Environmental Systems

As capital expenditure by manufacturers remained sluggish in Japan, this business division continued to face a challenging operational environment despite a prominent recovery in demand in the electric device-related segment such as liquid crystal and semiconductor products in addition to the movement toward resuming projects that had been frozen or postponed in the past.

In an effort to ride out this economic environment, Amano has been devoting efforts to stimulate demand by strengthening direct sales to existing customers through activities including dust explosion prevention seminars as a measure to promote safety and security, aimed at compliance with environmental legislation and proposals on labor-savings and cost cuts.

Revenue from this segment dropped substantially during the period. As a breakdown, sales of large-scale systems fell by ¥3,449 million (46.0%) year-on-year while revenue from standard equipment declined by ¥2,584 million (41.9%), and revenue from maintenance contracts and supplies services decreased by ¥964 million (25.5%).

Overseas operations remained sluggish with a decline in orders, reflecting reduced capital investment by Japanese companies operating in Asia. Overall overseas sales fell by ¥469 million (down 40.6% year-on-year).

As a result of the above, sales of this business division totaled ¥11,521 million, down by 39.6% year-on-year.

### Cleaning Systems

This business division continued to face a difficult business environment in Japan with fewer new commercial facilities opened and capital investment in the factory market remain-

ing sluggish, despite a shift from outsourcing to in-house cleaning in an effort to curb cleaning costs.
In an effort to fight against the prevailing conditions, the Company has focused on stimulating demand by rolling out demonstrations of cleaning machines throughout Japan. The aim is to obtain opportunities for making specific proposals leveraging the effect of lower cleaning costs.
In addition to falling demand for buffing machines from the previous fiscal year, sales of floor cleaning equipment were affected by reduced capital investment in floor cleaning machines for factories. Consequently, year-on-year sales declined by ¥422 million (17.1%). Revenues from maintenance contracts and supplies services were down by ¥202 million (6.3%).
Overseas sales in this segment slowed in North America, Europe, and Asia. Overall, overseas sales decreased by ¥293 million (down 14.9% year-on-year).
As a result of the above, sales in this segment totaled ¥7,523 million, down by 12.2% from the previous year.

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## Analysis of Financial Condition

### (i) Assets, Liabilities, and Net Assets

**• Assets**

Total assets at March 31, 2010, amounted to ¥100,687 million, down by ¥1,505 million from the previous fiscal year-end. Current assets increased by ¥2,095 million year-on-year. This was chiefly due to a ¥4,956 million increase in cash and bank deposits despite a reduction of ¥2,517 million in notes and accounts receivable. Fixed assets decreased by ¥3,600 million year-on-year. This was attributable primarily to a reduction of ¥1,634 million in intangible fixed assets and a ¥1,580 decrease in long-term deposits.

**• Liabilities**

Total liabilities at the fiscal year-end amounted to ¥25,719 million, down by ¥1,078 million year-on-year. Current liabilities dropped ¥761 million year-on-year. This was largely due to decreases in accounts payable and accrued expenses among others, as well as a reduction of ¥1,053 million in other current liabilities. Fixed liabilities decreased by ¥317 million year-on-year. The principal factors behind this were a reduction of ¥391 million in long-term accounts payable and a ¥324 million decrease in accrued retirement benefits for employees despite a ¥512 million increase in lease obligations.

**• Net Assets**

Total net assets at March 31, 2010 amounted to ¥74,968 million, down by ¥427 million from the previous fiscal year-end. This was primarily due to a reduction of ¥1,150 million in total retained earnings with factors including dividends from surpluses, despite an increase of ¥590 million in total valuation and translation adjustments resulting from a rise in foreign currency translation adjustments, etc.

### (ii) Cash Flows

Consolidated cash and cash equivalents increased by ¥4,224 million from the previous fiscal year-end, to a total of ¥20,933 million on March 31, 2010. More specifically, a description of the status of each type of cash flow at the year-end and the underlying factors are as follows.

### (1) Cash flow from operating activities

Net cash provided by operating activities totaled ¥9,064 million. This was attributable primarily to depreciation and amortization amounting to ¥4,676 million, a reduction of ¥2,661 million in trade notes and accounts receivable, and income before income taxes totaling ¥2,366 million, among others, despite the fact that we posted ¥1,303 million in income taxes paid.

### (2) Cash flow from investing activities

Net cash used in investing activities declined to ¥2,412 million. This was largely due to an increase in time deposits amounting to ¥4,625 million, payment for acquisition of securities amounting to ¥2,029 million, payment for purchase of tangible fixed assets totaling ¥1,657 million, and payment for acquisition of intangible fixed assets amounting to ¥1,639 million, among others, despite the fact that we posted proceeds from withdrawal of time deposits amounting to ¥5,207 million and proceeds from redemption of securities totaling ¥2,000 million.

### (3) Cash flow from financing activities

Net cash used in financing activities declined to ¥2,383 million. This was chiefly due to ¥1,992 million paid as dividends.

Reference: Trend of cash flow indicators

| | At Mar. 31, 2006 | At Mar. 31, 2007 | At Mar. 31, 2008 | At Mar. 31, 2009 | At Mar. 31, 2010 |
|---|---|---|---|---|---|
| Equity ratio (%) | 74.8 | 74.4 | 73.0 | 72.9 | 73.4 |
| Fair value equity ratio (%) | 156.0 | 103.6 | 70.6 | 58.8 | 64.7 |
| Ratio of cash flow to interest-bearing liabilities (%) | 42.2 | 36.2 | 17.5 | 24.1 | 17.1 |
| Interest coverage ratio | 88.1 | 125.3 | 166.6 | 200.7 | 250.6 |

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).
* Cash flow from operating activities refers to cash flow from operating activities posted under the consolidated statements of cash flows. Interest-bearing liabilities refers to those of the liabilities stated in the consolidated balance sheets on which interest is paid. Interest payments equate with interest paid stated in the consolidated statements of cash flows.

## Outlook for the Fiscal Year Ending March 31, 2011

Against the backdrop of a continuous recovery in the global economy, especially in emerging countries such as China, exports are expected to remain on an upward path, supporting the domestic production during the next fiscal year. However, a full-fledged recovery of the Japanese economy will be hindered by the prolonged perception of excessive employment and capital investment.

Amid this business environment, Amano Corporation and its group companies launched a new medium-term management plan covering a period of three years from April 2008. In line with the Group growth strategies set out in the plan, we will work to drive ongoing growth through the global development of markets and products in each of our business fields and to improve profitability by creating new business, and committing greater efforts to address accumulation business.

The following business results are projected for the fiscal year ending March 31, 2011: Sales ¥83,100 million, operating profit ¥3,200 million, ordinary profit ¥3,500 million, and net income ¥1,300 million. The above projections assume currency exchange rates of US$1 to ¥92 and €1 to ¥123.

## Operating and Other Risk

Among the matters relating to the qualitative information contained in these summary financial statements and relating to the consolidated financial statements, the following are those that could be envisaged as having a possible material impact on investors.

Matters that are considered to be potential risk factors in the undertaking of business by the Amano Group either now or in the future are estimated to the greatest extent possible, and the risk factors are then addressed and eliminated in the course of business activities.

Matters relating to the future are those that are adjudged to be so as of the date of the release of these financial results (May 7, 2010).

### (i) Impact on earnings due to changes in the business environ ment

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

In the year ended March 31, 2010, the time information system business accounted for 75.8% of total sales, and the environment system business accounted for 24.2%. Before deduction of unallocated expenses the time information system business contributed 96.5% to operating profit, while the environment system business contributed 3.5%. In terms of weighted average sales over the most recent five years, time information system business accounted for 68.7% of total sales and for 71.8% of operating profit.

With respect to future risk factors, in each business activity within the time information system business segment, which accounts for a large proportion of the Group's business, if market expansion is expected for such reasons as a significant change in the demand structure or the creation of a new market, it can be expected that this will attract entry by entities in other industries or by other powerful competitors. In that event, if a competitor were to enter with innovative products or solutions that surpass Amano's, the Amano Group's market advantage would decline, and that 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 transaction amounts overseas are converted into yen.

### (iii) Information security

In order to offer system solutions and undertake the application service provider business, the Amano Group handles confidential information such as personal information concerning customers or provided by customers. In view of this, the Group has developed a structure for the management of confidential information, implements thorough staff training, and uses software to prevent leaks of information for the purpose of preventing network access to confidential information and of preventing leaks of confidential information through the physical removal of data and information. To that end it has also established an Information Security Management Committee to ensure a foolproof structure. Nevertheless, in the event that an unforeseen situation were to arise, and information of the kind described above were to be disclosed externally, resultant factors such as loss of confidence may have a material impact on the Group's business performance.

## Issues to Be Addressed

The Company will take the following steps to achieve the goals set out in its new medium-term management plan.

### 1) Time information systems

#### •Information systems business

Amid continuing efforts by the labor authorities to more strictly monitor unpaid overtime and long working hours (overwork) in order to eradicate these practices as well as an increasing need to deal with risks surrounding employment, such as industrial court cases resulting from deteriorating employment conditions, there is strong potential demand among companies to establish or rebuild T&A systems. The aim is to create a company-wide labor time management system to optimize business operations by reducing working hours, improving work efficiency and cutting costs, etc. In addition, we will aim to strengthen measures for compliance toward appropriately managing working hours. However, market conditions remain tough due to sluggish demand reflecting the impact of reduced IT investments in addition to growing competition in the market. Meanwhile, the environment surrounding the business in this segment has been facing a significant shift from a period of owning systems to a period of utilizing them, with an increasingly prominent movement in the industry toward cloud computing which is known as the next-generation business.

In this market environment, we will focus on spurring latent demand in our solutions business targeted at large companies by strengthening our competitive advantage with enhanced software functions, and reinforcing our marketing structures with collaboration between sales staff and systems engineers. In addition, we will aim to expand our Application Service Provider (ASP) services business by reinforcing alliances with Group companies in Japan in order to respond to the changes of the times.

To enhance the profitability of this business, we will strictly manage revenue from our solutions business targeted at large companies, enhance our project management systems, cut costs by standardizing system software, and expand sales of standard software packages to small and medium-scale business establishments, so as to boost earnings capacity.

Overseas, we aim to strengthen our customer base and expand distribution channels in North America, leveraging the strengths of Accu-Time Systems, Inc. which we acquired in February 2010 in the U.S. In addition, we will work on establishing a global supply system and reducing development costs by expanding our hardware lineup. As a means of expanding our business, we will also extend sales channels for software products of Horosmart, S.A. (France) across Europe and reinforce our organizational structures toward globalization.

#### •Parking systems business

The parking systems business continues to see moderate recovery in demand both for new and renewal projects in Japan. Amid the recovery in car sales supported by economic measures including subsidies for those who are purchasing new cars to replace their old ones, parking lot occupancy rates improved in line with increased car usage and this resulted in the resumption of renewal projects which had been postponed. Another factor behind the recovery is advancement in "Scrap and Rebuild" plans of unprofitable parking lots by parking management companies. In the operational environment surrounding the parking business, the number of new initiatives reflecting the motorized society has been increasing. These include measures against greenhouse gas emissions, efforts to build park-and-ride parking spaces which aim to ease traffic congestion, introduction of car sharing services, and an increase in the charging stations for electric vehicles. As a result of the above, parking space management that focuses on the needs of parking lot users has become increasingly important.

In this environment we will focus on making proposals from the customer's perspective with an emphasis on areas such as higher profitability and efficiency of parking space management. We will steadily meet the needs of existing customers by offering high value-added products with network capabilities and in-built IT functions and forging ahead with the holistic solutions business, including maintenance and parking lot management services in close collaboration with Group companies.

In the market for bicycle parks that has arisen as a result of the problem of abandoned bicycles, we will seek to revitalize and expand the market by proactively making proposals on ecology-oriented initiatives including rental cycle and community cycle systems with the aim of reducing $CO_2$ emissions. In the market for exclusive gate systems controlling entry and exit to and from sites such as factories, we aim to expand the new market with the emphasis on safety and security in addition to making proposals on labor-savings and rationalization.

In order to boost profitability, we will make efforts including standardization of special-order products, strengthening of profit control for each site and self-manufacturing of purchased products, among others.

Overseas, we aim to expand business and establish ourselves as the top manufacturer of parking systems in the North American market, leveraging the strengths of Amano McGann, Inc. to further boost sales by building closer relationships with customers.

With an establishment of Amano UK Ltd. in England, we aim to capture demand for replacement from existing customers and cultivate the new market in Europe by leveraging direct distribution networks. In addition, we will strive to further expand our business in Asia with the main focus on South Korea. We also aim to secure the largest market shares in each market, proactively expanding our global operations.

### 2) Environment systems

#### •Environment systems business

As manufacturers' capital expenditure remained sluggish in Japan, the environment system business division continued to face a challenging business environment. This was despite a prominent recovery in demand in the electric device segment for products such as liquid crystals and semiconductors and despite moves toward resuming projects that had been frozen or postponed in the past. On the other hand, there has been a prominent shift in demand toward overseas markets as capital expenditure increases with a recovery in demand for machine tools in Asia, especially in the Chinese market.

Given these circumstances, we will make efforts to strengthen local production capabilities and distribution networks in China with the aim of increasing demand in the Chinese market by extending target segments from Japanese companies operating in China to local Chinese enterprises. In addition, we will strengthen our capability of developing new products with less environmental impact, launch new products to match the reduction in size and the diversification of machine tools, and enhance our lineup of dust-explosion-proof technologies to raise safety standards. We also aim to spur latent demand by expanding our maintenance business and further strengthen profit control for each site in order to boost profitability.

In overseas markets, we will expand business in Asia by building stronger ties with overseas Group companies in China, Thailand, and other Asian countries.

### 3) Human resource development

Recognizing that people are the most important management resource for the operation of our business, we have positioned human resource development as a priority issue and will focus on developing employees who have no fear of change and are willing to meet the challenges.

## Time Information Systems - Time Management Equipments

### From "Owning" to "Using" - The new cloud computing compatible "CYBER XEED T&A / HR / Payroll"

The much talked about "cloud computing service", is a computer processing service which enables the user to use of a variety of applications through the internet. Using a web browser, various application software can be accessed and used without the possession of dedicated software and/or networks. Amano provides an easy-to-use cloud computing service, the "CYBER XEED", for T&A and payroll processing. When considering outsourcing operations, 3 key "CS's" become the decisive factors; (A) Customers Satisfaction, (B) Consulting Solution, and (C) Continuous Service. By centralizing the control of "T&A, HR, Payroll" application databases, "CYBER XEED" can provide optimal utilization and high quality service meeting the needs for the cloud computing era.
A 3-day exposition, "The 1st Cloud Computing EXPO" was held from May 12th, 2010 at the Tokyo Big Site. It was the industry's first and much awaited for, exposition dedicated exclusively for cloud computing. One of Amano's group companies, Amano Business Solutions Ltd., exhibited the "CYBER XEED" and received high evaluations from many customers.

CYBER XEED

## Time Information Systems - Time Management Equipments

### IC card type Time Recorder Package "TimeP@CK-iC" - A new "Eco" friendly T&A

The PC-interface time recorder package "TimeP@CK" has been popular as an effective tool to improve the efficiency of T&A operations by enabling the user to upload, edit and tabulate T&A data on personal computers. In addition, it also offers compatibility to most payroll calculation software available on the market, allowing easy payroll processing as well. Now, a new product TimeP@CK-iC " has been added to the TimeP@CK series, which uses IC cards instead of time cards. While offering the same easy-to-use features from "TimeP@CK ", the IC cards used can also be used as company ID's. In addition, the IC cards come with the industry's first carbon offset rights ($CO2$ reduction credit). Each card will come with 2kg- $CO2$ rights. The $CO2$ emission equivalent of the electric energy used to operate "TimeP@CK-iC", will be offset by Amano. This partial offset by Amano will contribute to lowering the customers' total $CO2$ emissions. A design that would further encourage environmental consciousness, was adopted for the IC cards. Carbon offsetting products and services similar to this is increasing recently.

Comes with carbon offset rights "TimeP@CK-iC"

## Parking Systems

### The keyword is "Vehicle Identification & Control" - Rising demands in the exclusive gate system market

Currently, the installation of gate systems with vehicle identification and control functions is progressing not only for general public parking but also parking for "specific vehicles", and for this reason, the market demand for exclusive gate systems is rising. For example, at university campuses, the system is used for controlling vehicles of "employees and students". At hospital parking lots, in order to secure parking spaces for doctors and hospital employees separately from general visitors, it is used to control "specific registered vehicles". At station fronts, for "registered taxi control", and at highway tollgates, exclusive gate systems are used for securing "employee safety". In addition, at business sites, the system is used for checking "operational vehicles" at the entrance gates, and security control at research facilities. As described, the purpose for exclusive gate systems is to achieve "labor efficiency" and "rationalization", but its application is not limited to restricting / controlling vehicles, the demand is also spreading to safety and security.

Gate system for "specific vehicles"

### "The ticketing / exit pay system for flap-lock parking"-Synchronizing the flap-lock exit pay stations with the ticketing stations

February 2010, the new ticketing / exit fare system for flap-lock parking, which synchronizes the flap-lock exit pay station with the ticketing station, was installed at a city hall in Kanagawa prefecture.
In order to effectively use small sites for parking, the gateless Flap-lock parking systems are commonly installed for its simplicity. Flap-lock parking is a system whereby a flap, located on the ground, rises automatically after the vehicle stops at a designated position, which locks the vehicle. When exiting, entering the parking space number and paying the fare at the exit pay station will release the flap-lock. Parking systems at many city halls and other public facilities utilize ticketing systems for their dedicated parking lots, whereby, the user presents the ticket at the office or booth of intention and receives a parking discount voucher. However, due to being ticket less, the conventional flap-lock systems did not allow such discount services. The new ticketing / exit fare system for flap-lock parking, now allows system combination with ticketing systems and the user can now benefit from such discount services. In addition, the parking space numbers are now recorded on the tickets, which will eliminate fare errors at the exit pay stations.

Flap-lock exit pay station FT-4800

Flap-lock ticketing station GT-2750

## Environmental Systems

### Environmental systems, answering to the rising demand for standard dust collecting equipment in Asia

Up to now, Amano has expanded its markets by establishing subsidiaries in the Asian region (Malaysia, Singapore, Indonesia, Thailand, Korea, and China) to capture the demands for environmental products. Recently, both Japanese and local companies have increased production capabilities in China raising demand for machine tools and along with it, the demand for standard dust collecting equipment at factory sites are also on the rise. In order to capture this demand in China, Amano has; (A) Established a specialized organization to provide information, develop new customers and sales channels, (B) enhanced the sales, engineering, and service structure of the Chinese subsidiary.

### The compact pneumatic conveying system for powder and granular material, the "FPV series" and the testing plant aimed at the food and pharmaceutical industry

The transportation of raw material, such as beans and flour, for food and pharmaceutical industry requires more hygienic and technical considerations compared to that of general powder and granular material. Amano's compact pneumatic conveying system for powder and granular material, the "FPV series", is capable of hygienic transportation of material without retention or accumulation using air. The main body can be easily disassembled without tools and it is water washable.

The compact pneumatic conveying system for powder and granular material, the "FPV series"

Tests using the latest "testing plant for pneumatic conveying systems for powder and granular material" at our Hosoe facility, is showing a marked increase not only for general material but also the sanitary line designed for testing transportation of contamination susceptible food and pharmaceutical material. Amano is actively expanding into the food and pharmaceutical industry, using the know-how accumulated through the many installations of environmental products to the automobile, electric and machine, chemical industries.

The test line for sanitary transportation

## Cleaning Systems

### Expanding the market with the automatic floor scrubber with sweeping function

From the portable light weight & compact models to the ride-on models, suitable for large areas such as large commercial facilities, factories and warehouses, airports, stations, and other public facilities, Amano provides a wide range of automatic floor scrubbers known as "Clean Burny", which have received high evaluation.
The conventional method of cleaning commercial facilities such as shopping malls, major supermarkets, large DIY centers (with floors using plastic tiles, ceramic and stone materials), and hard floors in factories (painted concrete), required two steps. Grit and dust must be removed prior to cleaning.
The new "SE-430eSW" launched February 2010, comes with a specially designed sweeping brush, which will enable the user to sweep and clean simultaneously. By reducing operational man-hour, it is anticipated that the demand for this new automatic scrubber to rise as an effective tool for reducing cleaning costs.

Automatic floor scrubber with sweeping function SE-430eSW

## Domestic Group Companies

### With abundant knowledge growth continues "Amano parking administration and management services" - Amano Management Service Corporation

Amano Management Service Corporation (AMS hereunder) is a domestic member of the Amano group. It operates by receiving consignment contracts for "parking administration" and "parking management" and ever since the service started, the numbers of contracts have been increasing steadily.
For parking management, the keywords are "operational efficiency" and "improved profitability". Through stronger alliance with AMS, Amano is providing total solutions for parking management ("parking administration service " and "parking management service"). Depending on the customer's operational and administrative situation, Amano will implement optimal service and give appropriate advice, such as cost reduction measures, in accordance with their needs.
In addition, by strengthening efforts to engage PFI projects and "designated administrator system", which are measures implemented by the local municipalities to promote the consignment of municipal parking to the private sector, Amano anticipates continued growth in service contracts.

AMS Customer Support Center

## Overseas Group Companies

### Aquired Accu-Time Systems, Inc., - Expanding sales channels of Time Information business in the U.S.A.

February 2010, Amano acquired Accu-Time Systems, Inc. (ATS hereunder), a company based and located in Connecticut U.S.A. ATS is a leading company in manufacturing and sales of terminals for time information and T&A. in the U.S. It also operates in Europe through its sales offices. ATS is renowned for having a high quality customer base and is highly evaluated as a company that provides innovative and precise solutions With this acquisition, Amano has inherited the diversified range of time information and T&A products together with its quality customer base and by combining it with Amano's sales channels, it is anticipated that the synergy effect will accelerate the time information business, thereby expanding Amano's market presence in the U.S.

Accu-Time Systems, Inc. website
http://www.accu-time.com

# Amano Group Companies

## Amano USA Holdings, Inc.

Amano USA Holdings, Inc. and all of its subsidiaries are focused on pursuing its goal "to achieve sustainable and profitable growth and be the very best in our chosen markets". This goal requires constant innovation in the design and development of our products, and the provision of superior service to our customers.

### Amano McGann, Inc. – Parking

#### Engineering in Motion

The year 2009 was marked by the integration of the ACI parking engineering into AMI to allow for effective focus of resources for current business operations (maintaining products, enhancements and customs) and R&D (building for the future) in support of sustainable growth and market leadership.

#### Product Development

Development of the AMG7800 Pay Station with its new aesthetic design and smaller footprint was completed and generated much interest and excitement in the industry.
Also completed was the development of an imaging scanner Hotpocket option for lane devices providing end-user' s with the ability to create their own applications that interface with iParc Professional system.

2009 marked the start of the development of new advanced communications hardware supporting VoIP and compressed video with the intent to reduce parking installation time and cost.

#### Success Stories

Amano McGann continued its success in adding notable projects that include; Sea World Renaissance Orlando, Florida; CNN Center, Georgia; Duke University, North Carolina, Chicago Greenway Project and multiple projects from the prestigious Irvine Company Office Properties portfolio-Irvine, California.

AMI made 2009 a strong year for growth in the Airport market. Major installations in that market included Bangor Airport, Maine; Colorado Springs, Colorado, Kahului Airport (Maui), and T.F. Green Airport-Providence, Rhode Island, which included the first implementation of license plate recognition (LPR).

Increased success was experienced with specialty products focused on the hospitality industry such as Valet and Hotel PMS integration.
The company continued to strengthen its position with professional sports venues and convention centers with the enhanced Special Event System. Key wins included Citi Field (New York Mets), Dallas Performing Arts Center, and City of St. Paul.

#### Best In Show

Through its participation at the major Industry tradeshows, AMI received the prestigious "Best in Show" award at both the International and the National Parking Shows. The theme was coordinated around a yearlong marketing campaign designed around Amano McGann commissioned artwork by local Artist Michael Birawer.

### Amano Cincinnati, Inc. – Time & Security Division

#### New Product Launch

The FPT-40 Fingerprint terminal, designed to eliminate "buddy punching" through fingerprint recognition, was introduced to retail (Sam's Club and Costco). Costco agreed to sell TCX-45 in their retail stores across Canada. ACI launched the TS-3000i, a turn-key web based clock that provides users with automatic time synchronization for validated time.
Amano introduced Nexus 220, the next generation in access control by bridging the gap between small and medium access applications.

#### Product Development

2009 marked the start of several product development projects including Nexus Lite, an entry level access control system providing advanced features at a competitive price.


Also in development was Time Guardian Plus, the next generation time & attendance software with access control integration.

#### Success Stories

Fastenal, an international reseller of industrial and construction supplies a fortune 1000 company and a member of the S&P 500 now carries the Amano line of time products via their 2,300 store locations across North America and through their online store.
UBS Financial Services purchased the new TS-3000i Time Sync Clock for their locations across North America.

ACI installed the first integrated solution with AmanoNet and iParc at Esperante Corporate Center in West Palm, Florida. Other major Security Systems installations include: Jay County Hospital with the implementation of a 29-door Nexus 220 system and Medic 911 in Charlotte, with the implementation of a video management system using Amano's new Digital Video Management NVRs and software.

ACI delivered the first fully integrated solutions with the installation of Time Guardian PRO, Nexus 220 and Amano McGann Parking equipment to Goglanian Bakeries of California.

#### Successes In Latin America

ACI successfully installed solutions in Latin America including the World Trade Center in San Salvador, El Salvador. A new dealer agreement with Sharfstein has generated multiple orders with Universities and shopping malls across Chile.

### Amano Pioneer Eclipse – Cleaning Technologies

#### New Leadership

Thomas Benton was appointed President & CEO of Amano Pioneer Eclipse, Corp. With over 20 years in the cleaning industry, Tom is very focused on building growth and profitability through new products, new channel to market and geographic expansion.

#### Continuous Development

APEC continued the advanced development and promotion of the concrete polishing brand, PowerStar, to capture growth opportunities in the concrete surface maintenance market.
APEC continuously pursue additional third party green certification both domestically and internationally.

#### New Product Launch

APEC launched the PowerGloss concrete polishing pads which are part of the PowerStar Concrete Maintenance Program. The new pads allow traditional floor care professionals to use existing scrubbers and burnishers to maintain and restore concrete floor surfaces.
APEC introduced the PowerPolish and Power PolishHT curing pads specifically designed for burnishing and curing top coatings on concrete floor surfaces.

#### Major Successes

APEC successfully established EnviroStar Green HS25 finish program with Harris Teeter, a food market chain operating over 200 retail stores nationwide.
APEC expanded Dade Paper relationship to two major markets in Florida and Alabama.
APEC also secured the propane business with Food City food stores, one of the largest independent grocery chains in Kentucky, Virginia, and Tennessee with 93 stores.

## Amano Europe Holdings, N.V.

The way Amano handled the economical situation in Europe was by being extremely cautious in its day to day business combined with a good level of agility when it came to envisioning and embracing new opportunities as they occurred in 2009 and early 2010.

Central in the policy has been the strong believe in our ability to serve the existing customers as a stable base to create future growth. A restructuring plan has been executed in Spain, an investment plan is put into place for the new parking product range, X-Parc, Amano started direct sales activities in the UK, Amano bought two companies in France to enforce its position in the card printing business and we noted steady investments and growth in the Work Force Management sector. We are ready to cope with the challenges of the next years.

## WFM

The growing percentage of big and international accounts in the customer portfolio of the workforce management market is an indication that Amano is on the right track in its ambition to become a major European player. Internationalization combined with a strong focus on support, a profound knowledge of local customer needs and the ability to offer integrated solutions between facilities [parking, access and security] and people [workforce management and user identity management] solutions is the cornerstone of our strategy and the key of the success. New partnerships will enforce Amano's position in Europe.


## PARKING

A similar tendency and policy is applied in the parking business. X-Parc is positioned in the market as a solution rather than being just a range of products. It is our answer to fast evolving market needs both in the area of mobility and finance. Indeed, as parking solution provider we will offer fast and seamless integrations with governmental and private initiatives that seek solutions for modern urban mobility challenges, ease of use and the tendency to integrate a multitude of payment methods.

## ACCESS

Amano doesn't occupy a significant percentage in the European access control market nor is it active in the indirect sales of its access control products. Focus however is set to direct sales and to a tight integration with Amano's other competences in people management and parking control. Amano will continue to sell and support access control solutions with this strategy in mind. As an example of this we refer to the included success story of Nutrixo group in France.

## SUCCESS STORY

The European leader of Milling and Bakery, including the "Grands Moulins de Paris", the group Nutrixo includes 60 production sites in Europe and 5,000 employees. In order to strengthen the security of its sites Nutrixo quickly focused on our access solutions "Protecsys" for the following reasons:

1. Nutrixo wanted a single supplier and integrated solution for time management, control access and video surveillance systems.
2. Nutrixo wanted a multi-site solution.
3. Nutrixo was confident in our ability to roll our major projects, based on past experiences in the workforce management.
4. Nutrixo was looking for solutions that can be adjusted easily to local needs of each site.

We have demonstrated our ability to manage local projects while respecting the specifications of the national project team. The customer specifically appreciated the daily performance of the hotline when they encountered problems of deployment and exploitation. As a result of the introduction of the access control system Nutrixo could reduce in significant way thefts, vandalism and burglary. They also use the real-time counting functions which enable them at any time to know who is on the premises and they saved significantly in, previously outsourced, guarding services. The system will be paid back in less than one year.

# AKC developed the first Parking Location Guidance System in Korea

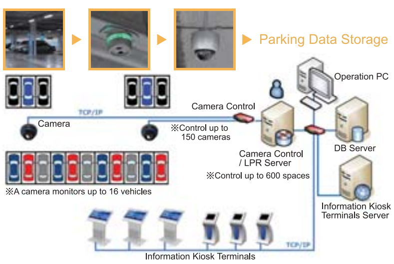
## Parking Location Guidance System

Enhance convenience and service for Customers

The Information kiosk terminal shows a route from your current location to where you parked a car. This service improves the convenience of customers and working efficiency for parking operators at a large-scaled parking lot such as shopping center, airport, and major station.

Through Parking Location Guidance System, once a vehicle is parked at a space, an identification camera installed in the parking lot recognizes a license plate. The data is connected to parking location data, vehicle ID number (license plate number), and vehicle image and then stored in the host system automatically. When a customer inputs 4-digit vehicle ID number at the information kiosk terminal, it shows a route from a present location to the parked vehicle.

System Configuration




## Case Study

### Times Square Parking Lot in Korea Large Commercial Complex opened in September 2009

Times Square, a large commercial complex that has department store, hotel, supermarket, movie theatre, wedding hall and restaurants opened in Seoul Korea. Amano Korea Corporation, one of the group companies of AMANO Corporation, introduced the Parking Location Guidance System to a parking lot of Times Square for the first time in Korea.

### Times Square Parking Lot Korea

| | |
|---|---|
| Parking Lot Form | Basement Garage (3rd to 5th basement floor) |
| Accommodation | 1800 cars |
| Parking lot Management | Amano Korea Corporation |
| Number of staff | 82 |
| Entrance and Exit | 4 entrances and 4 exits |
| Entrance and Payment Method | Issues a ticket at the entrance, 4 Automatic Pay System and Attended Exit Pay System |
| Management System | •License plate recognition and parking lot guidance system with Kiosk terminals.<br>•Parking lot management system by ultrasonic sensor. (50 units)<br>•Exit vehicle confirmation system.<br>•Store discount system by AR150 etc. |

### Parking Location Guidance System

An image of a vehicle will be displayed when a customer enters 4-digit vehicle ID number from the "information kiosk terminal" (touch panel). The customer confirms the vehicle image and presses the location button and then the vehicle parked area and a route from a present location are to be displayed.

### Parking Fee Discount System

2 discount systems are available

① Online discount system utilizing receipt bar-code issued at department store or discount store

② Store discount system using automatic encoder for store validation "AR-150"

(first overseas introduction)

AMANO Corporation and Subsidiaries

# Financial Highlights

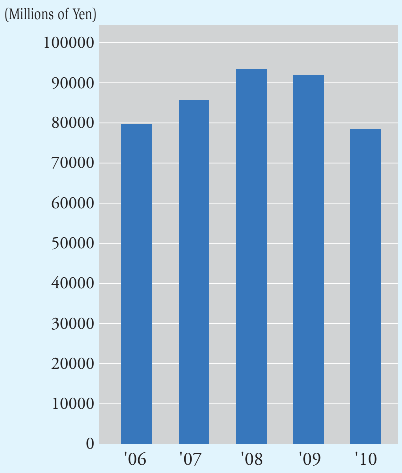
For the years ended March 31, 2010 and 2009.

**Yen in millions and U.S.dollars in thousands, except per share amounts**
**- See Note 5 to the Consolidated Financial Statements.**

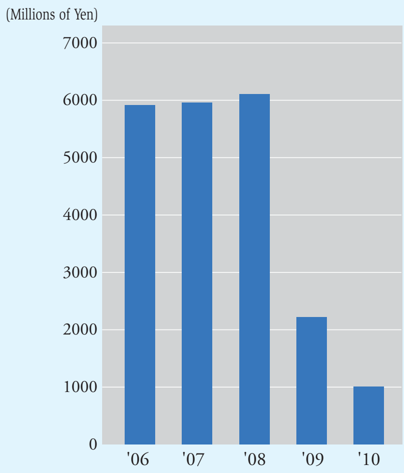
| | Millions of Yen | | Thousands of U.S. dollars (Note 5) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| **For the years ended March 31:** | | | |
| Net Sales | **¥78,586** | ¥91,812 | **$845,011** |
| Net Income | **1,011** | 2,214 | **10,871** |
| **Per share data (Yen and U.S. Dollars):** | | | |
| Net income per share (Basic) | **¥13.20** | ¥28.14 | **$0.142** |
| Cash dividends per common share | **26.00** | 30.00 | **0.280** |
| **At March 31:** | | | |
| Total assets | **¥100,687** | ¥102,192 | **$1,082,656** |
| Working capital | **35,312** | 32,456 | **379,699** |
| Total net assets | **74,968** | 75,395 | **806,108** |
| **Sales by product:** | | | |
| Time information systems | **¥17,440** | ¥19,848 | **$187,527** |
| Time management equipment | **4,316** | 5,361 | **46,409** |
| Parking systems | **37,786** | 38,968 | **406,301** |
| Environmental systems | **11,521** | 19,066 | **123,882** |
| Cleaning systems | **7,523** | 8,569 | **80,892** |

Note: U.S.dollar amounts have been translated at the rate of ¥93 = US $1, the rate prevailing on March 31, 2010.
-See Note 5 to the Consolidated Financial Statements.

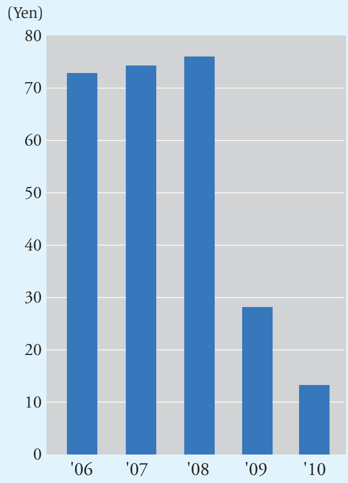
**Net Sales**




**Net Income**




**Net Income Per Share**



AMANO Corporation and Subsidiaries

# Consolidated Balance Sheets

As at March 31, 2010 and 2009.

| | Millions of Yen | | Thousands of U.S. dollars (Note 5) |
|---|---|---|---|
| **ASSETS** | **2010** | 2009 | **2010** |
| **Current assets:** | | | |
| Cash and bank deposits | **¥23,676** | ¥18,720 | **$254,581** |
| Marketable securities | **1,227** | 1,192 | **13,194** |
| Notes and accounts receivable: | | | |
| Trade | **21,134** | 23,651 | **227,247** |
| Less allowance for doubtful accounts | **(214)** | (199) | **(2,301)** |
| | **20,920** | 23,452 | **224,946** |
| Inventories | **6,016** | 6,485 | **64,688** |
| Deferred tax assets | **1,106** | 1,313 | **11,892** |
| Other current assets | **1,790** | 1,478 | **19,247** |
| Total current assets | **54,735** | 52,640 | **588,548** |
| **Property, plant and equipment at cost:** | | | |
| Buildings and structures | **27,803** | 26,187 | **298,957** |
| Machinery and equipment | **19,643** | 19,156 | **211,215** |
| Lease assets | **1,711** | 810 | **18,398** |
| | **49,157** | 46,153 | **528,570** |
| Less accumulated depreciation | **(33,445)** | (31,720) | **(359,624)** |
| | **15,712** | 14,433 | **168,946** |
| Land | **7,161** | 7,156 | **77,000** |
| Construction in progress | **83** | 1,258 | **893** |
| Total property, plant and equipment | **22,956** | 22,847 | **246,839** |
| **Intangible fixed assets :** | | | |
| Goodwill | **6,777** | 7,402 | **72,871** |
| Software | **4,174** | 4,357 | **44,882** |
| Software in progress | **279** | 1,145 | **3,000** |
| Other intangible fixed assets | **672** | 632 | **7,225** |
| Total intangible fixed assets | **11,902** | 13,536 | **127,978** |
| **Investments and other assets:** | | | |
| Investments in unconsolidated subsidiaries and affiliates | **803** | 1,177 | **8,634** |
| Investments in securities | **3,712** | 3,347 | **39,914** |
| Leasehold and guarantee deposits | **1,093** | 1,099 | **11,753** |
| Deferred tax assets | **2,334** | 2,599 | **25,097** |
| Other assets | **3,626** | 5,402 | **38,990** |
| Less allowance for doubtful accounts | **(474)** | (455) | **(5,097)** |
| Total investments and other assets | **11,094** | 13,169 | **119,291** |
| **Total** | **¥100,687** | ¥102,192 | **$1,082,656** |

The accompanying notes are an integral part of these statements.

| LIABILITIES AND NET ASSETS | Millions of Yen 2010 | 2009 | Thousands of U.S. dollars (Note 5) 2010 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Short-term bank loans | **¥19** | ¥44 | **$204** |
| Lease obligations | **476** | 174 | **5,118** |
| Trade notes and accounts payable | **9,009** | 8,960 | **96,871** |
| Accrued expenses | **4,608** | 4,983 | **49,548** |
| Accrued income taxes | **679** | 688 | **7,301** |
| Other current liabilities | **4,632** | 5,335 | **49,807** |
| Total current liabilities | **19,423** | 20,184 | **208,849** |
| **Long-term liabilities:** | | | |
| Accrued retirement benefits to employees | **3,884** | 4,208 | **41,764** |
| Long-term accounts payable | **541** | 932 | **5,817** |
| Lease obligations | **1,231** | 719 | **13,237** |
| Deferred tax liabilities | **362** | 394 | **3,892** |
| Other long-term liabilities | **278** | 360 | **2,989** |
| Total long-term liabilities | **6,296** | 6,613 | **67,699** |
| **Net assets:** | | | |
| Shareholders' equity: | | | |
| Common Stock | | | |
| Authorized- 185,476,000 shares | | | |
| Issued: | | | |
| March 31, 2010 - 81, 257, 829 shares | **18,240** | – | **196,129** |
| March 31, 2009 - 81, 257, 829 shares | **–** | 18,240 | **–** |
| Capital surplus | **19,567** | 19,567 | **210,398** |
| Retained earnings | **45,895** | 47,045 | **493,495** |
| Treasury stock at cost, 4,658,707 shares in 2010 and 4,656,810 shares in 2009 | **(3,717)** | (3,715) | **(39,968)** |
| | **79,985** | 81,137 | **860,054** |
| Valuation and translation adjustments | | | |
| Net unrealized gains (losses) on other securities | **(118)** | (304) | **(1,269)** |
| Foreign currency translation adjustments | **(5,966)** | (6,370) | **(64,150)** |
| | **(6,084)** | (6,674) | **(65,419)** |
| Minority interests in consolidated subsidiaries | **1,067** | 932 | **11,473** |
| Total net assets | **74,968** | 75,395 | **806,108** |
| **Total** | **¥100,687** | ¥102,192 | **$1,082,656** |

The accompanying notes are an integral part of these statements.

AMANO Corporation and Subsidiaries

# Consolidated Statements of Income

For the years ended March 31, 2010 and 2009.

| | Millions of Yen | | Thousands of U.S. dollars (Note 5) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| **Net sales** | **¥78,586** | ¥91,812 | **$845,011** |
| **Cost of sales** | **44,654** | 51,617 | **480,151** |
| Gross profit | **33,932** | 40,195 | **364,860** |
| **Selling, general and administrative expenses** | **32,005** | 34,824 | **344,140** |
| Operating income | **1,927** | 5,371 | **20,720** |
| **Other income ( expenses ) :** | | | |
| Interest and dividend income | **143** | 310 | **1,538** |
| Interest expense | **(31)** | (38) | **(333)** |
| Equity in earnings of affiliates | **57** | 62 | **613** |
| Foreign exchange losses | **–** | (655) | **–** |
| Gain on abolishment of retirement benefit plan | **–** | 281 | **–** |
| Gain on sale of fixed assets | **4** | 13 | **43** |
| Loss on disposal of fixed assets | **(25)** | (132) | **(269)** |
| Loss on sale of fixed assets | **(8)** | (9) | **(86)** |
| Gain on sale of investments in securities | **1** | 13 | **11** |
| Loss on sale of investments in securities | **–** | (44) | **–** |
| Loss on write-down of investments in securities | **(56)** | (576) | **(602)** |
| Other, net | **354** | 127 | **3,806** |
| Income before income taxes and minority interests | **2,366** | 4,723 | **25,441** |
| **Income taxes :** | | | |
| Current | **938** | 2,264 | **10,086** |
| Deferred | **250** | 78 | **2,688** |
| Income before minority interests | **1,178** | 2,381 | **12,667** |
| **Minority interests in net income of consolidated subsidiaries** | **(167)** | (167) | **(1,796)** |
| Net income | **¥1,011** | ¥2,214 | **$10,871** |
| | Yen | | U.S. dollars (Note 5) |
| **Net income per share, basic** | **¥13.20** | ¥28.14 | **$0.142** |
| **Cash dividends per common share** | **26.00** | 30.00 | **0.280** |

The accompanying notes are an integral part of these statements.

AMANO Corporation and Subsidiaries

# Consolidated Statements of Net Assets

For the year ended March 31, 2010 and 2009.

Millions of yen

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at March 3l, 2009 | ¥18,240 | ¥19,567 | ¥47,045 | (¥3,715) | ¥81,137 |
| Changes during the year | | | | | |
| Dividends from surplus | | | (1,992) | | (1,992) |
| Net income | | | 1,011 | | 1,011 |
| Purchase of treasury stock | | | | (2) | (2) |
| Reduction in retained earnings from merger of consolidated and nonconsolidated subsidiaries | | | (169) | | (169) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during the year | – | – | (1,150) | (2) | (1,152) |
| Balance at March 3l, 2010 | ¥18,240 | ¥19,567 | ¥45,895 | (¥3,717) | ¥79,985 |

| | Valuation and translation adjustments | | | Minority interests in consolidated subsidiaries | Total net assets |
|---|---|---|---|---|---|
| | Net unrealized gains(losses) on other securities | Foreign currency translation adjustments | Total valuation and translation adjustments | | |
| Balance at March 3l, 2009 | (¥304) | (¥6,370) | (¥6,674) | ¥932 | ¥75,395 |
| Changes during the year | | | | | |
| Dividends from surplus | | | | | (1,992) |
| Net income | | | | | 1,011 |
| Purchase of treasury stock | | | | | (2) |
| Reduction in retained earnings from merger of consolidated and nonconsolidated subsidiaries | | | | | (169) |
| Net changes in items other than shareholders' equity | 186 | 404 | 590 | 135 | 725 |
| Total changes during the year | 186 | 404 | 590 | 135 | (427) |
| Balance at March 3l, 2010 | (¥118) | (¥5,966) | (¥6,084) | ¥1,067 | ¥74,968 |

Thousands of U.S. dollars (Note 5)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at March 31, 2009 | $196,129 | $210,398 | $505,860 | ($39,946) | $872,441 |
| Changes during the year | | | | | |
| Dividends from surplus | | | (21,419) | | (21,419) |
| Net income | | | 10,871 | | 10,871 |
| Purchase of treasury stock | | | | (22) | (22) |
| Reduction in retained earnings from merger of consolidated and nonconsolidated subsidiaries | | | (1,817) | | (1817) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during the year | – | – | (12,365) | (22) | (12,387) |
| Balance at March 31, 2010 | $196,129 | $210,398 | $493,495 | ($39,968) | $860,054 |

| | Valuation and translation adjustments | | | Minority interests in consolidated subsidiaries | Total net assets |
|---|---|---|---|---|---|
| | Net unrealized gains(losses) on other securities | Foreign currency translation adjustments | Total valuation and translation adjustments | | |
| Balance at March 31, 2009 | ($3,269) | ($68,495) | ($71,764) | $10,022 | $810,699 |
| Changes during the year | | | | | |
| Dividends from surplus | | | | | (21,419) |
| Net income | | | | | 10,871 |
| Purchase of treasury stock | | | | | (22) |
| Reduction in retained earnings from merger of consolidated and nonconsolidated subsidiaries | | | | | (1,817) |
| Net changes in items other than shareholders' equity | 2,000 | 4,345 | 6,345 | 1,451 | 7,796 |
| Total changes during the year | 2,000 | 4,345 | 6,345 | 1,451 | (4,591) |
| Balance at March 31, 2010 | ($1,269) | ($64,150) | ($65,419) | $11,473 | $806,108 |

Millions of yen

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at March 31, 2008 | ¥18,240 | ¥19,567 | ¥49,225 | (¥711) | ¥86,321 |
| Changes during the year | | | | | |
| Dividends from surplus | | | (2,715) | | (2,715) |
| Net income | | | 2,214 | | 2,214 |
| Purchase of treasury stock | | | | (3,004) | (3,004) |
| Reduction in retained earnings due to change in accounting policies applied to foreign subsidiaries | | | (1,642) | | (1,642) |
| Reduction in retained earnings from merger of consolidated and nonconsolidated subsidiaries | | | (37) | | (37) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during the year | – | – | (2,180) | (3,004) | (5,184) |
| Balance at March 31, 2009 | ¥18,240 | ¥19,567 | ¥47,045 | (¥3,715) | ¥81,137 |

| | Valuation and translation adjustments | | | Minority interests in consolidated subsidiaries | Total net assets |
|---|---|---|---|---|---|
| | Net unrealized gains(losses) on other securities | Foreign currency translation adjustments | Total valuation and translation adjustments | | |
| Balance at March 31, 2008 | ¥66 | (¥956) | (¥890) | ¥876 | ¥86,307 |
| Changes during the year | | | | | |
| Dividends from surplus | | | | | (2,715) |
| Net income | | | | | 2,214 |
| Purchase of treasury stock | | | | | (3,004) |
| Reduction in retained earnings due to change in accounting policies applied to foreign subsidiaries | | | | | (1,642) |
| Reduction in retained earnings from merger of consolidated and nonconsolidated subsidiaries | | | | | (37) |
| Net changes in items other than shareholders' equity | (370) | (5,414) | (5,784) | 56 | (5,728) |
| Total changes during the year | (370) | (5,414) | (5,784) | 56 | (10,912) |
| Balance at March 31, 2009 | (¥304) | (¥6,370) | (¥6,674) | ¥932 | ¥75,395 |

AMANO Corporation and Subsidiaries

# Consolidated Statements of Cash Flows

For the years ended March 31, 2010 and 2009.

| | Millions of Yen | | Thousands of U.S. dollars (Note 5) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| **Cash Flows from Operating Activities:** | | | |
| Income before income taxes and minority interests | **¥2,366** | ¥4,723 | **$25,441** |
| Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities: | | | |
| Depreciation and amortization | **4,676** | 4,769 | **50,280** |
| Amortization of goodwill | **667** | 860 | **7,172** |
| Increase in provision for accrued retirement benefits | **(329)** | (142) | **(3,537)** |
| Increase (decrease) in allowance for doubtful accounts | **28** | (19) | **301** |
| Interest and dividend revenue | **(143)** | (310) | **(1,538)** |
| Equity in earning of affiliates | **(57)** | (62) | **(613)** |
| Interest expenses | **31** | 38 | **333** |
| Foreign currency translation (gain) loss | **(2)** | 62 | **(22)** |
| (Gain)Loss on sale of investments in securities | **(1)** | 31 | **(11)** |
| Loss on write-down of investments in securities | **56** | 576 | **602** |
| (Gain)Loss on sale of fixed assets | **4** | (4) | **43** |
| Loss on disposal of fixed assets | **25** | 132 | **269** |
| (Increase) decrease in trade notes and accounts receivable | **2,661** | 3,576 | **28,614** |
| (Increase) decrease in inventories | **534** | 627 | **5,742** |
| Increase (decrease) in trade notes and accounts payable | **0** | (2,584) | **0** |
| Others | **(507)** | (2,771) | **(5,452)** |
| Subtotal | **10,009** | 9,502 | **107,624** |
| Interest and dividends received | **207** | 359 | **2,226** |
| Interest paid | **(36)** | (31) | **(387)** |
| Payment for extra retirement payments | **(30)** | – | **(323)** |
| Income taxes paid | **(1,303)** | (3,597) | **(14,011)** |
| Income taxes refund | **217** | – | **2,333** |
| Net cash provided by operating activities | **9,064** | 6,233 | **97,462** |
| **Cash Flows from Investing Activities:** | | | |
| Payment for purchase of marketable securities | **(2,029)** | (2,192) | **(21,817)** |
| Proceeds from redemption of marketable securities | **2,000** | 2,000 | **21,505** |
| Payment for purchase of property and equipment | **(1,657)** | (1,925) | **(17,817)** |
| Proceeds from sale of property and equipment | **5** | 39 | **54** |
| Payment for acquisition of intangible assets | **(1,639)** | (2,674) | **(17,624)** |
| Payment for acquisition of investments in securities | **(806)** | (1,823) | **(8,667)** |
| Proceeds from sale of investments in securities | **51** | 79 | **548** |
| Proceeds from redemption of investments in securities | **700** | 2,500 | **7,527** |
| Increase in time deposits | **(4,625)** | (2,644) | **(49,731)** |
| Decrease in time deposits | **5,207** | 4,170 | **55,989** |
| Loans to third parties | **(2)** | (2) | **(22)** |
| Acquisition of operation | **–** | (282) | **–** |
| Collection of loans | **5** | 7 | **54** |
| Others | **378** | 294 | **4,065** |
| Net cash used in investing activities | **(2,412)** | (2,453) | **(25,935)** |
| **Cash Flows from Financing Activities:** | | | |
| Proceeds from short-term bank loans | **–** | 3 | **–** |
| Repayment for short-term bank loans | **(1)** | (3) | **(11)** |
| Proceeds from long-term debt | **33** | 95 | **355** |
| Repayment for long-term debt | **(52)** | (142) | **(559)** |
| Payment for acquisition of treasury stock | **(1)** | (3,004) | **(11)** |
| Repayments of finance lease obligations | **(333)** | (79) | **(3,581)** |
| Dividends paid | **(1,992)** | (2,540) | **(21,419)** |
| Dividends payment to minority interests | **(37)** | (23) | **(398)** |
| Net cash used in financing activities | **(2,383)** | (5,693) | **(25,624)** |
| Effect of exchange rate changes on cash and cash equivalents | **(156)** | 1,423 | **(1,677)** |
| Net increase (decrease) in cash and cash equivalents | **4,113** | (490) | **44,226** |
| Cash and cash equivalents at beginning of year | **16,709** | 17,192 | **179,666** |
| Increase in cash and cash equivalents from newly consolidated subsidiary | **111** | – | **1,194** |
| Increase in cash and cash equivalents resulting from merger of consolidated subsidiary and unconsolidated subsidiary | **–** | 7 | **–** |
| Cash and cash equivalents at end of year | **¥20,933** | ¥16,709 | **$225,086** |

The accompanying notes are an integral part of these statements.

# Notes to the Consolidated Financial Statements

For the years ended March 31, 2010 and 2009

## 1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of AMANO Corporation [hereinafter called "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.

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

## 2. Principles of Consolidation

### (1) Scope of Consolidation

The Company had 28 subsidiaries at March 31, 2010; 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.

The accounts of the overseas consolidated subsidiaries are prepared on the basis of a December 31 fiscal year-end, and are consolidated accordingly with the Company at March 31, 2010 and 2009, and for the years then ended.

The consolidated subsidiaries that have been consolidated with the Company for the year ended March 31, 2010 are as follows:

| Company Name | Equity ownership % | Paid In Capital (Thousands) |
|---|---|---|
| 1) Amano USA Holdings, Inc. | 100% | US$ 111,702 |
| 2) Amano Cincinnati, Inc. | 100% | US$ 23,172 |
| 3) Amano Cincinnati Canada, Inc. | 100% | C$ 439 |
| 4) Amano Integrated Systems, Inc. | 100% | US$ 4,349 |
| 5) Amano McGann, Inc. | 100% | US$ 46,418 |
| 6) Amano Pioneer Eclipse Corp. | 100% | US$ 4,606 |
| 7) Amano Europe Holdings N.V. | 100% | EUR 72,094 |
| 8) Amano Europe N.V. | 100% | EUR 17,850 |
| 9) Horosmart S.A. | 100% | EUR 16,000 |
| 10) Horoquartz S.A. | 100% | EUR 20,000 |
| 11) Horoquartz Marocco S.A. | 100% | DH 200 |
| 12) Pial Technologies S.A. | 100% | EUR 650 |
| 13) Scopus-Omnibadges S.A.S. * | 67% | EUR 820 |
| 14) Amano Time & Parking Spain, S.A. * | 100% | EUR 2,518 |
| 15) Amano Malaysia Sdn.Bhd. | 100% | MR 2,500 |
| 16) Amano Cleantech Malaysia Sdn.Bhd. | 90% | MR 200 |
| 17) ATAS E & C Services(M) Sdn. Bhd. | 100% | MR 150 |
| 18) Amano Time & Air Singapore Pte. Ltd. | 100% | S$700 |
| 19) PT. Amano Indonesia | 100% | US$ 250 |
| 20) Amano Thai International Co., Ltd. | 43% | THB 8,000 |
| 21) Amano International Trading (Shanghai) Co., Ltd. | 100% | US$ 200 |
| 22) Amano Korea Corp. | 100% | W 4,500,000 |
| 23) Amano Agency Corp. | 44% | ¥10,000 |
| 24) Environmental Technology Company | 100% | ¥20,000 |
| 25) Amano Management Service Corp. | 73% | ¥205,000 |
| 26) Amano Maintenance Engineering Corp. | 65% | ¥30,000 |
| 27) Amano Business Solutions Corp. | 97% | ¥300,000 |
| 28) Amano Musashi Electric Corp. | 100% | ¥10,000 |

*Scopus S.A. and Omnibadges S.A. merged into a single entity, Scopus-Omnibadges S.A.S. on January 1, 2009.

*The company was newly consolidated in January 2009.

Note: Investment in Parkinsys Technology Co., Ltd., a Taiwanese company, over which the Company has the ability to exercise significant influence (the Company owns 36.7 percent) is accounted for using the equity method.

### (2) Accounting for investments in unconsolidated subsidiaries and affiliates

None of the 11 unconsolidated subsidiaries and 1 affiliate 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 are immaterial.

### (3) Consolidation and Elimination

For the purpose of preparing the consolidated financial statements, all significant intercompany transactions, account balances, and unrealized profits among the group companies have been eliminated from the consolidated financial statements. Intercompany profit included in the assets sold from the Company to the consolidated subsidiaries has been entirely eliminated and charged against the consolidated earnings of the group companies. Intercompany profit included in the assets sold from the consolidated subsidiaries to the Company has been entirely eliminated and the portion applicable to minority interests has been charged against them.

## 3. Summary of Significant Accounting Policies

### (1) Cash and Cash Equivalents

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

### (2) Inventories

Inventories are stated at cost (write-down 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, except for buildings acquired from April 1, 1998, computed on the straight -line method based on the estimated useful lives. The ranges of the useful lives of assets are :

| | |
|---|---|
| Buildings | 7-50 years |
| Machinery and equipment | 7-17 years |

Cost of property, plant and equipment, retired or otherwise disposed of, and related accumulated depreciation, is eliminated from the respective accounts, and the resulting gain or loss is reflected in income during the applicable period. Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

* Supplementary explanation:
Accompanying revisions in Japan's income tax law, the Company and its domestic consolidated subsidiaries have reviewed and changed the useful lives of their machinery this fiscal year. As a result, operating income and income before income taxes and minority interests for the year ended March 31, 2009 decreased by ¥111 million.

### (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). 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) Lease Assets

Lease 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. Finance lease transactions not involving transfer of ownership made prior to the beginning of the first year of application of the revised Accounting Standard for Lease Transaction have been accounted for using the method applied to rental transactions.

### (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 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 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) Appraisal of the Assets and Liabilities of Consolidated Subsidiaries

The assets and liabilities of subsidiaries are accounted for the partial mark-to-market accounting method.

### (8) 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 taken into income currently.

### (9) 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 and affiliates are translated at the foreign exchange rates prevailing at the respective balance sheet date expect 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 “Minority interests in consolidated subsidiaries” in the accompanying consolidated financial statements.

### (10) Income Taxes

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

### (11) Allowance for Doubtful Accounts

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

### (12) Accrued Retirement Benefits to Employees

The Company and some of its Japanese subsidiaries recognize accrued pension and severance costs to employees based on the actuarial valuation of projected benefit obligation and plan assets at fair value. 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.

***Supplementary explanation:**

On March 1, 2009, the Company abolished its tax-qualified pension plan and retirement lump-sum grant system, and shifted to a defined benefit corporate pension scheme and a defined contribution pension scheme, applying Accounting to Transfer between Retirement Benefit Plans (ASBJ Guidance No.1). A gain of ¥281 million relating to this shift was booked as other income.

### (13) Accrued Directors' Retirement Benefits

In order to provide for payment until the year ended March 31, 2008 of retirement benefits to directors, the Company had reserved funds for the amount payable at the fiscal year-end in accordance with in-house rules for directors' retirement benefits, but the ordinary general meeting of shareholders held on June 27, 2008, resolved to abolish the directors' retirement benefits scheme effective from that date. In conjunction with the abolition of this system, it was decided to pay out the portion of directors' retirement benefits accrued up to the day of the ordinary general meeting of shareholders. These payments shall be made at the time each director retires and shall fully dispose of the reserve funds. These costs are booked as long-term accounts payable of ¥318 million under long-term liabilities and other current liabilities of ¥343 million under current liabilities for the year ended March 31, 2009.

### (14) Research and Development Expenses

Research and development expenses are charged to income as incurred.

### (15) Net Income and Dividends per Share

Basic net income per share is computed based on the 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 number 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 statements of income represent actual dividends declared as applicable to the respective fiscal period.

### (16) Revenue from Construction Contracts

Until the year ended March 31, 2009, revenues and costs of construction contracts were recognized by the completed-contract method. Effective April 1, 2009, the Company and its consolidated subsidiaries have applied ASBJ No.15, "Accounting Standard for Construction Contracts", and its Guidance No.18, "Guidance on Accounting Standard for Construction Contracts", which was issued in December 27, 2007, to the construction contracts. In accordance with ASBJ No.15 and its Guidance No.18, revenues and costs of construction contracts that commenced on and after April 1, 2009 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 continues to be applied to the contracts in case the percentage of completion cannot be reliably estimated.

## 4. Changes in Accounting Policy

### (1) Recognizing Revenues and Costs of Construction Contracts

Until the year ended March 31, 2009, revenues and costs of construction contracts were recognized by the completed-contract method. Effective April 1, 2009, the Company and its consolidated subsidiaries have applied ASBJ No.15, "Accounting Standard for Construction Contracts", and its Guidance No.18, "Guidance on Accounting Standard for Construction Contracts", which was issued in December 27, 2007, to the construction contracts. In accordance with ASBJ No.15 and its Guidance No.18, revenues and costs of construction contracts that commenced on and after April 1, 2009 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 continues to be applied to the contracts in case the percentage of completion cannot be reliably estimated. The effect of this change was immaterial to the consolidated financial statements for the year ended March 31, 2010.

### (2) Accounting Standard for Lease Transactions

The Company accounted for finance lease transactions not involving transfer of ownership using a method applied to rental transactions, however from this fiscal year the Company books them as regular sales transactions, due to application of the Accounting Standard for Lease Transactions (ASBJ Statement No. 13, issued June 17, 1993, by the First Committee of the Business Accounting Council, and revised March 30, 2007) and the Implementation Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16, issued January 18, 1994 by the Accounting Systems Committee of the Japanese Institute of Certified Public Accountants and revised March 30, 2007).

Note that finance lease transactions not involving transfer of ownership made prior to the beginning of the first year of application of the revised Accounting Standard for Lease Transactions have been accounted for using the method applied to rental transactions.

This change has no impact on profits.

### (3) Application of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective April 1, 2008, the Company has adopted the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force No. 18, issued on May 17, 2006) and made the necessary revisions to its consolidated financial statements.

As a result, compared to the method previously used, gross profit for the year ended March 31, 2009, decreased by ¥83 million, operating income for the year ended March 31, 2009, declined by ¥821 million, and income before income taxes and minority interests for the year ended March 31, 2009, dropped by ¥1,146 million. Retained earnings at the beginning of the fiscal year of 2009 decreased by ¥1,642 million.

### (4) Financial Instruments

From this fiscal year the Company has adopted the revised Accounting Standard for Financial Instruments (ASBJ Statement No. 10, revised 2008) and its Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 Guidance, issued on March 10, 2008).

### (a) Management policy

The management policy of the Company is that temporary surplus fund should be invested in low-risk financial instruments.  The Company has not held any high-risk financial instruments.

### (b) Financial instrument and its risk

Both notes receivable and accounts receivable as operating receivable are exposed to credit-related losses in the event of nonperformance by counterparties. Both notes payable and accounts payable as trade liability are due and payable within one year. Securities and investment in securities are exposed to changes in its market price. The Company holds securities and investment in securities mainly as held-to-maturity or due to relationship-building with counterparties.

### (c) Risk management policies

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

The Company has a credit management policy. In accordance with the credit management policy, the exposure to credit risk of both notes receivable and accounts receivable is monitored on an ongoing basis in order to detect unrecoverable credits in early stages as well as minimizing them. The Company has operated Fund Operation Council in place. In accordance with the examination and decision of the fund operation council, the Company has made an investment in held-to-maturity securities, which consist largely of negotiable deposits and securities graded at high credit rating. The Company has expected that no held-to-maturity securities can fail to meet their obligations.

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

The Company has monitored not only fair market value of held-to-maturity securities and investment in securities but also financial conditions of their counterparties on an ongoing basis. The Company has reviewed the securities other than held-to-maturity securities based on the relationship with its counterparties on an ongoing basis.

#### iii) Management policy for liquidity risk (in default on its financial obligations):

The Company has managed liquidity risk by holding appropriate reserves based on the forecasts and actual cash flows, which are continuously monitored by management department.

### (d) Supplementary explanation on the fair value of financial instruments:

The fair values of financial instruments are based on quoted market prices. Unless quoted market prices are available, the fair values are estimated based on the prices reasonably assessed by the Company.  The Company takes contingent variable factors into accounts in order to estimate the fair value, it would vary depending on the different preconditions.

### (5) Translation of Foreign Currency Financial Statements (Accounts of Overseas Subsidiaries)

The Company applied the average foreign exchange rates to the translation of all the profit and loss account. More specifically; all the profit and loss accounts are translated at the average foreign exchange rates for the respective periods. On the other hand, all the balance sheet accounts of foreign and affiliates are translated at the foreign exchange rates prevailing at the respective balance sheet date except common stock and capital surplus.

## 5. 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 ¥93 = US $1, the approximate effective rate of exchange prevailing on March 31, 2010. The inclusion of U.S. dollar amounts is solely for the convenience of readers outside Japan and is not intended to imply that yen amounts could be converted, realized, or settled in U.S. dollars at that, or any other rate.

## 6. Cash and Cash Equivalents

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

| | Millions of Yen | | Thousands of U.S.dollars ( Note 5 ) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Cash and bank deposits | **¥23,676** | ¥18,720 | **$254,581** |
| Time deposits due over three months | **(2,743)** | (2,011) | **(29,495)** |
| Cash and cash equivalents | **¥20,933** | ¥16,709 | **$225,086** |

## 7. Inventories

Inventories as of March 31, 2010 and 2009 consisted of the following:

| | Millions of Yen | | Thousands of U.S.dollars ( Note 5 ) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Merchandise and finished goods | **¥2,883** | ¥2,988 | **$31,000** |
| Work in progress | **685** | 540 | **7,366** |
| Raw materials and supplies | **2,448** | 2,957 | **26,322** |
| Total | **¥6,016** | ¥6,485 | **$64,688** |

## 8. Selling, General, and Administrative Expenses

Selling, general, and administrative expenses during the years ended March 31, 2010 and 2009 include principally:

| | Millions of Yen | | Thousands of U.S.dollars ( Note 5 ) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| | **SGA** | SGA | **SGA** |
| Labor and payroll | **¥13,690** | ¥14,252 | **$147,240** |
| Rental for properties | **1,736** | 1,789 | **18,667** |
| Travel and transportation | **968** | 1,307 | **10,409** |

## 9. Provisions

Provisions charged to operation during the years ended March 31, 2010 and 2009 are mainly as follows:

| | Millions of Yen | | Thousands of U.S.dollars ( Note 5 ) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Employees' bonuses | **¥1,079** | ¥1,108 | **$11,602** |
| Directors' bonuses | **8** | 5 | **86** |
| Retirement benefits | **1,192** | 1,251 | **12,817** |
| Allowance for doubtful accounts | **135** | 164 | **1,452** |

## 10. Leases Commitments

Finance leases which commenced on or before March 31, 2008, other than those which are deemed to transfer the ownership of the leased assets are accounted for by the method that is applicable to operating leases.

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

| | Millions of Yen | | Thousands of U.S.dollars ( Note 5 ) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Due within one year | **¥320** | ¥483 | **$3,441** |
| Due over one year | **274** | 595 | **2,946** |
| Total | **¥594** | ¥1,078 | **$6,387** |

Lease payments on finance lease contracts without transfer of ownership for the years ended March 31, 2010 and 2009 were ¥476 ($5,118) and ¥628, respectively.

Acquisition cost, accumulated depreciation, net book value and depreciation expenses for the year ended March 31, 2010 and 2009, if capitalized, are summarized as follows:

| | Millions of Yen | | Thousands of U.S.dollars ( Note 5 ) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Acquisition cost | **¥2,512** | ¥3,346 | **$27,011** |
| Accumulated depreciation | **1,918** | 2,267 | **20,624** |
| Net book value | **¥594** | ¥1,079 | **$6,387** |
| | | | |
| Depreciation | **¥476** | ¥628 | **$5,118** |

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

## 11. Financial Instruments

Differences between carrying amounts and estimated fair value as of March 31, 2010 are as follows:
Financial instruments whose fair values are hardly estimated are not stated on the following chart; refer to (*2)

| | Millions of Yen | | |
|---|---|---|---|
| | 2010 | | |
| | **Carrying amounts** | **Estimated fair value** | **Difference in amounts** |
| (1) Cash and bank deposits | ¥23,676 | ¥23,676 | – |
| (2) Notes and accounts receivable | 21,134 | 21,134 | – |
| (3) Securities and investments in securities | | | |
| ① Held-to-maturity | 1,426 | 1,422 | (4) |
| ② Other securities | 2,953 | 2,953 | – |
| Total (Asset) | ¥49,189 | ¥49,185 | (¥4) |
| (4) Trade notes and accounts payable | ¥9,009 | ¥9,009 | – |
| Total (Liability) | ¥9,009 | ¥9,009 | – |

| | Thousands of U.S.dollars ( Note 5 ) | | |
|---|---|---|---|
| | 2010 | | |
| | **Carrying amounts** | **Estimated fair value** | **Difference in amounts** |
| (1) Cash and bank deposits | $254,581 | $254,581 | – |
| (2) Notes and accounts receivable | 227,247 | 227,247 | – |
| (3) Securities and investment in securities | | | |
| ① Held-to-maturity | 15,333 | 15,290 | (43) |
| ② Other securities | 31,753 | 31,753 | – |
| Total (Asset) | $528,914 | $528,871 | ($43) |
| (4) Trade notes and accounts payable | $96,871 | $96,871 | – |
| Total (Liability) | $96,871 | $96,871 | – |

(NOTES)
(* 1): Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions.
Asset:
(1) Cash on hand and in banks, and (2) Trade 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 investment securities:
The fair value of 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 of March 31, 2010 and 2009.
Liability:
(4) Trade notes and accounts payable:
Since these items are settled in a short period of time, their carrying value approximates fair value.

(*2) Financial instruments, whose fair values are hardly estimated, are as follows:

| | Carrying amounts As of March 31, 2010 | |
|---|---|---|
| | **Millions of Yen** | **Thousands of U.S.dollars ( Note 5 )** |
| Cash and bank deposits | ¥1361 | $14,634 |

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

(*3) Redemption schedule for monetary claim, securities and investment in securities at the balance sheet date:

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2010 | | | |
| | **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 | ¥23,676 | – | – | – |
| Notes and accounts receivable | 21,134 | – | – | – |
| Securities and investment in securities: | | | | |
| Held-to-maturity securities | 1,226 | 200 | – | – |
| Other Securities with maturity date | – | 300 | 100 | – |
| Total | ¥46,036 | ¥500 | ¥100 | – |

| | Thousands of U.S.dollars ( Note 5 ) | | | |
|---|---|---|---|---|
| | 2010 | | | |
| | **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 | $254,581 | – | – | – |
| Notes and accounts receivable | 227,247 | – | – | – |
| Securities and investment in securities: | | | | |
| Held-to-maturity securities | 13,183 | 2,151 | – | – |
| Other Securities with maturity date | – | 3,226 | 1,075 | – |
| Total | $495,011 | $5,377 | $1,075 | – |

(*4) Repayment schedule for bonds payable, long-term loan payable, lease obligation and other interest-bearing liabilities at the balance sheet date:

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | | | | |
| | Due Within 1 year | The second year | The third year | The fourth year | The fifth year | Thereafter |
| Bonds payable | – | – | – | – | – | – |
| Long-term loan payable | – | ¥10 | ¥6 | ¥4 | ¥4 | |
| Lease obligation | ¥476 | 327 | 325 | 319 | 197 | 60 |
| Other interest-bearing liabilities | – | – | – | – | – | – |
| Total | ¥476 | ¥337 | ¥331 | ¥323 | ¥201 | ¥60 |

| | Thousands of U.S.dollars ( Note 5 ) | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | | | | |
| | Due Within 1 year | The second year | The third year | The fourth year | The fifth year | Thereafter |
| Bonds payable | – | – | – | – | – | – |
| Long-term loan payable | – | $108 | $65 | $43 | $43 | – |
| Lease obligation | $5,118 | 3,516 | 3,495 | 3,430 | 2,118 | 645 |
| Other interest-bearing liabilities | – | – | – | – | – | – |
| Total | $5,118 | $3,624 | $3,560 | $3,473 | $2,161 | $645 |

(*5) Held-to-maturity and Other securities with readily determinable fair value as of March 31, 2010 and 2009, are as follows:

| | Millions of Yen | | | Thousands of U.S.dollars ( Note 5 ) | | |
|---|---|---|---|---|---|---|
| | 2010 | | | 2010 | | |
| | Acquisition cost | Market value (Carrying value) | Unrealized gains losses | Acquisition cost | Market value (Carrying value) | Unrealized gains losses |
| Held-to-maturity | ¥1,427 | ¥1,423 | (¥4) | $15,344 | $15,301 | ($43) |
| Other securities with book carrying amount exceeding acquisition cost | | | | | | |
| Stocks | ¥731 | ¥952 | ¥221 | $7,860 | $10,237 | $2,377 |
| Other | 300 | 302 | ¥2 | $3,226 | $3,247 | $21 |
| Subtotal | 1,031 | 1,254 | 223 | 11,086 | 13,484 | 2,398 |
| Other securities with book carrying amount not exceeding acquisition cost | | | | | | |
| Stocks | 2,021 | 1,603 | (418) | 21,731 | 17,237 | (4,494) |
| Other | 100 | 97 | (3) | 1,075 | 1,043 | (32) |
| Subtotal | 2,121 | 1,700 | (421) | 22,806 | 18,280 | (4,526) |
| Total | ¥3,152 | ¥2,954 | (¥198) | $33,892 | $31,764 | ($2,128) |

| | Millions of Yen | | |
|---|---|---|---|
| | 2009 | | |
| | Acquisition cost | Market value (Carrying value) | Unrealized gains losses |
| Other securities with book carrying amount exceeding acquisition cost | | | |
| Stocks | ¥223 | ¥294 | ¥71 |
| Subtotal | 223 | 294 | 71 |
| Other securities with book carrying amount not exceeding acquisition cost | | | |
| Stocks | 2,523 | 1,952 | (571) |
| Bonds | 50 | 40 | (10) |
| Other | 500 | 499 | (1) |
| Subtotal | 3,073 | 2,491 | (582) |
| Total | ¥3,296 | ¥2,785 | (¥511) |

## 12. 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 employees' pension fund plan (comprehensive establishment type) as supplement to its existing retirement benefit scheme. As of March 31, 2010, the total pension assets of the pension fund included ¥14,053 million of pension assets computed on the basis of the total proportion of the contribution.
On March 1, 2009, the Company abolished its tax-qualified pension plan and retirement lump-sum grant system, and shifted to a defined contribution pension scheme.

The components of accrued retirement benefits to employees as of March 31, 2010 and 2009 are as follows:

| | Millions of Yen | | Thousands of U.S. dollars ( Note 5 ) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Projected benefit obligation | **¥10,150** | ¥10,333 | **$109,140** |
| Plan assets | **(5,590)** | (4,751) | **(60,108)** |
| Unfunded benefit obligation | **4,560** | 5,582 | **49,032** |
| Unrecognized actuarial difference | **(723)** | (1,411) | **(7,774)** |
| Unrecognized prior service cost | **32** | 36 | **344** |
| Prepaid pension cost | **14** | – | **151** |
| Accrued retirement benefits to employees | **¥3,883** | ¥4,207 | **$41,753** |

The components of retirement benefit expenses for the years ended March 31, 2010 and 2009 are as follows:

| | Millions of Yen | | Thousands of U.S. dollars ( Note 5 ) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Service cost | **¥573** | ¥822 | **$6,161** |
| Interest cost | **248** | 327 | **2,667** |
| Expected return on plan assets | **(164)** | (279) | **(1,764)** |
| Amortization of unrecognized prior service cost | **(3)** | 0 | **(32)** |
| Amortization of unrecognized actuarial loss | **249** | 233 | **2,677** |
| Contribution to the multi-employer pension plan | **507** | 522 | **5,452** |
| Other* | **345** | 93 | **3,710** |
| Net retirement benefit expenses | **¥1,755** | ¥1,718 | **$18,871** |
| Gain associated with transfer to defined contribution pension scheme | **–** | (281) | **–** |
| Total | **¥1,755** | ¥1,437 | **$18,871** |

* Contribution paid to defined contribution pension scheme.

The assumptions used for calculation of retirement benefits for the years ended March 31, 2010 and 2009 are as follows:

| | **2010** | 2009 |
|---|---|---|
| Method of attribution of estimated retirement benefits to periods of employee service | **Straight-line method** | Straight-line method |
| Discount rate | **2.5%** | 2.5% |
| Expected return on plan assets | **3.5%** | 3.5% |
| Amortization period for unrecognized prior service cost | **10 years** | 10 years |
| Amortization period for unrecognized actuarial difference | **10 years** | 10 years |

## 13. Deferred Tax

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

| | Millions of Yen | | Thousands of U.S.dollars (Note 5) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Deferred tax assets: | | | |
| Accrued enterprise tax | **¥19** | ¥16 | **$204** |
| Accrued employees' bonuses | **665** | 676 | **7,151** |
| Accounts payable and long-term accounts payable | **130** | 269 | **1,398** |
| Accrued retirement benefits to employees | **1,562** | 1,698 | **16,796** |
| Loss carried forward | **708** | 445 | **7,613** |
| Loss on write-down of investments in securities | **249** | 233 | **2,677** |
| Surplus on allowance for doubtful accounts | **96** | 116 | **1,032** |
| Unrealized loss on other securities | **81** | 208 | **871** |
| Unrealized gains | **253** | – | **2,720** |
| Others | **532** | 815 | **5,720** |
| Less: valuation allowance | **(764)** | (504) | **(8,215)** |
| Total deferred tax assets | **¥3,531** | ¥3,972 | **$37,967** |
| Deferred tax liabilities: | | | |
| Reserve for advanced depreciation of building | **(20)** | (20) | **(215)** |
| Acquired intangible assets | **(322)** | (335) | **(3,462)** |
| Others | **(112)** | (99) | **(1,204)** |
| Total deferred tax liabilities | **(454)** | (454) | **(4,881)** |
| Net deferred tax assets | **¥3,077** | ¥3,518 | **$33,086** |

| Reconciliation of actual tax rate is shown below: | | |
|---|---|---|
| Effective statutory tax rate | **40.6%** | 40.6% |
| Adjustments: | | |
| Entertainment and other nondeductible expenses | **0.9** | 0.7 |
| Dividend and other nontaxable income | **(4.2)** | (0.9) |
| Inhabitant tax on per capita levy | **3.2** | 1.6 |
| Nondeductible amortization of goodwill | **8.7** | 6.1 |
| Realization of tax benefits on operating losses | **(0.6)** | (0.3) |
| Tax credit for research and development expenses | **(1.4)** | (1.9) |
| Valuation allowance | **8.6** | 4.8 |
| Dfference of subsidiaries' tax rates | **(3.0)** | – |
| Equity in earnings of affiliates | **(1.0)** | – |
| Others | **(1.6)** | (1.1) |
| Actual tax rate | **50.2%** | 49.6% |

## 14. Segment Information

### (1) Industry Segments

The Companies operate primarily in the following two businesses:

1. Time information
2. Environmental equipment

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2010 | | | | |
| | Time Information | Environment | Total | Eliminations/Corporate | Consolidated Total |
| Net Sales: | | | | | |
| Customers | ¥59,542 | ¥19,044 | ¥78,586 | – | ¥78,586 |
| Intersegment | – | – | – | – | – |
| Total | 59,542 | 19,044 | 78,586 | – | 78,586 |
| Operating Expenses | 55,250 | 18,888 | 74,138 | ¥2,521 | 76,659 |
| Operating Income | ¥4,292 | ¥156 | ¥4,448 | (¥2,521) | ¥1,927 |
| Assets | ¥46,754 | ¥16,265 | ¥63,019 | ¥37,668 | ¥100,687 |
| Depreciation | 3,627 | 623 | 4,250 | 426 | 4,676 |
| Capital expenditures | 3,115 | 215 | 3,330 | 10 | 3,340 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2009 | | | | |
| | Time Information | Environment | Total | Eliminations/Corporate | Consolidated Total |
| Net Sales: | | | | | |
| Customers | ¥64,177 | ¥27,635 | ¥91,812 | – | ¥91,812 |
| Intersegment | – | – | – | – | – |
| Total | 64,177 | 27,635 | 91,812 | – | 91,812 |
| Operating Expenses | 59,200 | 24,422 | 83,622 | ¥2,819 | 86,441 |
| Operating Income | ¥4,977 | ¥3,213 | ¥8,190 | (¥2,819) | ¥5,371 |
| Assets | ¥43,738 | ¥22,829 | ¥66,567 | ¥35,625 | ¥102,192 |
| Depreciation | 3,727 | 620 | 4,347 | 422 | 4,769 |
| Capital expenditures | 5,680 | 827 | 6,507 | 177 | 6,684 |

| | Thousands of U.S. dollars (Note 5) | | | | |
|---|---|---|---|---|---|
| | 2010 | | | | |
| | Time Information | Environment | Total | Eliminations/Corporate | Consolidated Total |
| Net Sales: | | | | | |
| Customers | $640,237 | $204,774 | $845,011 | – | $845,011 |
| Intersegment | – | – | – | – | – |
| Total | 640,237 | 204,774 | 845,011 | – | 845,011 |
| Operating Expenses | 594,086 | 203,097 | 797,183 | $27,108 | 824,291 |
| Operating Income | $46,151 | $1,677 | $47,828 | ($27,108) | $20,720 |
| Assets | $502,731 | $174,892 | $677,623 | $405,033 | $1,082,656 |
| Depreciation | 39,000 | 6,699 | 45,699 | 4,581 | 50,280 |
| Capital expenditures | 33,494 | 2,312 | 35,806 | 108 | 35,914 |

### (2) Geographic Segments

Information by geographic areas based on location for the years ended and as of March 31, 2010 and 2009 is summarized as follows:

| | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2010** | | | | | | |
| | **Domestic** | **Overseas** | | | **Total** | **Eliminations/ Corporate** | **Consolidated Total** |
| | **(in Japan)** | **Asia** | **North America** | **Europe** | | | |
| Net Sales: | | | | | | | |
| Customers | **¥58,182** | **¥4,207** | **¥10,518** | **¥5,679** | **¥78,586** | **–** | **¥78,586** |
| Intersegment | **1,265** | **12** | **162** | **31** | **1,470** | **(¥1,470)** | **–** |
| Total | **59,447** | **4,219** | **10,680** | **5,710** | **80,056** | **(1,470)** | **78,586** |
| Operating Expenses | **54,982** | **3,910** | **10,738** | **6,038** | **75,668** | **991** | **76,659** |
| Operating Income | **¥4,465** | **¥309** | **(¥58)** | **(¥328)** | **¥4,388** | **(¥2,461)** | **¥1,927** |
| Assets | **¥41,619** | **¥3,785** | **¥9,704** | **¥9,315** | **¥64,423** | **¥36,264** | **¥100,687** |

| | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2009 | | | | | | |
| | Domestic | Overseas | | | Total | Eliminations/ Corporate | Consolidated Total |
| | (in Japan) | Asia | North America | Europe | | | |
| Net Sales: | | | | | | | |
| Customers | ¥67,823 | ¥4,490 | ¥13,034 | ¥6,465 | ¥91,812 | – | ¥91,812 |
| Intersegment | 1,956 | 42 | 244 | 59 | 2,301 | (¥2,301) | – |
| Total | 69,779 | 4,532 | 13,278 | 6,524 | 94,113 | (2,301) | 91,812 |
| Operating Expenses | 62,441 | 4,116 | 12,817 | 6,720 | 86,094 | 347 | 86,441 |
| Operating Income | ¥7,338 | ¥416 | ¥461 | (¥196) | ¥8,019 | (¥2,648) | ¥5,371 |
| Assets | ¥52,745 | ¥3,664 | ¥10,834 | ¥9,824 | ¥77,067 | ¥25,125 | ¥102,192 |

| | Thousands of U.S. dollars (Note 5) | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2010** | | | | | | |
| | **Domestic** | **Overseas** | | | **Total** | **Eliminations/ Corporate** | **Consolidated Total** |
| | **(in Japan)** | **Asia** | **North America** | **Europe** | | | |
| Net Sales: | | | | | | | |
| Customers | **$625,612** | **$45,237** | **$113,097** | **$61,065** | **$845,011** | **–** | **$845,011** |
| Intersegment | **13,602** | **129** | **1,742** | **333** | **15,806** | **($15,806)** | **–** |
| Total | **639,214** | **45,366** | **114,839** | **61,398** | **860,817** | **(15,806)** | **845,011** |
| Operating Expenses | **591,204** | **42,043** | **115,462** | **64,925** | **813,634** | **10,657** | **824,291** |
| Operating Income | **$48,010** | **$3,323** | **($623)** | **($3,527)** | **$47,183** | **($26,463)** | **$20,720** |
| Assets | **$447,516** | **$40,699** | **$104,344** | **$100,161** | **$692,720** | **$389,936** | **$1,082,656** |

### (3) Overseas Sales

Overseas sales for the years ended March 31, 2010 and 2009 are summarized as follows:

| | Millions of Yen | | Thousands of U.S.dollars (Note 5) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Overseas sales | | | |
| Asia | **¥4,354** | ¥4,795 | **$46,817** |
| North America | **10,527** | 13,047 | **113,194** |
| Europe | **5,679** | 6,544 | **61,064** |
| Others | **171** | 231 | **1,839** |
| Total | **¥20,731** | ¥24,617 | **$222,914** |
| Percentage of overseas sales to consolidated net sales | **26.4%** | 26.8% | |

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

## 15. Per Share Data

Net assets and net income per share as of and for the years ended March 31, 2010 and 2009:

| | Yen | | U.S.dollars (Note 5) |
|---|---|---|---|
| | **2010** | 2009 | **2010** |
| Amounts per share | | | |
| Net assets | **¥964.78** | ¥972.08 | **$10.374** |
| Net income: | | | |
| Basic | **13.20** | 28.14 | **0.142** |
| Diluted | – | – | – |

# Corporate Data

## Board of Directors

*President/CEO*
Kaoru Haruta

*Senior Executive Directors*
Haruhiko Yamaguchi

*Executive Directors*
Toshio Kusanagi
Minoru Koyama
Toshiaki Imura
Nobuyuki Tabata
Izumi Nakajima
Seiken Uyama

*Director*
Hiroshi Shiraishi

*Auditors*
Keizo Ueno
Kazuo Unno
Satoru Ueno
Yasutaka Hishiyama

*Operating Officers*
Masamiki Konno
Naoki Nakata
Bungo Nogawa
Kenji Kohori
Yoshio Kishi
Toru Ueno
Takeshi Akagi
Yutaka Kaneko
Isao Terasaki
Kunihiro Ihara

## Domestic Operations

**HEAD OFFICE**

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

**FACILITIES**

YOKOHAMA Facility
TSUKUI Facility
HOSOE Facility
MIYAKODA Facility

**SALES OFFICES**

80 Sales Offices Located in major cities, including

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

**SYSTEM CENTERS**

TOKYO System Center
KANAGAWA System Center
NAGOYA System Center
OSAKA System Center
SENDAI System Center
SAPPORO System Center
OMIYA System Center
SHINJUKU System Center
SHINAGAWA System Center
TACHIKAWA System Center
SHIZUOKA System Center
NAGANO System Center
NIIGATA System Center
KANAZAWA System Center
HIROSHIMA System Center
TAKAMATSU System Center
FUKUOKA System Center

**DOMESTIC SUBSIDIARIES**

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

## *Overseas Operations*

**1. AMANO USA HOLDINGS,INC.**
**CORPORATE HEADQUARTERS**
140 Harrison Avenue Roseland, New Jersey 07068 U.S.A.

**2. AMANO CINCINNATI,INC.**
**HEAD OFFICE**
140 Harrison Avenue Roseland, New Jersey 07068-1239 U.S.A.

**3. AMANO CINCINNATI,INC.**
**OHIO FACTORY**
130 Commerce Blvd. Loveland, Ohio 45140-7726 U.S.A.

**4. AMANO CINCINNATI CANADA INC.**
2740 Matheson Blvd. East, Unit 4 Mississauga, Ontario, Canada L4W 4X3

**5. AMANO PIONEER ECLIPSE CORPORATION**
1 Eclipse Road, Sparta, North Carolina 28675-0909 U.S.A.

**6. AMANO McGANN, INC.**
**HEAD OFFICE**
651 Taft Street NE, Minneapolis, Minnesota 55413 U.S.A.

**7. ACCU-TIME SYSTEMS, INC.**
420 Somers Road, Ellington, Connecticut 06029 U.S.A.

**8. ACCU-TECH SYSTEMS, Ltd.**
C1 Caerphilly Business Park Caerphilly Mid Glamorgan CF83 3ED, U.K.

**9. AMANO EUROPE HOLDINGS, N.V.**
**CORPORATE HEADQUARTERS**
Westerring 2, 3600 Genk, Belgium

**10. AMANO EUROPE, N.V.**
**CORPORATE OFFICE**
Westerring 2, 3600 Genk, Belgium

**11. AMANO UK. LTD**
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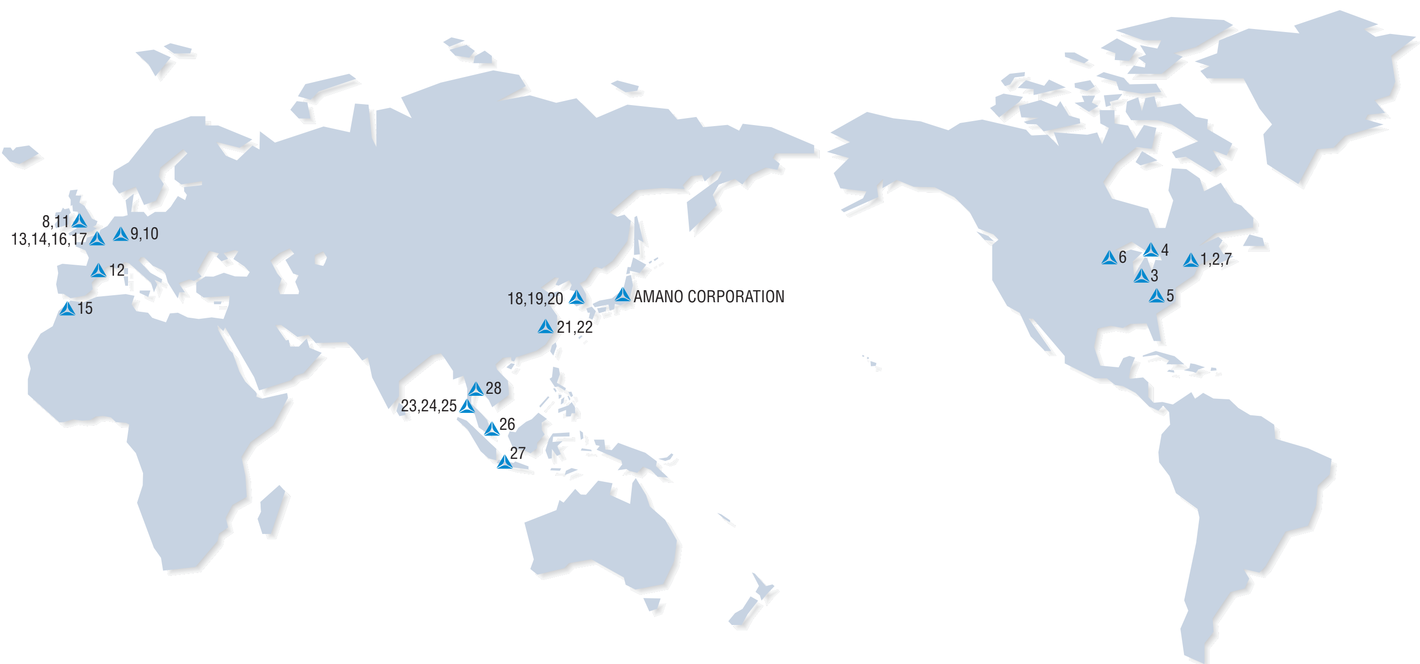

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