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February 8, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Under Japanese GAAP)

Company name: NOHMI BOSAI LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 6744
 URL: <https://www.nohmi.co.jp/>
 Representative: Takeshi Okamura, President and Representative Director
 Inquiries: Yasuhiro Ono, Executive Officer in charge of General Affairs Department
 Telephone: +81-3-3265-0214
 Scheduled date to file quarterly securities report: February 13, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary materials on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (year to date)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2022	70,846	(8.9)	2,102	(68.1)	2,458	(64.8)	2,198	(54.6)
Nine months ended December 31, 2021	77,740	9.4	6,588	22.1	6,978	20.7	4,845	35.5

(Note) Comprehensive income
 Nine months ended December 31, 2022: ¥2,710 million [(47.8)%]
 Nine months ended December 31, 2021: ¥5,188 million [29.5%]

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2022	36.44	-
Nine months ended December 31, 2021	80.35	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of December 31, 2022	142,639	112,309	77.5
As of March 31, 2022	148,599	111,891	74.2

(Reference) Equity
 As of December 31, 2022: ¥110,543 million
 As of March 31, 2022: ¥110,250 million

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	18.00	-	18.00	36.00
Fiscal year ending March 31, 2023	-	20.00	-		
Fiscal year ending March 31, 2023 (forecast)				20.00	40.00

(Note) Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	111,000	(1.7)	10,100	(20.1)	10,400	(20.9)	7,150	(23.5)	118.54

(Note) Revisions to the financial results forecast most recently announced: None

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2022	60,832,771 shares
As of March 31, 2022	60,832,771 shares

- (ii) Number of treasury shares at the end of the period

As of December 31, 2022	511,137 shares
As of March 31, 2022	517,921 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2022	60,318,957 shares
Nine months ended December 31, 2021	60,301,987 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts and other special matters

The results forecast and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual results may differ significantly due to various factors. Please refer to “Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information” on page 2 of the Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Attachments) for the assumptions for earnings forecasts and notes on using earnings forecasts.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended December 31, 2022, the Japanese economy saw signs of normalization of economic and social activities amid the continued impact of COVID-19, but the future remained uncertain due to factors such as a hike in resource prices associated with the prolonged situation in Ukraine and the impact of global monetary tightening.

In the fire protection industry, although private capital investment has been on a recovery trend, conditions have remained severe due to supply constraints on parts and rising raw material prices.

Despite these circumstances, the Group has formulated the vision for fiscal 2028 and the measures to realize it as “Medium- to Long-Term Vision 2028: Shaping the Customers’ Expectations.” Starting in fiscal 2022, we have been undertaking a variety of initiatives to transform itself into a company that can create higher added value.

As a result of our ongoing business activities while striving to prevent the spread of COVID-19 under this medium- to long-term vision, orders received in the nine months ended December 31, 2022 totaled ¥89,678 million (down 1.5% year-on-year) and net sales were ¥70,846 million (down 8.9% year-on-year).

As for profit, operating income was ¥2,102 million (down 68.1% year-on-year), ordinary income was ¥2,458 million (down 64.8% year-on-year), and net income attributable to owners of parent was ¥2,198 million (down 54.6% year-on-year). This was mainly due to a decrease in large-scale projects and the concentration of relatively profitable projects in the previous consolidated fiscal year.

By business segment, net sales for fire alarm systems were ¥26,469 million (down 10.7% year-on-year), operating income was ¥2,630 million (down 54.8% year-on-year), net sales for fire extinguishing systems were ¥22,696 million (down 15.2% year-on-year), operating income was ¥2,367 million (down 34.4% year-on-year), and for maintenance services, net sales were ¥18,174 million (up 1.6% year-on-year), operating income was ¥2,788 million (down 1.3% year-on-year), and for others, net sales were ¥3,505 million (up 2.1% year-on-year) and operating income was ¥146 million (compared with an operating loss of ¥17 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year dropped ¥5,959 million from the end of the previous fiscal year to ¥142,639 million. This was mainly due to a decrease of ¥9,901 million in notes and accounts receivable - trade, and contract assets, despite an increase of ¥1,756 million in merchandise and finished goods and an increase of ¥1,186 million in raw materials and supplies.

Liabilities fell ¥6,377 million from the end of the previous fiscal year to ¥30,330 million due to a decrease in income taxes payable of ¥2,483 million and a decrease in provision for bonuses of ¥1,871 million.

Net assets grew ¥417 million from the end of the previous fiscal year to ¥112,309 million, mainly due to an increase in foreign currency translation adjustment.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

Regarding the full-year earnings forecast for the fiscal year ending March 2023, there are no changes to the forecast announced on May 11, 2022, due to the steady increase in orders received at the end of the third quarter of the current fiscal year.

At the Group, our sales tend to be concentrated in the latter half of the fiscal year, particularly in the fourth quarter, because the construction industry has a significant impact on our sales.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

	(Millions of yen)	
	FY2022 (As of March 31, 2022)	3Q FY2023 (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	48,663	45,400
Notes and accounts receivable–trade, and contract assets	48,991	39,090
Merchandise and finished goods	2,943	4,700
Work in process	1,011	1,732
Raw materials and supplies	5,289	6,475
Other	865	2,909
Allowance for doubtful accounts	(540)	(567)
Total current assets	107,225	99,741
Non-current assets		
Property, plant and equipment	22,900	23,757
Intangible assets	2,996	3,100
Investments and other assets		
Investment securities	7,314	7,524
Other	8,223	8,579
Allowance for doubtful accounts	(61)	(64)
Total investments and other assets	15,476	16,039
Total non-current assets	41,374	42,898
Total assets	148,599	142,639
Liabilities		
Current liabilities		
Notes and accounts payable–trade	4,359	4,074
Electronically recorded obligations–operating	5,016	4,841
Short-term borrowings	4	-
Income taxes payable	2,613	129
Provision for bonuses	3,610	1,739
Provision for product warranties	14	47
Provision for warranties for completed construction	82	79
Provision for loss on construction contracts	1,286	1,542
Asset retirement obligations	20	-
Other	10,795	8,829
Total current liabilities	27,804	21,284
Non-current liabilities		
Bonds payable	9	2
Provision for retirement benefits for directors (and other officers)	204	150
Provision for product warranties	132	130
Reserve for loss on construction performance guarantee	167	167
Retirement benefit liability	7,431	7,387
Asset retirement obligations	118	117
Other	840	1,091
Total non-current liabilities	8,903	9,046
Total liabilities	36,708	30,330

(Millions of yen)

	FY2022 (As of March 31, 2022)	3Q FY2023 (As of December 31, 2022)
Net assets		
Shareholders' equity		
Share capital	13,302	13,302
Capital surplus	12,920	12,925
Retained earnings	83,094	82,996
Treasury shares	(272)	(268)
Total shareholders' equity	109,045	108,955
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,032	961
Foreign currency translation adjustment	682	1,020
Remeasurements of defined benefit plans	(509)	(394)
Total accumulated other comprehensive income	1,205	1,587
Non-controlling interests	1,640	1,765
Total net assets	111,891	112,309
Total liabilities and net assets	148,599	142,639

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

Consolidated nine-month period

(Millions of yen)

	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)
Net sales	77,740	70,846
Cost of sales	52,626	49,670
Gross profit	25,114	21,175
Selling, general and administrative expenses	18,525	19,072
Operating income	6,588	2,102
Non-operating income		
Interest income	11	13
Dividend income	70	81
Share of profit of entities accounted for using equity method	187	174
Subsidy income	48	0
Insurance return	14	31
Other	137	101
Total non-operating income	471	402
Non-operating expenses		
Interest expenses	6	8
Foreign exchange losses	23	9
Rental expenses	18	17
Other	33	12
Total non-operating expenses	81	47
Ordinary income	6,978	2,458
Extraordinary income		
Gain on sale of non-current assets	14	774
Gain on sale of investment securities	-	38
Total extraordinary income	14	813
Extraordinary losses		
Loss from COVID-19 pandemic	-	101
Loss on disposal of non-current assets	20	8
Loss on valuation of investment securities	0	5
Total extraordinary losses	21	114
Quarterly net income before taxes	6,971	3,157
Income taxes	2,171	1,005
Quarterly net income	4,799	2,151
Quarterly net loss attributable to non-controlling interests	(46)	(46)
Quarterly net income attributable to owners of parent	4,845	2,198

Quarterly Consolidated Statements of Comprehensive Income

Consolidated nine-month period

(Millions of yen)

	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)
Quarterly net income	4,799	2,151
Other comprehensive income		
Valuation difference on available-for-sale securities	(77)	(72)
Foreign currency translation adjustment	348	514
Remeasurements of defined benefit plans, net of tax	117	115
Share of other comprehensive income of entities accounted for using equity method	1	1
Total other comprehensive income	388	558
Quarterly comprehensive income	5,188	2,710
Quarterly comprehensive income attributable to		
Quarterly comprehensive income attributable to owners of parent	5,118	2,580
Quarterly comprehensive income attributable to non-controlling interests	69	129

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Application of accounting treatment specific to the preparation of quarterly consolidated financial statements)

How to calculate tax expenses

Tax expenses are calculated by rationally estimating the effective tax rate after the application of tax effect accounting to income before income taxes for the consolidated fiscal year including the third quarter of the current fiscal year and multiplying quarterly income before income taxes by the estimated effective tax rate.

(Segment Information)

I Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

Information on the amount of net sales and income or loss by reportable segment and information on the breakdown of profit

(Millions of yen)

	Reportable segment				Other (Note) 1	Total	Adjust- ment (Note) 2	Amount reported on the quarterly consoli- dated statements of income (Note) 3
	Fire Alarm Systems	Fire Extin- guishing Systems	Mainte- nance Services	Subtotal				
Net sales								
Goods or services transferred at a point in time	15,921	2,004	10,744	28,671	1,420	30,092	-	30,092
Goods or services transferred over a certain period of time	13,717	24,771	7,147	45,636	2,012	47,648	-	47,648
Revenue from contracts with customers	29,639	26,775	17,892	74,308	3,432	77,740	-	77,740
Net sales to external customers	29,639	26,775	17,892	74,308	3,432	77,740	-	77,740
Intersegment sales or transfers	38	45	0	84	147	231	(231)	-
Subtotal	29,677	26,821	17,893	74,392	3,580	77,972	(231)	77,740
Segment income or (segment loss)	5,815	3,607	2,824	12,247	(17)	12,230	(5,641)	6,588

(Notes) 1 The "Other" segment is not included in the reportable segment and includes parking lot and lane control systems.

2 An adjustment of -5,641 million yen for segment income or (segment loss) is for corporate expenses. Corporate expenses mainly consist of general and administrative expenses and research and development expenses, which are not attributable to reportable segments.

3 Segment income or (segment loss) is adjusted for operating income in the quarterly consolidated statements of income.

II Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

Information on the amount of net sales and income or loss by reportable segment and information on the breakdown of profit

(Millions of yen)

	Reportable segment				Other (Note) 1	Total	Adjust- ment (Note) 2	Amount reported on the quarterly consoli- dated statements of income (Note) 3
	Fire Alarm Systems	Fire Extin- guishing Systems	Mainte- nance Services	Subtotal				
Net sales								
Goods or services transferred at a point in time	11,357	1,859	10,879	24,096	1,162	25,259	-	25,259
Goods or services transferred over a certain period of time	15,112	20,837	7,294	43,244	2,342	45,586	-	45,586
Revenue from contracts with customers	26,469	22,696	18,174	67,340	3,505	70,846	-	70,846
Net sales to external customers	26,469	22,696	18,174	67,340	3,505	70,846	-	70,846
Intersegment sales or transfers	56	49	0	105	149	254	(254)	-
Subtotal	26,525	22,746	18,174	67,446	3,654	71,100	(254)	70,846
Segment income	2,630	2,367	2,788	7,785	146	7,932	(5,829)	2,102

- (Notes) 1 The "Other" segment is not included in the reportable segment and includes parking lot and lane control systems.
- 2 An adjustment of -5,829 million yen for segment income is for corporate expenses. Corporate expenses mainly consist of general and administrative expenses and research and development expenses, which are not attributable to reportable segments.
- 3 Segment income is adjusted for operating income in the quarterly consolidated statements of income.