

ANNUAL REPORT 2020

For the Year Ended March 31, 2020



Profile

NOHMI BOSAI LTD., established in 1944 and listed on the First Section of the Tokyo Stock Exchange in 1991, is a leading Japanese manufacturer of fire alarm and fire extinguishing systems. In fiscal 2020, ended March 31, 2020, the Company realized consolidated net sales of ¥117.3 billion. NOHMI BOSAI is responsible for the development, marketing, installation and maintenance of a wide variety of state-of-the-art fire protection systems. In addition to our strong domestic presence, we are also active in China, other parts of Asia and the United States.

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Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this annual report with respect to NOHMI BOSAI’s plans, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about the future performance of NOHMI BOSAI, which are based on management’s assumptions and beliefs in light of the information currently available to it, and involve risks and uncertainties. Potential risks and uncertainties include, without limitation, general economic conditions in NOHMI BOSAI’s markets, industrial market conditions and NOHMI BOSAI’s ability to continue to win acceptance of its products and services, which are offered in highly competitive markets characterized by continual new product introductions, rapid developments in technology and changing customer preferences.

Consolidated Financial Highlights

NOHMI BOSAI LTD. and Subsidiaries
For the years ended March 31, 2018, 2019 and 2020

	Millions of Yen			Percentage Change	Thousands of U.S. Dollars*5
	2018	2019	2020	2020/2019	2020
For the year:					
New orders	¥ 109,020	¥ 107,860	¥ 111,872	3.7 %	\$1,027,952
Net sales	105,032	106,775	117,295	9.9	1,077,782
Cost of sales	69,448	71,927	77,989	8.4	716,613
Operating income	12,882	11,367	15,140	33.2	139,116
Net income attributable to owners of the parent	9,136	7,804	10,517	34.8	96,637
Comprehensive income	9,661	7,617	10,274	34.9	94,404
At year-end:					
Total assets	¥ 122,618	¥ 128,628	¥ 136,667	6.2 %	\$1,255,784
Total net assets	83,684	89,363	97,672	9.3	897,473
Backlog of orders	54,971	56,057	50,634	(9.7)	465,258
Number of employees	2,388	2,442	2,524	3.4	—
Per share (in yen and U.S. dollars):					
Net income*1	¥ 151.51	¥ 129.42	¥ 174.41	34.8 %	\$ 1.60
Net assets*2	1,362.16	1,457.31	1,594.52	9.4	14.65
Cash dividends	28.50	32.00	33.00	3.1	0.30

Notes: *1. Per share amounts are based on the weighted average number of shares outstanding during each period, less treasury stock.

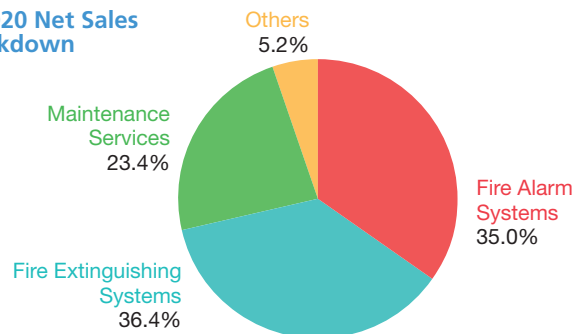
*2. Per share amounts are based on the number of shares outstanding at the end of each period, less treasury stock.

*3. There is no diluted net income per share presented as there are no shares with a potentially dilutive effect.

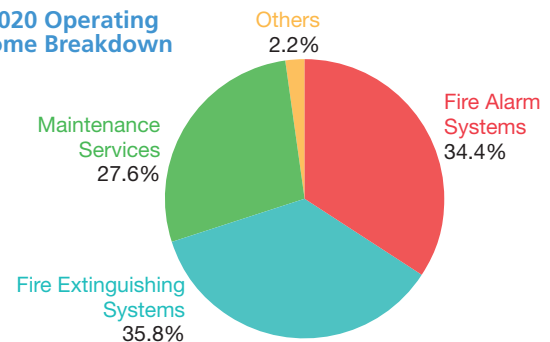
*4. All dollar figures herein refer to U.S. currency unless otherwise specified. The dollar amounts in this report represent the translation of yen, for convenience only, at the rate of ¥108.83=US\$1, the prevailing exchange rate at March 31, 2020.

*5. All amounts are in millions of yen or thousands of U.S. dollars, except number of employees and per share amounts.

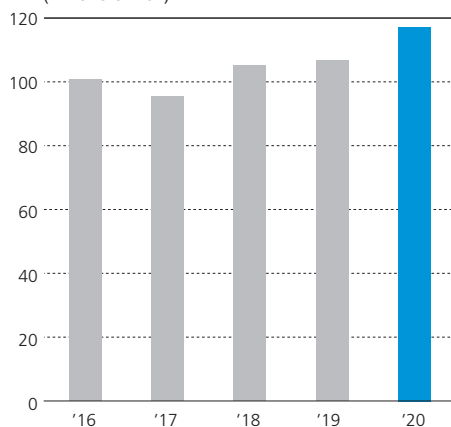
FY2020 Net Sales Breakdown



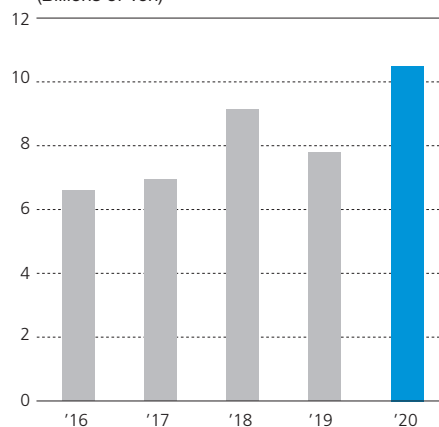
FY2020 Operating Income Breakdown



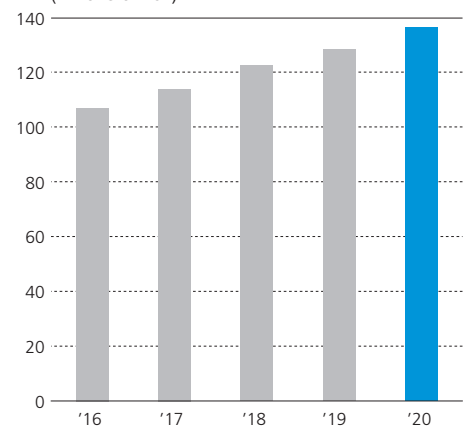
Net Sales (Billions of Yen)



Net Income Attributable to Owners of the Parent (Billions of Yen)



Total Assets (Billions of Yen)



Toward Dramatic Growth Based on Strong “On-site Capabilities”



Tatsunori Ito
President

Operating Environment and Business Results in Fiscal 2020

During fiscal 2020 (ended March 31, 2020), the Japanese economy continued its moderate recovery thanks to the implementation of various policies amid improvements in the employment and income environments. However, an unprecedented degree of uncertainty persists due to concerns over the impacts of U.S.-China trade frictions and the spread of COVID-19.

In the domestic fire protection industry, a continued increase in private-sector investments resulted in a strong business environment. However, the COVID-19 pandemic casts a long shadow for the foreseeable future.

The NOHMI BOSAI Group formulated a three-year medium-term business plan starting from fiscal 2020 entitled “Project 2021—Build Strong ‘On-site Capabilities’.” Under the vision and priority policies below, we will respond quickly to continually evolving safety and security needs and make efforts to achieve dramatic growth.

Vision

**Toward Dramatic Growth Based on Strong
“On-site Capabilities”**

Priority policies

- (1) Improve human resource capabilities.
- (2) Improve business conceptualization and execution capabilities/improve operational precision and speed.
- (3) Strengthen group management.

During fiscal 2020, the medium-term business plan’s first year, we proactively made efforts toward sales expansion. As a result, in fiscal 2020 new orders increased 3.7% to ¥111,872 million and net sales increased 9.9% to ¥117,295 million.

At the profit level, due to an increase in net sales, a concentration of contracts with relatively high profitability and successful cost reduction efforts through improved operational efficiencies, operating income increased 33.2% to ¥15,140 million and net income attributable to owners of the parent increased 34.8% to ¥10,517 million.

By business segment, the Fire Alarm Systems segment posted net sales of ¥41,016 million and operating income of ¥7,672 million, increases of 7.1% and 11.0%, respectively, from the previous year. Net sales and operating income in the Fire Extinguishing Systems segment increased 15.3% to ¥42,726 million and 49.3% to ¥7,984 million year on year, respectively. Net sales and operating income in the Maintenance Services segment increased 6.4% to ¥27,482 million and 12.3% to ¥6,162 million year on year, respectively. Net sales and operating income in the Others segment also increased 8.3% to ¥6,071 million and 53.6% to ¥490 million, respectively, over the previous year.

Initiatives for Transparent Management

The NOHMI BOSAI Group has been undertaking a variety of initiatives to strengthen our corporate governance structure with the aim of maximizing corporate value, ensuring transparency and fairness in corporate management and enabling a quick decision-making process. We emphasize accountability to such key stakeholders as our shareholders and investors by disclosing information in a timely and appropriate manner. Moreover, by building an internal control system, we are carrying out compliance-based management that ensures strict Group-wide adherence to our code of conduct and internal rules and thereby helping to prevent misconduct of any kind.

Shareholder Returns

With regard to the distribution of profits, in addition to placing an emphasis on returning profits to shareholders, we pay dividends based on a comprehensive evaluation of such financial indicators as our payout ratio while considering the need for internal reserves to strengthen our corporate structure in preparation for future business development.

Based on the above policy, for the fiscal year ended March 31, 2020, the Company declared a year-end dividend per share of ¥17.00. Including the interim dividend of ¥16.00 per share, annual dividends per share totaled ¥33.00, a ¥1.00 increase from the previous year.

For fiscal 2021, we plan to declare annual dividends per share of ¥33.00, which include an interim dividend of ¥16.50 per share and a year-end dividend per share of ¥16.50.

Outlook for Fiscal 2021

We expect difficult market conditions to continue for fiscal 2021 due to the impact of the COVID-19 pandemic.

In the fire protection industry, although it is expected that the business environment will be negatively affected due to a worsening of orders received arising from delays in construction and a restraint in capital investments, it is difficult to forecast the degree of the impact.

The NOHMI BOSAI Group formulated a three-year medium-term business plan starting from fiscal 2020 called “Project 2021—Build Strong ‘On-site Capabilities’.” During fiscal 2021, the second year of the plan, the Group will respond quickly to continually evolving safety and security needs and make efforts to achieve growth amid difficult operating conditions.

In closing, I would like to ask all our stakeholders, including shareholders, for their continued understanding and support in the coming year.

July 2020



Tatsunori Ito
President

Toward Dramatic Growth Based on Strong “On-site Capabilities”

As a pioneer in the fire protection industry, we continue to anticipate changes in the world and provide value to contribute to the realization of a safe society. To demonstrate our raison d'être, it is necessary to adapt to an ever-changing external environment and elevate ourselves to the next stage. Our medium-term business plan was formulated by focusing especially on “on-site capabilities.”

Vision

Toward Dramatic Growth Based on Strong “On-site Capabilities”

Continue to be pioneers in fire protection fields as a comprehensive fire protection company

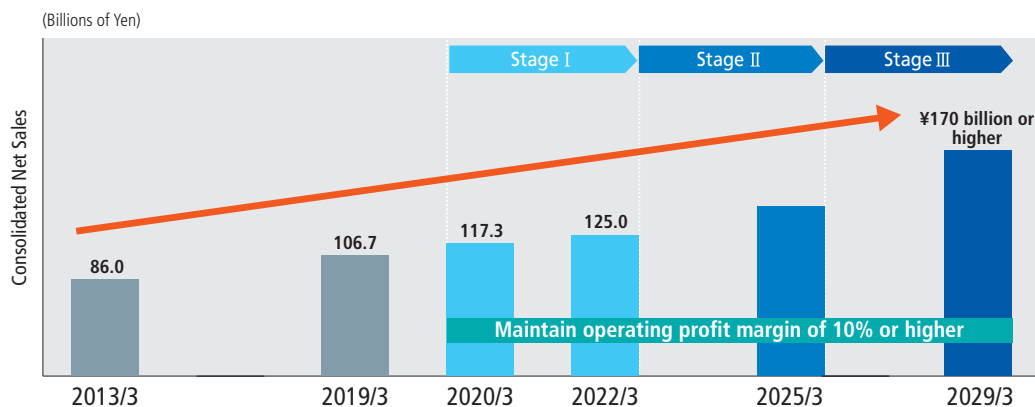
Priority policies of Medium-Term Business Plan

1. Improve human resource capabilities.
2. Improve business conceptualization and execution capabilities/improve operational precision and speed.
3. Strengthen group management.

Create a foundation for even higher stages of growth (investments, new initiatives)

Quantitative targets

Consolidated net sales/Operating profit margin



R&D investment
<ul style="list-style-type: none"> Collaborate with related in-house and external bodies and introduce elemental and other technologies Promote in-house development of NOHMI BOSAI's core technologies
▶▶ Toward the development of next-generation new products

Experimental research expenses
As a percentage of consolidated net sales

2.2 billion yen
2.1%

3.0 billion yen
2.4%

5.0 billion yen
3.0%

Although quantitative targets are provided above, the impact of the COVID-19 pandemic remains uncertain. As such, we will consider various measures, including revising the targets as necessary.

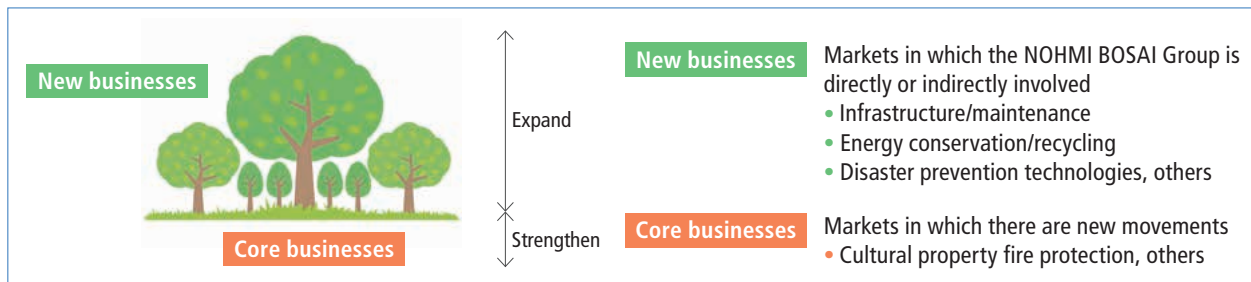
Progress on Priority Policies and New Goals

1 Improve human resource capabilities

- Effective on-the-job training and well-planned job rotations
- Upgrade practical training and managerial empowerment training with training equipment and other facilities.

2 Build a stronger base for core businesses

We have been taking on challenges in new businesses by strengthening the foundation of core businesses.



3 Improve business conceptualization and execution capabilities/improve operational precision and speed

1. Expand business fields

Get more deeply involved in core businesses to strengthen their foundation. Meanwhile, we aim to expand business fields by reinforcing proposal capabilities in areas beyond the legal domain.

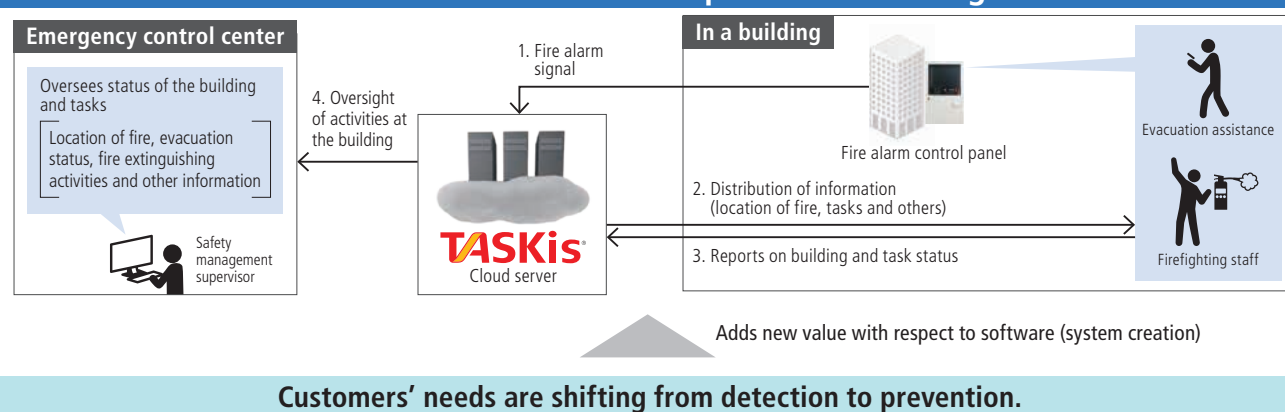
2. Reinforce proposal skills by supplying new forms of value

We provide TASKis®, a cloud-based disaster response support software program.

Main features of TASKis® include:

- Uses smartphones to distribute instructions on tasks to perform in the event of a fire, earthquake or other emergency involving business continuity plans.
- Supervisors can use PCs for real-time monitoring of reports on progress with these tasks.

Illustration of how TASKis® responds to a building fire



3. Reinforce overseas businesses

We will provide high-value-added services, including after-sales services, mainly in China, Taiwan, Southeast Asia and India. In Southeast Asia, where we have particularly concentrated our

efforts, we established three new exclusive dealerships, shifted production from the Shanghai Factory to Southeast Asia and started selling a new fire alarm system for midsize buildings.

4 Strengthen management structure

We revised the management structure to strengthen corporate governance.

<Board of Directors>

- Outside directors account for more than one-third of the Board of Directors to increase its independence.
- A female director and internationally well-versed directors are appointed to ensure diversity.

<Business execution>

- Introduced an executive officer system
- Revised criteria for discussion at Board of Directors' meetings

Fire Alarm Systems

The NOHMI BOSAI Group provides a wide range of fire alarm systems and equipment—including automatic fire alarm systems, environmental monitoring systems, fire doors and smoke control systems—for customers at various locations, ranging from homes to large-scale commercial and industrial facilities. These products are highly acclaimed in the marketplace for integrating cutting-edge technologies as well as for outstanding practicality and safety supported by our stringent quality assurance.

We are also continuing to develop highly reliable products that meet the diverse requirements of today's buildings, as well as fire alarm systems that satisfy overseas standards.

The Year in Review

Net sales in the Fire Alarm Systems segment in fiscal 2020 increased ¥2,718 million, or 7.1%, from the previous year to ¥41,016 million, accounting for 35.0% of consolidated net sales. Operating income was up ¥760 million, or 11.0%, to ¥7,672 million. New orders, however, decreased ¥2,027 million, or 5.0%, to ¥38,441 million.

We engaged not only in proactive sales activities for installation in new and renewal properties but also in sales of high-value-added products. As a result, this segment posted record-highs in both net sales and operating income.

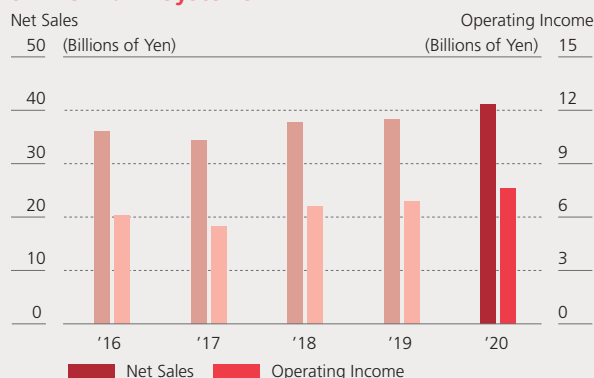


Fire Monitoring Panels in Control Center

Major Products and Services

- Control Panels
- Heat, Smoke and Gas Detectors
- Infrared Ray Flame Detectors
- Air Sampling Type Smoke Detection Systems
- Fire Alarms and Bells
- Smoke Control Systems
- Transmitters
- Auxiliary Equipment

Net Sales/Operating Income of Fire Alarm Systems



Fire Extinguishing Systems

The NOHMI BOSAI Group offers a wide choice of sprinkler systems, foam systems and fire protection equipment for large-scale buildings and facilities, including office buildings, leisure complexes, industrial plants and factories as well as road tunnels. The Group has earned an outstanding reputation, especially for our excellent technologies in the design and installation of fire extinguishing systems for waste incineration facilities, chemical plants and other specialized facilities. We also offer fire-extinguishing systems for small-scale medical facilities and welfare institutions.

We are promoting the development of distinctive products that combine the Group's proprietary technologies as well as products for cultivating new markets that address needs arising from an aging society.

The Year in Review

Net sales in the Fire Extinguishing Systems segment in fiscal 2020 increased ¥5,685 million, or 15.3%, over the previous year to ¥42,726 million, accounting for 36.4% of consolidated net sales. Operating income was up ¥2,635 million, or 49.3%, to ¥7,984 million. New orders rose ¥5,021 million, or 14.2%, to ¥40,420 million.

In fiscal 2020, we recorded increases in revenues both from fire extinguishing systems for general properties, such as high-rise building, as well as from systems used in special facilities that include industrial plants and systems used in road tunnels. In addition, a concentration of orders received with relatively high profitability contributed to record-high net sales and operating income in this segment.

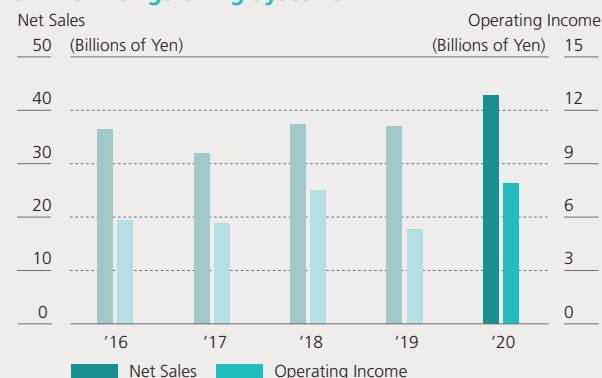


Sprinkler Test

Major Products and Services

- Sprinklers
- Spray Heads and Nozzles
- Fire Extinguishers
- High-Expansion Foam Extinguishing Systems
- Dry Chemical Extinguishing Systems
- Heat and Gas Dispersion Control Systems
- Water Cannons

Net Sales/Operating Income of Fire Extinguishing Systems



Maintenance Services

Along with R&D for creating the best-suited fire protection systems, regular maintenance and inspections are crucial for maintaining the level of quality necessary for these systems to function reliably and ensure optimal performance.

The Maintenance Services segment ensures the highest levels of safety and performance by offering a wide variety of maintenance and inspection services, including round-the-clock telephone support services, as well as repairs. We also offer fire protection consulting services to building owners.

The Year in Review

Net sales in the Maintenance Services segment in fiscal 2020 were up ¥1,652 million, or 6.4%, from the previous year to ¥27,482 million, representing 23.4% of consolidated net sales. Operating income increased ¥674 million, or 12.3%, to ¥6,162 million. New orders increased ¥659 million, or 2.5%, to ¥26,936 million.

During the fiscal year under review, orders for both maintenance and inspection services and repair/renewal services were steadily accumulated amid a continued robust market environment. Thanks to improvements in the cost rate through initiatives to streamline business operations, this segment posted record-high orders received, net sales and operating income.

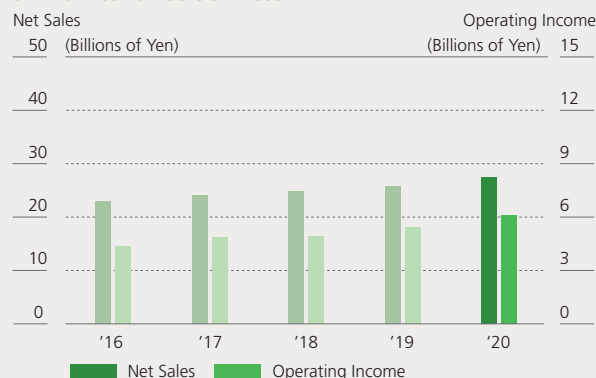


Maintenance and Inspection Services

Major Services

- Maintenance and Inspection Services

Net Sales/Operating Income of Maintenance Services



Others

Others includes the installation and management of parking lot driving lane control systems. We offer driving lane control systems to make driving in parking lots safer and improve the efficiency of parking lot traffic flow and operations. We offer a full range of systems suited for parking lots of various types and sizes.

The Year in Review

Net sales for other businesses in fiscal 2020 increased ¥465 million, or 8.3%, from the previous year to ¥6,071 million, representing 5.2% of consolidated net sales. Operating income was up ¥171 million, or 53.6%, to ¥490 million. New orders increased ¥359 million, or 6.3%, to ¥6,076 million.

During the fiscal year under review, an increase in revenue from parking lot driving lane control systems contributed to a rise in net sales in this segment. Despite a harsh market environment, operating income dramatically increased due to cost reduction activities.

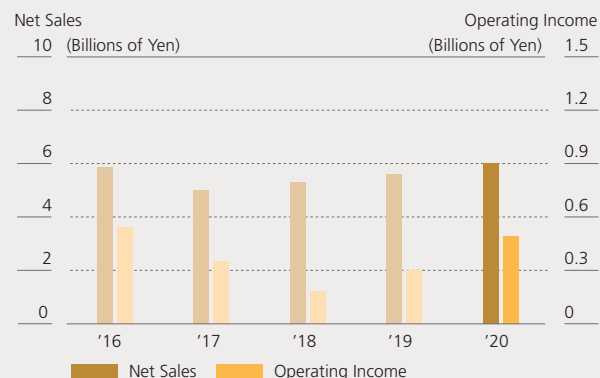


Parking Lot Driving Lane Control Systems

Major Products and Services

- Parking Lot Driving Lane Control Systems
- Parking Lot Maintenance Services

Net Sales/Operating Income of Others



Fundamental Policies

We recognize the importance of enhanced corporate governance to achieve sustainable growth and improve medium-to-long-term corporate value. With this in mind, we implement various measures aimed at ensuring the transparency and fairness of management and making quick management decisions.

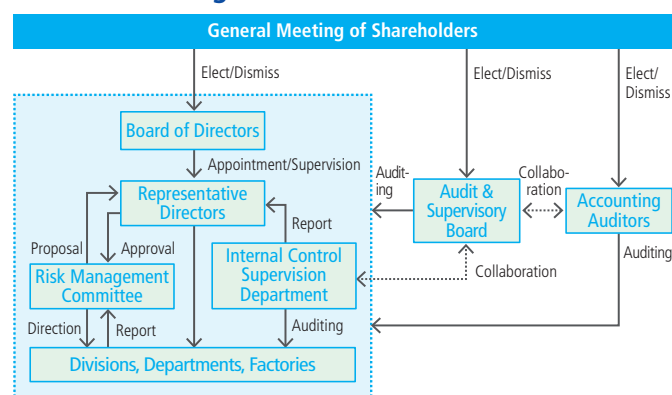
Corporate Governance Structure

The Company has adopted the Audit & Supervisory Board member system under the Japanese Companies Act. The Board of Directors consists of nine directors, three of whom are outside directors. Under this structure, the Board of Directors makes important management decisions and oversees the execution of business operations with the aims of maximizing corporate value, ensuring transparency and fairness in corporate management and enabling a quick decision-making process. In June 2020, we introduced an executive officer system to raise the agility of management and strengthen our corporate governance. In addition, the Nomination and Compensation Committee has been established as voluntary advisory organizations of the Board of Directors to further ensure objectivity and transparency in the appointment and compensation of directors.

With regard to the Audit & Supervisory Board, three outside Audit & Supervisory Board members are appointed and the two Full-time Audit & Supervisory Board members attend important meetings, including those held by the Board of Directors and Board of Managing Directors, and examine all Group companies, monitor the independence of accounting

auditors, and discuss matters with, and receive reports and explanations from, the accounting auditors. Meetings of the Audit & Supervisory Board are held on a regular basis to report and deliberate on these results to reinforce the Company's auditing functions. In addition to reports from Full-time Audit & Supervisory Board members at the meetings of the Board of Directors, outside directors receive briefings on the execution status of duties by directors at the meetings of the Board of Directors and give opinions as deemed necessary.

Management Control Structure



Management Team (As of June 25, 2020)

Directors and Audit & Supervisory Board Members

Representative Director and Chairman

Takeshi Hashizume

Representative Director and President

Tatsunori Ito

Directors

Jun Uchiyama*
Takeshi Okamura*
Masahiro Hasegawa*
Tatsuya Izumida
Shin Shiotani**
Ichiro Ishii**
Keiko Hirano**

Full-time Audit & Supervisory Board Members

Yoshihisa Asakura
Hiroshi Kondo

Audit & Supervisory Board Members

Tojiro Ishii**
Kazuo Kondo**
Hidehiko Asahi**

*Concurrently serves as executive officers

** Outside

Executive Officers

Senior Managing Executive Officers

Jun Uchiyama
Takeshi Okamura

Managing Executive Officers

Masahiro Hasegawa
Nobuyuki Ichikawa

Executive Officers

Yasuo Ariga
Yuji Hara
Hisato Miura
Shinya Ikeda

Kazuto Yamamoto
Hisayoshi Atoji
Makoto Kamihigoshi
Keishi Odori
Ryoichi Kato

In addition, we are committed to disclosing information in a timely and appropriate manner and emphasizing accountability in order to maintain the relationships of trust with all stakeholders, including our shareholders.

We also undertake compliance-based management that ensures strict Group-wide adherence to our corporate ethics and internal rules to help prevent cases of misconduct.

The Internal Control Supervision Department, which is an internal audit department comprised of six staff members and is independent from other departments, works in collaboration with the Audit & Supervisory Board members and accounting auditors to systematically conduct financial and operational audits of all departments, including Group companies. The Internal Control Supervision Department provides recommendations for improvements based on the results of these audits and requires departments to regularly report on the status of any recommended improvements. At the same time, the department reports to the President and Audit & Supervisory Board members to help address any problems. In addition, the Internal Control Supervision Department is tasked with addressing the evaluation and audit of internal controls over financial reporting based on the Japanese Financial Instruments and Exchange Act.

Besides holding periodic meetings, accounting auditors, Audit & Supervisory Board members and the Internal Control Supervision Department coordinate with, communicate with and give reports to each other.

Concerning risk management, we have formulated the Risk Management Regulations and built a management structure. The Risk Management Committee promotes activities to pre-

vent risks from materializing. The executive in charge of the CSR Promotion Department serves as the chairperson of the Risk Management Committee and the executives in charge of the Corporate Planning Department, General Affairs Department and the Public Relations Department serve as standing members.

In this manner, we are enhancing our corporate governance by establishing a management control structure and taking measures that include formulating rules for management control and business execution.

Internal Control System

Regarding the internal control system, in accordance with the Japanese Companies Act, we have established the structure for assuring that the execution of work duties by directors and employees conforms to laws and the Articles of Incorporation as well as the structure for assuring the appropriateness of business operations of the corporate group composed of the Company and its subsidiaries (basic policies of the internal control system). We make revisions as deemed necessary for improvements.

Basic Policies of the Internal Control System

1. Structure for assuring that the execution of work duties by directors and employees conforms to laws and the Articles of Incorporation
2. Structure for preserving and managing information concerning the execution of work duties by directors
3. Structure for rules and other matters related to risk management for exposure to losses
4. Structure for assuring that the execution of work duties by directors is performed efficiently
5. Structure for assuring the appropriateness of business operations of the corporate group composed of the Company, its parent company and its subsidiaries
6. Structure related to internal audits
7. Guidance concerning employees who, based on requests of Audit & Supervisory Board members, are dispatched to assist Audit & Supervisory Board members with work duties
8. Guidance concerning the independence of employees mentioned in 7 above from directors as well as guidance for assuring that instructions from Audit & Supervisory Board members to employees are effectively executed
9. Structure for reporting by directors and employees of the Company and its Group companies to Audit & Supervisory Board members and another structure for reporting to Audit & Supervisory Board members
10. Structure for assuring that persons who made reports as mentioned in 9 above are not unjustly treated as a result of making such reports
11. Guidance concerning the advance payment of expenses that arise from the execution of duties by Audit & Supervisory Board members, guidance concerning expenses that arise from reimbursement procedures and the execution of such procedures and guidance concerning policies related to the disposal of liabilities
12. Structure for assuring that audits carried out by Audit & Supervisory Board members are performed effectively

Management's Discussion and Analysis

The NOHMI BOSAI Group's consolidated financial statements are prepared in accordance with generally accepted accounting principles in Japan (Japanese GAAP). An analysis of our financial condition, business results and cash flows for fiscal 2020 is shown below.

Performance Analysis

With regard to the NOHMI BOSAI Group's business results for the fiscal year under review, we engaged in proactive sales activities during the first year of the medium-term business plan. As a result, the NOHMI BOSAI Group marked record-highs for both net sales and operating income. A summary of business results by segment is as follows.

In the Fire Alarm Systems segment, proactive sales activities led to increases in sales of both installation work and products. Net sales increased ¥2,718 million, or 7.1%, over the previous year to ¥41,016 million. Operating income rose ¥760 million, or 11.0%, over the previous year to ¥7,672 million due to a concentration of orders received with relatively high profitability.

In the Fire Extinguishing Systems segment, net sales increased ¥5,685 million, or 15.3%, from the previous year to ¥42,726 million, due primarily to increases in revenues both from fire extinguishing systems for general properties, such as high-rise buildings, as well as from systems used in special facilities that include industrial plants and systems used in road tunnels. Compared with the previous fiscal year when there was a concentration of orders received with relatively low profitability, operating income improved to ¥7,984 million, up ¥2,635 million, or 49.3%, over the previous year.

Net sales in the Maintenance Services segment were up ¥1,652 million, or 6.4%, from the previous year to ¥27,482 million, due mainly to steady increases in revenues from both maintenance and inspection services and repair/renewal services amid the robust market environment. Operating income increased ¥674 million, or 12.3%, from the previous year to ¥6,162 million.

For other businesses, net sales increased ¥465 million, or 8.3%, from the previous year to ¥6,071 million due to an increase in revenue from parking lot driving lane control systems. Despite a harsh business environment, operating income was up ¥171 million, or 53.6%, to ¥490 million attributable mainly to efforts to control costs.

Consequently, consolidated net sales increased ¥10,520 million, or 9.9%, from the previous year to ¥117,295 million.

The cost-of-sales ratio decreased 0.9 percentage point from the previous year to 66.5%. This improvement reflects efforts to streamline business operations and reduce costs amid a harsh business environment, and resulted in a concentration of orders received with relatively high profitability.

Gross profit was up ¥4,458 million, or 12.8%, from the previous year to ¥39,306 million, and the gross profit margin rose 0.9 percentage point from the previous year to 33.5%.

Selling, general and administrative (SG&A) expenses increased ¥685 million, or 2.9%, but the SG&A expenses-to-net-sales ratio improved by 1.4 percentage points from the previous year to 20.6%.

As a result, an increase in net sales and successful cost reduction efforts through streamlined business operations and other measures led to an improvement in profits. Operating income increased 33.2% over the previous year to ¥15,140 million. Net income attributable to owners of the parent increased 34.8% year on year to ¥10,517 million. Net income per share was ¥174.41.

Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2020 amounted to ¥136,667 million, an increase of ¥8,039 million from the previous fiscal year-end. This was mainly attributable to an increase of ¥5,018 million in cash and bank deposits as well as an increase of ¥4,162 million in trade receivables, which together offset a decrease of ¥1,196 million in inventories.

Total liabilities decreased ¥270 million from the end of the previous fiscal year to ¥38,995 million. This decrease is due primarily to a decrease of ¥1,423 million in trade payables and a decrease of ¥810 million in advances received on uncompleted construction contracts, which more than offset an increase of ¥962 million in income taxes payable and an increase of ¥525 million in non-trade accounts payable.

Total net assets increased ¥8,309 million from the end of the previous fiscal year to ¥97,672 million attributable mainly to an increase in retained earnings.

Cash Flow

Cash and cash equivalents at the end of fiscal 2020 totaled ¥41,695 million, an increase of ¥5,334 million from the end of the previous fiscal year. Details for each category of cash flows are as follows:

Net cash provided by operating activities

Despite such outflows as an increase in trade receivables of ¥4,237 million and income taxes paid of ¥3,658 million, such inflows as income before income taxes of ¥15,287 million, adjustment for depreciation and amortization of ¥2,066 million and a decrease in inventories of ¥1,163 million resulted in net cash provided by operating activities of ¥9,406 million compared with ¥8,478 million in the previous fiscal year.

Net cash used in investing activities

Net cash used in investing activities amounted to ¥1,919 million compared with ¥1,916 million in the previous fiscal year, consisting mainly of payments for purchase of property, plant and equipment.

Net cash used in financing activities

Net cash used in financing activities amounted to ¥2,146 million compared with ¥2,056 million in the previous fiscal year, consisting mainly of cash dividends paid.

Outlook for Fiscal 2021

We expect difficult market conditions to continue due to the impact of the COVID-19 pandemic.

In the fire protection industry, although it is expected that the business environment will be negatively affected due to a worsening of orders received arising from delays in construction and a restraint in capital investments, it is difficult to forecast the degree of the impact.

The NOHMI BOSAI Group formulated a three-year medium-term business plan starting from fiscal 2020 called "Project 2021—Build Strong 'On-site Capabilities'." During fiscal 2021, the second year of the plan, the Group will respond quickly to continually evolving safety and security needs and make efforts to achieve growth amid difficult operating conditions.

Regarding cash dividends, we plan to declare annual dividends per share of ¥33.00, which include an interim dividend of ¥16.50 per share and a year-end dividend per share of ¥16.50.

Risk Information

The key risks that could have an adverse impact on the NOHMI BOSAI Group's financial condition and business results are set out below.

Forward-looking statements are based on the NOHMI BOSAI Group's assumptions and beliefs as of the end of the fiscal year under review.

(1) Business Environment

The NOHMI BOSAI Group's businesses are closely associated with the construction industry and public works projects. Although the Group engages in proactive proposal-based sales activities and cost reduction activities, the environment for receiving orders could get worse in case of decreases in private sector investment and public investment due to economic deceleration. Accordingly, business trends in these sectors could have an adverse impact on the NOHMI BOSAI Group's financial condition and business results.

(2) Laws and Regulations

A significant portion of the NOHMI BOSAI Group's businesses is conducted in conformance with the Japanese Fire Service Law. Accordingly, significant changes in the law may lead to a change in the competitive environment and could have an adverse impact on the NOHMI BOSAI Group's financial condition and business results.

(3) Defects in Products and Services

The NOHMI BOSAI Group offers products and services that contribute to the safety of society, including fire alarm systems and equipment and fire extinguishing systems, and expends all possible means to ensure quality assurance. The occurrence of a defect in its products and services that could impair the safety of society due to an unexpected situation could lead to an erosion in social credibility of the NOHMI BOSAI Group and have an adverse impact on its financial condition and business results.

(4) Procurement of Raw Materials

In offering its products, the NOHMI BOSAI Group strives to procure a stable supply of raw materials. Sharp rises in prices of raw materials or supply shortages of certain raw materials, however, could have an adverse impact on the NOHMI BOSAI Group's financial condition and business results.

(5) Effects of Natural Disasters

The NOHMI BOSAI Group has formulated a business continuity plan (BCP) assuming that a situation occurs that could have an impact on the continuity of its businesses. However, damage to the NOHMI BOSAI Group's production and sales facilities as a result of a large-scale natural disaster, including a major earthquake, could have an adverse impact on the NOHMI BOSAI Group's financial condition and business results.

(6) Compliance

The NOHMI BOSAI Group strives to improve compliance awareness of its executives and employees through ongoing compliance education. However, the occurrence of a serious compliance issue could lead to an erosion in social credibility of the NOHMI BOSAI Group and have an adverse impact on its financial condition and business results.

(7) Seasonal Variation in Business Results

Business results of the NOHMI BOSAI Group fluctuate significantly by season, whereby there is a tendency for sales to increase in the fourth quarter of the fiscal year.

(8) Impact of the COVID-19 Pandemic

There are growing concerns about the negative impact on the business environment of the NOHMI BOSAI Group, such as a worsening of orders received arising from delays in construction and a restraint in capital investments, due to the COVID-19 pandemic, which could have an adverse impact on its financial condition and business results. The NOHMI BOSAI Group will comply with the guidelines from the governments and local authorities in each country and region where it operates, including promoting remote work and staggered commuting as much as possible, and strive to curb the spread of infection to fulfill its mission to contribute to the safety of society.

Consolidated Balance Sheets

NOHMI BOSAI LTD. and Subsidiaries
As of March 31, 2019 and 2020

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2020	2020
Current Assets:			
Cash and bank deposits (Notes 5 and 11).....	¥ 37,689	¥ 42,707	\$ 392,419
Trade receivables (Notes 11 and 17):			
Notes	6,705	7,334	67,390
Accounts	33,146	36,716	337,370
Unconsolidated subsidiaries and affiliates.....	103	66	606
	39,954	44,116	405,366
Less: Allowance for bad debts	(398)	(363)	(3,335)
	39,556	43,753	402,031
Inventories (Note 7)	15,256	14,060	129,192
Prepaid expenses and other current assets	828	789	7,250
Total current assets	93,329	101,309	930,892
Property, Plant and Equipment:			
Buildings and structures	16,619	16,677	153,239
Machinery and equipment	2,441	2,711	24,911
Tools and furniture	8,553	8,897	81,751
	27,613	28,285	259,901
Less: Accumulated depreciation	(15,274)	(16,199)	(148,847)
	12,339	12,086	111,054
Construction in progress	55	338	3,106
Land	7,066	7,066	64,927
Other	—	214	1,966
Net property, plant and equipment	19,460	19,704	181,053
Intangible Assets:			
Software	1,334	1,407	12,928
Goodwill	43	32	294
Other intangible assets	69	69	634
Total intangible assets	1,446	1,508	13,856
Investments and Other Assets:			
Investments in securities (Notes 6 and 11)	2,620	2,428	22,310
Investments in unconsolidated subsidiaries and affiliates (Note 11)	3,414	3,526	32,399
Long-term loans receivable (Note 11).....	5	25	230
Deferred tax assets (Note 12).....	5,449	5,455	50,124
Other assets (Note 5)	2,959	2,809	25,811
	14,447	14,243	130,874
Less: Allowance for bad debts	(54)	(97)	(891)
Total investments and other assets	14,393	14,146	129,983
Total assets	¥128,628	¥136,667	\$ 1,255,784

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2020	2020
Current Liabilities:			
Short-term debt (Notes 8 and 11)	¥ 19	¥ 19	\$ 175
Trade payables (Notes 11 and 17):			
Notes	1,340	1,042	9,575
Accounts	2,462	2,168	19,921
Electronically recorded obligations	3,403	3,063	28,145
Unconsolidated subsidiaries and affiliates	3,075	2,584	23,743
	10,280	8,857	81,384
Non-trade accounts payable (Note 11)	6,846	7,371	67,729
Advances received on uncompleted construction contracts	4,328	3,518	32,326
Accrued bonuses to employees	3,155	3,505	32,206
Provision for product warranties	5	26	239
Provision for warranties for completed construction contracts	43	57	524
Income taxes payable (Note 11)	1,904	2,866	26,335
Provision for losses on construction contracts	919	880	8,086
Other current liabilities	2,063	2,379	21,859
Total current liabilities	29,562	29,478	270,863
Long-term Liabilities:			
Long-term debt (Note 8 and 11)	161	81	744
Long-term accounts payable—other	359	334	3,069
Liability for retirement benefits (Note 9)	8,081	7,908	72,664
Directors' and Audit & Supervisory Board members' retirement benefits	166	171	1,571
Provision for product warranties	164	172	1,580
Provision for loss on guarantees for construction performance (Note 13)	231	203	1,865
Other long-term liabilities	433	537	4,935
Asset retirement obligations	108	111	1,020
Total long-term liabilities	9,703	9,517	87,448
Total liabilities	39,265	38,995	358,311
Contingent liabilities (Note 13)			
Net Assets (Note 14)			
Shareholders' Equity:			
Common stock:			
Authorized: 160,000,000 shares at March 31, 2019 and 2020			
Issued: 60,832,771 shares at March 31, 2019 and 2020	13,302	13,302	122,227
Capital surplus	12,872	12,869	118,249
Retained earnings	61,696	70,279	645,769
Less: Treasury stock, at cost			
533,392 shares and 533,659 shares at March 31, 2019 and 2020, respectively	(280)	(280)	(2,573)
Total shareholders' equity	87,590	96,170	883,672
Accumulated Other Comprehensive Income (Note 15):			
Unrealized gains on securities, net of taxes	849	669	6,147
Foreign currency translation adjustments	354	304	2,793
Accumulated adjustments for retirement benefits, net of taxes (Note 9)	(918)	(995)	(9,142)
Total accumulated other comprehensive income	285	(22)	(202)
Non-controlling interests	1,488	1,524	14,003
Total net assets	89,363	97,672	897,473
Total liabilities and net assets	¥128,628	¥136,667	\$ 1,255,784

Consolidated Statements of Income

NOHMI BOSAI LTD. and Subsidiaries

For the years ended March 31, 2018, 2019 and 2020

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2018	2019	2020	2020
Net Sales (Note 16)	¥105,032	¥106,775	¥117,295	\$ 1,077,782
Cost of Sales (Notes 10 and 16)	69,448	71,927	77,989	716,613
Gross profit	35,584	34,848	39,306	361,169
Selling, General and Administrative Expenses (Note 10)	22,702	23,481	24,166	222,053
Operating income	12,882	11,367	15,140	139,116
Other Income (Expenses):				
Interest income	32	27	22	202
Interest expense	(4)	(7)	(16)	(147)
Dividend income	53	58	61	561
Subsidy income	60	—	45	413
Dividend on insurance policies	8	6	21	193
Insurance return	10	102	10	92
Rental revenue	49	47	58	533
Rental expense	(25)	(25)	(26)	(239)
Equity in earnings of affiliates	117	113	119	1,093
Foreign exchange gains (losses)	(31)	33	6	55
Commitment fee	(7)	(7)	(7)	(64)
Gain on sales of investments in securities	102	21	—	—
Compensation for damage	—	(19)	(44)	(404)
Gain (Loss) on sales/disposals of property, plant and equipment	89	87	(100)	(919)
Loss on devaluation of investments in securities	—	(237)	(61)	(561)
Loss on sales of investments in capital of subsidiaries and affiliates	(69)	—	—	—
Loss on liquidation of subsidiaries and affiliates	(8)	—	—	—
Reversal (provision) for loss on guarantees for construction performance	—	(231)	28	257
Others, net	(70)	(51)	31	286
	306	(83)	147	1,351
Income before income taxes	13,188	11,284	15,287	140,467
Income Taxes (Note 12):				
Current	4,346	3,811	4,599	42,259
Deferred	(319)	(365)	69	634
	4,027	3,446	4,668	42,893
Net income	9,161	7,838	10,619	97,574
Net income attributable to non-controlling interests	(25)	(34)	(102)	(937)
Net income attributable to owners of the parent	¥ 9,136	¥ 7,804	¥ 10,517	\$ 96,637
	Yen			U.S. Dollars (Note 1)
Per Share:				
Net income	¥ 151.51	¥ 129.42	¥ 174.41	\$ 1.60
Net assets	1,362.16	1,457.31	1,594.52	14.65
Cash dividends	28.50	32.00	33.00	0.30
Weighted Average Number of Shares Issued (in thousands)	60,300	60,299	60,299	—

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

NOHMI BOSAI LTD. and Subsidiaries
For the years ended March 31, 2018, 2019 and 2020

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2018	2019	2020	2020
Net Income	¥ 9,161	¥ 7,838	¥ 10,619	\$ 97,574
Other Comprehensive Income (Note 15):				
Unrealized gains on securities, net of taxes	21	21	(176)	(1,617)
Foreign currency translation adjustments.....	121	(240)	(88)	(808)
Adjustments for retirement benefits, net of taxes.....	356	0	(77)	(708)
Share of other comprehensive income of affiliates accounted for under the equity method.....	2	(2)	(4)	(37)
Total other comprehensive income	500	(221)	(345)	(3,170)
Comprehensive income.....	¥ 9,661	¥ 7,617	¥ 10,274	\$ 94,404
Total Comprehensive Income Attributable to:				
Owners of the parent.....	¥ 9,595	¥ 7,669	¥ 10,210	\$ 93,816
Non-controlling interests.....	66	(52)	64	588

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

NOHMI BOSAI LTD. and Subsidiaries

For the years ended March 31, 2018, 2019 and 2020

	Thousands	Millions of Yen										
	Number of shares of common stock	Shareholders' equity					Accumulated other comprehensive income					Total
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on securities, net of taxes	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits, net of taxes	Total accumulated other comprehensive income	Non-controlling interests	
Balance at March 31, 2017.....	60,832	¥13,302	¥12,870	¥48,110	¥(279)	¥74,003	¥ 807	¥ 428	¥(1,275)	¥ (40)	¥1,486	¥75,449
Net income attributable to owners of the parent.....				9,136		9,136						9,136
Cash dividends paid				(1,421)		(1,421)						(1,421)
Acquisition of treasury stock					(0)	(0)						(0)
Net changes during the year	—	—	—	—	—	—	23	80	356	459	61	520
Total changes of items during the period.....	—	—	—	7,715	(0)	7,715	23	80	356	459	61	8,235
Balance at March 31, 2018.....	60,832	¥13,302	¥12,870	¥55,825	¥(279)	¥81,718	¥ 830	¥ 508	¥(919)	¥ 419	¥1,547	¥83,684
Net income attributable to owners of the parent.....				7,804		7,804						7,804
Cash dividends paid				(1,933)		(1,933)						(1,933)
Acquisition of treasury stock					(1)	(1)						(1)
Purchase of shares of consolidated subsidiaries.....			2			2						2
Net changes during the year	—	—	—	—	—	—	19	(154)	1	(134)	(59)	(193)
Total changes of items during the period.....	—	—	2	5,871	(1)	5,872	19	(154)	1	(134)	(59)	5,679
Balance at March 31, 2019.....	60,832	¥13,302	¥12,872	¥61,696	¥(280)	¥87,590	¥ 849	¥ 354	¥(918)	¥ 285	¥1,488	¥89,363
Net income attributable to owners of the parent				10,517		10,517						10,517
Cash dividends paid.....				(1,934)		(1,934)						(1,934)
Acquisition of treasury stock ...					(0)	(0)						(0)
Purchase of shares of consolidated subsidiaries.....			(3)			(3)						(3)
Net changes during the year ...	—	—	—	—	—	—	(180)	(50)	(77)	(307)	36	(271)
Total changes of items during the period.....	—	—	(3)	8,583	(0)	8,580	(180)	(50)	(77)	(307)	36	8,309
Balance at March 31, 2020.....	60,832	¥13,302	¥12,869	¥70,279	¥(280)	¥96,170	¥ 669	¥ 304	¥(995)	¥ (22)	¥1,524	¥97,672

	Thousands of U.S. Dollars (Note 1)										
	Shareholders' equity					Accumulated other comprehensive income					Total
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on securities, net of taxes	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits, net of taxes	Total accumulated other comprehensive income	Non-controlling interests	
Balance at March 31, 2019.....	\$122,227	\$118,276	\$566,903	\$(2,573)	\$804,833	\$ 7,801	\$3,252	\$ (8,434)	\$2,619	\$13,673	\$821,125
Net income attributable to owners of the parent.....			96,637		96,637						96,637
Cash dividends paid			(17,771)		(17,771)						(17,771)
Acquisition of treasury stock				(0)	(0)						(0)
Purchase of shares of consolidated subsidiaries		(27)			(27)						(27)
Net changes during the year	—	—	—	—	—	(1,654)	(459)	(708)	(2,821)	330	(2,491)
Total changes of items during the period...	—	(27)	78,866	(0)	78,839	(1,654)	(459)	(708)	(2,821)	330	76,348
Balance at March 31, 2020.....	\$122,227	\$118,249	\$645,769	\$(2,573)	\$883,672	\$ 6,147	\$2,793	\$ (9,142)	\$ (202)	\$14,003	\$897,473

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

NOHMI BOSAI LTD. and Subsidiaries
For the years ended March 31, 2018, 2019 and 2020

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2018	2019	2020	2020
Cash Flows from Operating Activities:				
Income before income taxes.....	¥13,188	¥11,284	¥15,287	\$140,467
Adjustments for:				
Depreciation and amortization.....	1,671	1,892	2,066	18,984
Amortization of goodwill.....	3	11	11	101
Increase (decrease) in allowance for bad debts.....	(18)	40	10	92
Increase (decrease) in liability for retirement benefits.....	273	250	(269)	(2,472)
Increase (decrease) in directors' and Audit & Supervisory Board members' retirement benefits.....	69	(78)	5	46
Increase in accrued bonuses.....	188	60	351	3,225
Increase (decrease) in provision for product warranties.....	(26)	(90)	28	257
Decrease in provision for demolition costs.....	(71)	—	—	—
Increase (decrease) in provision for warranties for completed construction contracts....	(5)	(3)	14	129
Increase (decrease) in provision for losses on construction contracts.....	219	60	(40)	(368)
Increase (decrease) in provision for loss on guarantees for construction performance ...	—	231	(28)	(257)
Interest and dividend income.....	(85)	(85)	(83)	(763)
Insurance return.....	(10)	(102)	(10)	(92)
Interest expenses.....	4	7	16	147
Equity in earnings of affiliates.....	(117)	(113)	(119)	(1,093)
Loss (gain) on sales/disposal of property, plant and equipment.....	(89)	(87)	100	919
Loss on devaluation of investments in securities.....	—	237	61	561
Loss on liquidation of subsidiaries and affiliates.....	8	—	—	—
Loss on sales of investments in capital of subsidiaries and affiliates.....	69	—	—	—
Loss (gain) on sales of investments in securities.....	(102)	(21)	1	9
Increase in trade receivables.....	(8,007)	(1,424)	(4,237)	(38,932)
Decrease (increase) in inventories.....	(1,692)	(17)	1,163	10,686
Increase (decrease) in trade payables.....	522	1,084	(767)	(7,048)
Increase (decrease) in advances received on uncompleted construction contracts.....	56	(442)	(810)	(7,443)
Others, net.....	212	418	242	2,224
Subtotal.....	6,260	13,112	12,992	119,379
Interest and dividend income received.....	81	106	88	808
Interest expenses paid.....	(4)	(7)	(16)	(147)
Income taxes paid.....	(4,631)	(4,733)	(3,658)	(33,612)
Net cash provided by operating activities.....	1,706	8,478	9,406	86,428
Cash Flows from Investing Activities:				
Decrease in time deposits.....	473	27	298	2,738
Payments into long-term deposits.....	—	(81)	(47)	(432)
Proceeds from withdrawal of long-term deposits.....	—	81	—	—
Payments for purchase of property, plant and equipment.....	(3,871)	(1,781)	(2,114)	(19,425)
Proceeds from sales of property, plant and equipment.....	211	198	4	37
Payments for purchase of investments in securities.....	(76)	(391)	(103)	(946)
Proceeds from sales of investments in securities.....	200	36	1	9
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation.....	277	—	—	—
Payments for loans receivable.....	(560)	(1)	(30)	(276)
Proceeds from loans receivable.....	184	7	5	46
Proceeds from cancellation of insurance contracts.....	53	179	283	2,600
Others, net.....	(314)	(190)	(216)	(1,984)
Net cash used in investing activities.....	(3,423)	(1,916)	(1,919)	(17,633)
Cash Flows from Financing Activities:				
Net decrease in short-term debt.....	(169)	(30)	—	—
Repayment of long-term debt.....	(6)	(26)	(19)	(175)
Repayments of bonds.....	(30)	(61)	(61)	(561)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation.....	—	(0)	(21)	(193)
Cash dividends paid.....	(1,421)	(1,933)	(1,934)	(17,771)
Cash dividends paid to non-controlling shareholders.....	(5)	(5)	(10)	(92)
Payments for purchase of treasury stock.....	(0)	(1)	(1)	(9)
Others, net.....	(0)	(0)	(100)	(918)
Net cash used in financing activities.....	(1,631)	(2,056)	(2,146)	(19,719)
Effect of exchange rate changes on cash and cash equivalents.....	28	(37)	(7)	(64)
Net increase (decrease) in cash and cash equivalents.....	(3,320)	4,469	5,334	49,012
Cash and cash equivalents at beginning of year.....	35,212	31,892	36,361	334,108
Cash and cash equivalents at end of year (Note 5).....	¥31,892	¥36,361	¥41,695	\$383,120

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

NOHMI BOSAI LTD. and Subsidiaries
For the years ended March 31, 2018, 2019 and 2020

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements of NOHMI BOSAI LTD. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The Company has made necessary adjustments in its consolidation process regarding overseas subsidiaries in accordance with the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18).

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2020, which is ¥108.83 to US\$1. The convenience translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation and Elimination

The Company had 24 subsidiaries at March 31, 2019 and 2020.

The consolidated financial statements include the accounts of the Company and 20 subsidiaries at March 31, 2019 and 2020.

The 20 subsidiaries which have been consolidated with the Company at March 31, 2020 are listed as follows:

	Equity ownership percentage
Ichibou Co., Ltd.	73.2%
Kyushu Nohmi Co., Ltd.	100.0%
Chiyoda Service Co., Ltd.	70.0%
NOHMI Engineering Corporation.....	100.0%
Nohmi System Co., Ltd.	100.0%
Iwate Nohmi Co., Ltd.	100.0%
Tohoku Nohmi Co., Ltd.	100.0%
Aomori Nohmi Co., Ltd.	100.0%
NISSIN BOHSAI Co., Ltd.	100.0%
Chiba Nohmi Co., Ltd.	100.0%
Shikoku Nohmi Co., Ltd.	100.0%
Nohmi Techno Engineering Co., Ltd.	100.0%

Akita Nohmi Co., Ltd.	100.0%
Fukushima Nohmi Co., Ltd.	100.0%
Niigata Nohmi Co., Ltd.	100.0%
Hokkaido Nohmi Co., Ltd.	100.0%
Yashima Bosai Setsubi Co., Ltd.	82.0%
System Service Co., Ltd.	100.0%
Nohmi Taiwan Ltd.	100.0%
Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd.	60.0%

The accounts of the remaining 4 unconsolidated subsidiaries at March 31, 2019 and 2020, had insignificant amounts of total assets, net sales, net income (amount equivalent to the company's share) and retained earnings (amount equivalent to the company's share) and therefore those companies have been excluded from consolidation.

(2) Elimination of Intercompany Accounts

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Company and its consolidated subsidiaries have been eliminated, and the portion attributable to non-controlling interests is charged/credited to "Non-controlling interests."

The assets and liabilities of acquired consolidated subsidiaries are incorporated into the financial statements at fair value and the difference between net assets at fair value and purchase price at acquisition dates of investments is recorded as goodwill and amortized over a five-year period on a straight-line basis.

(3) Investments in Unconsolidated Subsidiaries and Affiliates

At March 31, 2019 and 2020, the Company had investments in 4 affiliates. Investments in unconsolidated subsidiaries and affiliates are generally accounted for under the equity method. Consolidated income includes the Company's current equity in the net income of affiliates after elimination of intercompany profits.

The equity method is applied to the investments in 1 affiliate out of 4 affiliates in the consolidated financial statements.

However, the remaining 4 unconsolidated subsidiaries and 3 affiliates do not have a material effect on net income (amount equivalent to the company's share) or retained earnings (amount equivalent to the company's share) in the consolidated financial statements. Accordingly, the investments in these 4 unconsolidated subsidiaries and 3 affiliates are carried at cost.

(4) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits withdrawable on demand and short-term investments with an original maturity of mainly three months or less and which have minor risk of fluctuations in value.

(5) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost is determined by the following methods according to inventory item:

Products and raw materials.....	Weighted-average cost method
Work in progress.....	Individually identified cost method

Cost of construction contracts in progress is stated at cost determined by the individually identified cost method.

(6) Securities

In accordance with Japanese GAAP, securities are classified into four categories as follows:

Trading securities, which are held for the purpose of generating profits on short-term differences in prices, are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise.

Held-to-maturity debt securities, that the Company and its subsidiaries intend to hold to maturity, are stated at cost after accounting for premium or discount on acquisition, which is amortized over the period to maturity.

Investments in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for under the equity method unless they do not have a material effect on net income or retained earnings in the consolidated financial statements in which case they are carried at cost.

Other securities, for which market quotations are available, are stated at fair value. The differences between the book value and market prices of other securities, net of applicable income taxes, are presented in net assets as a component of accumulated other comprehensive income. If fair value is not available, other securities are stated at moving average cost.

(7) Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The Company and its subsidiaries assess impairment of each group of assets, which are grouped on the basis of managerial accounting and investment decision-making purposes.

(8) Amortization of Intangible Assets

Software for internal use is amortized using the straight-line method over the expected useful lives (5 years).

Other intangible assets are amortized by the straight-line method over the expected useful lives of the respective assets.

Goodwill is amortized over a five-year period on a straight-line basis.

(9) Allowance for Bad Debts

In accordance with Japanese GAAP, future credit losses on receivables are estimated by the following classification of receivables:

Receivables from debtors who are not in serious financial difficulty are called "normal receivables." The allowance for doubtful accounts against normal receivables is estimated by applying the historical credit loss rates, on an appropriate aggregated basis, or on a disaggregated basis by category of similar receivables.

Receivables from debtors who have not gone into bankruptcy, but who are or probably would be in serious financial difficulty if they had to repay debts are called "doubtful receivables." The allowance for doubtful accounts against these doubtful receivables is estimated by first deducting future cash inflows to be generated from foreclosure or guarantors from the recorded receivable amount, and then considering the debtor's financial condition and operating results to determine the

remaining amount.

Receivables from debtors who have either gone into bankruptcy or are substantially insolvent are called "failed receivables." The allowance for doubtful accounts against failed receivables and other similar receivables is estimated as the recorded receivables amount less cash inflows from foreclosures or guarantors.

(10) Provision for Product Warranties

Provision for product warranties has been provided for the cost of warranties on products sold estimated to be incurred subsequent to year-end dates. Provision for product warranties is provided based on past experience.

(11) Provision for Warranties for Completed Construction Contracts

Provision for warranties for completed construction contracts has been provided for the cost of warranties on completed construction contracts estimated to be incurred subsequent to year-end dates. Provision for warranties for completed construction contracts is provided based on past experience.

(12) Provision for Losses on Construction Contracts

Provision for losses on construction contracts is provided at the estimated amount for future losses on construction backlog if those losses are judged to be probable at the balance sheet date and reasonable estimation of the amounts of such losses is possible.

(13) Accounting for Leases

Assets leased under non-cancelable finance lease transactions, except for those that stipulate the transfer of ownership of leased property to the lessee, are depreciated using the straight-line method, whereby the depreciation period is the shorter of either the lease term or the useful life of the asset and the residual value is zero.

(14) Revenue Recognition for Construction Contracts

The percentage-of-completion method is applied to construction contracts, whose outcomes are deemed certain at the end of the current fiscal year, and the completed-contract method is applied to other construction contracts. The percentage of costs incurred to the estimated total cost is used for estimating the percentage of completion.

(Additional information)

From the year ended March 31, 2020, the percentage-of-completion method has been applied to certain other construction contracts since reliable estimates can be made as a result of the Company's strengthened cost management system.

As a result, net sales increased by ¥3,008 million (\$27,639 thousand) and operating income and income before income taxes increased by ¥999 million (\$9,179 thousand) for the year ended March 31, 2020 compared to if the previous approach had been applied.

(15) Income Taxes

Income taxes in Japan consist of corporation, enterprise and inhabitant taxes.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards.

(16) Liability for Retirement Benefits

In calculating projected benefit obligations, the benefit formula basis is used for attributing expected benefits to each fiscal year.

Actuarial gains and losses are amortized using the straight-line method over a period of mainly 10 years from the following fiscal year of occurrence.

Certain consolidated subsidiaries apply a simplified method, which assumes the Company's projected benefit obligations to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end, in calculating liability for retirement benefits and net pension and employees' severance costs.

(17) Directors' and Audit & Supervisory Board Members' Retirement Benefits

Certain consolidated subsidiaries provide Retirement benefits for directors and Audit & Supervisory Board members for an amount calculated based upon internal rules at the balance sheet date.

(18) Provision for loss on guarantees for construction performance

Provision for loss on guarantees for construction performance is provided at the estimated amount for future losses on guaranteed performance of power plant construction project in India for which the Company had made a successful bid and transferred to another company.

(19) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(20) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing on the respective balance sheet dates, and resulting exchange gains or losses are included in net income or loss for the period.

The balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date, except for shareholders' equity accounts, which are translated at the historical rates. Revenue and expense accounts of foreign subsidiaries are translated at average rates of exchange in effect during the year. Resulting translation adjustments are presented in net assets as a component of accumulated other comprehensive income in the consolidated balance sheets.

(21) Net Income and Dividends per Share

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year. There are no equity instruments issued that have a dilutive effect on earnings per share. Cash dividends per share shown for each period

in the accompanying consolidated statements of income represent dividends declared as applicable to the respective periods.

(22) Reclassification

Certain reclassifications of previously reported amounts have been made to conform with current classifications.

3. Accounting Standard Issued But Not Yet Adopted

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 31, 2020) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30 issued, on March 31, 2020)

(a) Overview

The International Accounting Standards Board ("IASB") and Financial Accounting Standards Board of the United States of America ("FASB") jointly developed a comprehensive accounting standard for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS No. 15, issued by IASB and ASC Topic 606, issued by FASB) in May 2014. Considering the situation that IFRS No. 15 has become applicable from fiscal years beginning on and after January 1, 2018 and ASC Topic 606 from fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard for revenue recognition and issued it together with implementation guidance.

The ASBJ's basic policy in developing the accounting standard for revenue recognition was to adopt the basic principles of IFRS No. 15 from the viewpoint of comparability of financial statements which is one of benefits of maintaining consistency with IFRS No. 15, and to add alternative treatments to the extent not to impair comparability in cases where previous practices and other factors in Japan should be considered.

(b) Effective date

The standard and guidance are expected to be effective from the beginning of the fiscal year ending March 31, 2022.

(c) Impact of the application of the standard and guidance

The effects of the standard and guidance on the consolidated financial statements are currently under evaluation.

Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24, revised on March 31, 2020)

(a) Overview

The ASBJ made required revisions and issued the revised "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" for the purpose of disclosing outline on accounting policies and procedures adopted when requirements under the relating accounting standards are not clearly defined.

(b) Effective date

The standard is expected to be effective at the end of the fiscal year ending March 31, 2021.

Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, issued on March 31, 2020)

(a) Overview

The ASBJ developed and issued "Accounting Standard for Disclosure of Accounting Estimates" for the purpose of disclosing information on accounting estimates made in the current period financial statements that may significantly affect the financial statements of subsequent periods, which is considered highly useful for users of financial statements.

(b) Effective date

The standard is expected to be effective at the end of the fiscal year ending March 31, 2021.

4. Additional Information

Accounting estimates relating to the spread of the novel coronavirus (COVID-19)

It is difficult to forecast the impact of the spread of COVID-19 infection and the timing of the return to normal in the future. However, considering outside information sources, accounting estimates for impairment losses of assets at some branch offices of the Company are made on the assumption that the impact of COVID-19 continues until the end of June 2020.

5. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2018, 2019 and 2020 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2018	2019	2020	2020
Cash and bank deposits.....	¥ 33,374	¥ 37,689	¥ 42,707	\$ 392,419
Long-term deposit	—	81	126	1,158
Total.....	33,374	37,770	42,833	393,577
Time deposits with deposit terms of over three months.....	(1,482)	(1,409)	(1,138)	(10,457)
Cash and cash equivalents.....	¥ 31,892	¥ 36,361	¥ 41,695	\$ 383,120

6. Securities

The following tables summarize the acquisition costs and book value/fair value of securities with available fair values as of March 31, 2019 and 2020.

Available-for-sale securities

Securities with book value exceeding acquisition costs

	Millions of Yen		
	2019		
	Book value/fair value	Acquisition cost	Difference
Equity securities	¥ 2,108	¥ 901	¥ 1,207
	Millions of Yen		
	2020		
	Book value/fair value	Acquisition cost	Difference
Equity securities	¥ 1,797	¥ 837	¥ 960
	Thousands of U.S. Dollars		
	2020		
	Book value/fair value	Acquisition cost	Difference
Equity securities	\$ 16,512	\$ 7,691	\$ 8,821

Securities with book value not exceeding acquisition cost

	Millions of Yen		
	2019		
	Book value/fair value	Acquisition cost	Difference
Equity securities	¥ 205	¥ 278	¥ (73)
	Millions of Yen		
	2020		
	Book value/fair value	Acquisition cost	Difference
Equity securities	¥ 228	¥ 287	¥ (59)
	Thousands of U.S. Dollars		
	2020		
	Book value/fair value	Acquisition cost	Difference
Equity securities	\$ 2,095	\$ 2,637	\$ (542)

The following tables summarize book value of securities with no available fair values as of March 31, 2019 and 2020.

Available-for-sale securities

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Non-listed equity securities.....	¥ 307	¥ 403	\$ 3,703

A summary of other securities sold in the years ended March 31, 2019 and 2020 is shown below:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Total amount of sales	¥ 36	¥ 1	\$ 9
Total amount of gains on sales	¥ 21	¥ —	\$ —
Total amount of losses on sales	¥ —	¥ 1	\$ 9

7. Inventories

Inventories as of March 31, 2019 and 2020 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Products	¥ 2,991	¥ 2,743	\$ 25,204
Raw materials	4,150	4,552	41,827
Work in progress.....	1,095	830	7,626
Cost of construction contracts in progress	7,020	5,935	54,535
	¥ <u>15,256</u>	¥ <u>14,060</u>	\$ <u>129,192</u>

8. Short-term Debt and Long-term Debt

Short-term debt at March 31, 2020 bore interest at an annual average rate of 1.30% and was represented generally by bank overdrafts and short-term notes maturing at various dates within one year.

It is the normal business custom in Japan for short-term borrowings to be rolled over annually.

Long-term debt at March 31, 2019 and 2020 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Unsecured 1.34% long-term borrowings due in 2022	¥ 38	¥ 19	\$ 175
Unsecured 0.26% domestic standard bonds due in 2021	30	10	92
Unsecured 0.25% domestic standard bonds due in 2021	30	10	92
Unsecured 0.31% domestic standard bonds due in 2023	26	19	175
Unsecured 0.40% domestic standard bonds due in 2024	17	13	118
Unsecured 0.29% domestic standard bonds due in 2022	20	10	92
	161	81	744
Less-portion due within one year ...	—	—	—
Total long-term debt	¥ <u>161</u>	¥ <u>81</u>	\$ <u>744</u>

The average interest rate for long-term debt of 0.55% as of March 31, 2020 represents the weighted-average rate applicable to the year-end balance.

The annual maturities and the aggregate annual maturities of long-term debt as of March 31, 2020 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
2021.....	¥ —	\$ —
2022.....	56	514
2023.....	16	147
2024.....	9	83
2025 and thereafter.....	—	—
Total	¥ <u>81</u>	\$ <u>744</u>

9. Accrued Retirement Benefits

The Company and its consolidated subsidiaries provide defined benefit plans, defined contribution plans and lump-sum payment plans. In addition, the Company introduced an advance-payment plan for retirement benefits for the purpose of supporting employees' life plans. In certain circumstances, additional retirement payments, which are not considered to be projected benefit obligations based on actuarial calculation are paid to employees who retire.

The Company and 16 consolidated subsidiaries provide lump-sum payment plans, and pension plans that are individually structured by each company as of March 31, 2019 and 2020.

Certain consolidated subsidiaries apply the simplified method in computing projected benefit obligations.

(a) Defined Benefit Plans

Reconciliation of projected benefit obligations, excluding plans to which the simplified method is applied, at beginning and end of the years is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Projected benefit obligations at beginning of year	¥ 16,007	¥ 16,458	\$ 151,227
Service costs	826	874	8,031
Interest expenses	64	66	606
Actuarial losses (gains)	145	12	110
Retirement benefits paid	(584)	(471)	(4,328)
Projected benefit obligations at end of year.....	¥ <u>16,458</u>	¥ <u>16,939</u>	\$ <u>155,646</u>

Reconciliation of plan assets, excluding plans to which the simplified method is applied, at beginning and end of the years is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Plan assets at beginning of year	¥ 8,536	¥ 8,728	\$ 80,199
Expected return on plan assets.....	212	218	2,003
Actuarial gains (losses)	(129)	(287)	(2,637)
Employer contributions	493	1,077	9,896
Retirement benefits paid	(384)	(316)	(2,904)
Plan assets at end of year.....	¥ <u>8,728</u>	¥ <u>9,420</u>	\$ <u>86,557</u>

Reconciliation of liability for retirement benefits for which the simplified method is applied, at beginning and end of the years is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Liability for retirement benefits at beginning of year	¥ 338	¥ 342	\$ 3,142
Net pension and employees' severance costs	83	109	1,002
Retirement benefits paid	(39)	(23)	(211)
Employer contributions to the plan	(40)	(39)	(358)
Liability for retirement benefits at end of year.....	¥ <u>342</u>	¥ <u>389</u>	\$ <u>3,575</u>

Reconciliation of the balances of projected benefit obligations and plan assets to liability for retirement benefits and asset for retirement benefits recorded on the consolidated balance sheets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Projected benefit obligations (funded)	¥ 11,603	¥ 11,950	\$ 109,805
Plan assets	(9,386)	(10,091)	(92,723)
	2,217	1,859	17,082
Projected benefit obligations (unfunded)	5,855	6,049	55,582
Total net liability for retirement benefits on the consolidated balance sheets.....	¥ 8,072	¥ 7,908	\$ 72,664
Liability for retirement benefits.....	¥ 8,081	¥ 7,908	\$ 72,664
Asset for retirement benefits.....	(9)	—	—
Total net liability for retirement benefits on the consolidated balance sheets.....	¥ 8,072	¥ 7,908	\$ 72,664

The components of net pension and employees' severance costs for the years ended March 31, 2018, 2019 and 2020 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2018	2019	2020	2020
Service costs	¥ 809	¥ 826	¥ 874	\$ 8,031
Interest expenses	63	64	66	606
Expected return on plan assets.....	(199)	(212)	(218)	(2,003)
Recognized actuarial differences.....	319	258	203	1,865
Net pension and employees' severance costs calculated using the simplified method	47	83	109	1,002
Net periodic benefit costs.....	¥ 1,039	¥ 1,019	¥ 1,034	\$ 9,501

The components of adjustments for retirement benefits in other comprehensive income (before applicable tax effects) for the years ended March 31, 2018, 2019 and 2020 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2018	2019	2020	2020
Actuarial losses (gains)	¥ 513	¥ (17)	¥ (96)	\$ (882)
Total	¥ 513	¥ (17)	¥ (96)	\$ (882)

The components of accumulated adjustments for retirement benefits in accumulated other comprehensive income (before applicable tax effects) as of March 31, 2019 and 2020 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Unrecognized actuarial differences.....	¥ 1,340	¥ 1,436	\$ 13,195
Total	¥ 1,340	¥ 1,436	\$ 13,195

Breakdown of plan assets as of March 31, 2019 and 2020 was as follows:

	2019	2020
Equity securities	32%	25%
General accounts	34	35
Bonds	32	38
Other	2	2
Total	100%	100%

Method for determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined considering current and expected distribution of plan assets and long-term rate of return derived from the various components of the plan assets.

Significant assumptions used in determining the projected benefit obligations at March 31, 2018, 2019 and 2020 were as follows:

	2018	2019	2020
Discount rate	Mainly 0.4%	Mainly 0.4%	Mainly 0.4%
Long-term expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%	Mainly 2.5%

(b) Defined Contribution Plans

The amount contributed to the defined contribution pension plans of consolidated subsidiaries for the years ended March 31, 2018, 2019 and 2020 was ¥12 million, ¥16 million and ¥17 million (\$156 thousand), respectively.

(c) Advance-Payment Plan for Retirement Benefits

The amount paid to the advance-payment plan for retirement benefits for the years ended March 31, 2018, 2019 and 2020 was ¥497 million, ¥512 million and ¥532 million (\$4,888 thousand), respectively.

10. Research and Development Expenses

Research and development expenses included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2018, 2019 and 2020 were ¥2,064 million, ¥2,268 million and ¥2,125 million (\$19,526 thousand), respectively.

11. Financial Instruments

(a) Policy Related to Financial Instruments

The necessary funds of the Company and its subsidiaries are generated primarily by retained earnings. Cash surplus is invested in low-risk financial instruments. There are no derivative transactions.

(b) Nature, Extent of Risks Arising from, and Risk Management for, Financial Instruments

Receivables such as trade notes and accounts receivable and long-term loans receivable to customers are exposed to customers' credit risk. With respect to receivables, in order to control customers' credit risk, the balance of receivables and payment date of each customer are monitored. Investments in securities comprise equities of

customer-related business or capital tie-ups, and are exposed to the issuer's credit risk and market price fluctuation risk. However, investments in securities are managed by monitoring market values and the financial position of issuers on a regular basis.

Long-term loans receivable are loans to employees and are exposed to employees' credit risk. In order to control employees' credit risk, the balance of receivables is regularly monitored based on the internal rules.

The due date of trade payables is within one year. Debt comprises amounts borrowed from banks by affiliates, and bonds issued by affiliates. Current liabilities such as trade payables and non-trade accounts payable, and non-current liabilities such as borrowings and bonds are exposed to the risk of debt default at the payment due date. However, the Company and its consolidated subsidiaries manage such risk through adequate financial planning conducted by respective business administration departments.

(c) Fair Values of Financial Instruments

Fair values of financial instruments are based on the quoted price in active markets. If the quoted price is not available, other rational valuation techniques are used instead. The results of valuation may differ based on the assumptions applied because the valuation techniques include variable factors.

Fair value of financial instruments:

The fair value of financial instruments as of March 31, 2019 and 2020 was as follows:

	Millions of Yen		
	2019		
	Carrying amount	Fair value	Unrecognized gain (loss)
Cash and bank deposits	¥ 37,689	¥ 37,689	¥ —
Trade receivables	39,954	39,954	—
Investments in securities	2,313	2,313	—
Long-term loan receivable	5	5	—
Total	¥ 79,961	¥ 79,961	¥ —
Trade payables	¥ 10,280	¥ 10,280	¥ —
Short-term debt	19	19	—
Non-trade accounts payable	6,846	6,846	—
Income taxes payable	1,904	1,904	—
Bonds	123	123	(0)
Long-term debt	38	37	(1)
Total	¥ 19,210	¥ 19,209	¥ (1)

	Millions of Yen		
	2020		
	Carrying amount	Fair value	Unrecognized gain (loss)
Cash and bank deposits	¥ 42,707	¥ 42,707	¥ —
Trade receivables	44,116	44,116	—
Investments in securities	2,025	2,025	—
Long-term loan receivable	25	25	0
Total	¥ 88,873	¥ 88,873	¥ 0
Trade payables	¥ 8,857	¥ 8,857	¥ —
Short-term debt	19	19	—
Non-trade accounts payable	7,371	7,371	—
Income taxes payable	2,866	2,866	—
Bonds	62	62	(0)
Long-term debt	19	18	(1)
Total	¥ 19,194	¥ 19,193	¥ (1)

	Thousands of U.S. Dollars		
	2020		
	Carrying amount	Fair value	Unrecognized gain (loss)
Cash and bank deposits	\$392,419	\$392,419	\$ —
Trade receivables	405,366	405,366	—
Investments in securities	18,607	18,607	—
Long-term loan receivable	230	230	0
Total	\$816,622	\$816,622	\$ 0
Trade payables	\$ 81,384	\$ 81,384	\$ —
Short-term debt	175	175	—
Non-trade accounts payable	67,729	67,729	—
Income taxes payable	26,335	26,335	—
Bonds	570	570	(0)
Long-term debt	174	165	(9)
Total	\$ 176,367	\$ 176,358	\$ (9)

1. Calculation methods of fair value of financial instruments:

Cash and bank deposits and trade receivables

The carrying values of cash and bank deposits and trade receivables approximate fair value because of their short maturities.

Investments in securities

The fair value of investments in securities is measured at the quoted market price. Information of the fair value for the investments in securities by classification is included in Note 6.

Long-term loans receivable

The fair value of long-term loans receivable is determined by discounting the amount of the total principal and interest at the interest rate assumed when new, similar loans are made.

However, since the amount of long-term loans to employees is immaterial, the fair value of long-term loans receivable to employees is its carrying value.

Trade payables, short-term debt, non-trade accounts payable and income taxes payable

The carrying values of these liabilities approximate fair value because of their short maturities.

Bonds

The fair value of bonds is determined by discounting the amount of the total principal and interest at the interest rate assumed when new, similar bonds are issued.

Long-term debt

The fair value of long-term debt is determined by discounting the amount of the total principal and interest at the interest rate assumed when new, similar borrowings are made.

2. Financial instruments whose fair value is deemed extremely difficult to determine:

The carrying amount of investments in unconsolidated subsidiaries and affiliates, and other cost method investments that do not have a quoted market price in an active market as of March 31, 2019 and 2020 were ¥3,721 million and ¥3,929 million (\$36,102 thousand), respectively. These investments do not have any market values and a reasonable estimation of fair value is not readily determinable. Therefore, they are excluded from investments in securities in the fair value of financial instruments above.

3. Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2020:

Millions of Yen				
2020				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and bank deposits	¥ 42,707	¥ —	¥ —	¥ —
Trade receivables...	44,116	—	—	—
Long-term loans receivable...	—	25	0	—
Total.....	¥ 86,823	¥ 25	¥ 0	¥ —

Thousands of U.S. Dollars				
2020				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and bank deposits	\$ 392,419	\$ —	\$ —	\$ —
Trade receivables...	405,366	—	—	—
Long-term loans receivable.....	—	230	0	—
Total.....	\$ 797,785	\$ 230	\$ 0	\$ —

12. Income Taxes

At March 31, 2019 and 2020, significant components of deferred tax assets and liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2020	2020
Deferred tax assets:			
Liability for retirement benefits.....	¥ 2,494	¥ 2,435	\$ 22,374
Accrued bonuses	971	1,078	9,905
Directors' and Audit & Supervisory Board members' retirement benefits.....	57	62	570
Loss on write-off of fixed assets	147	165	1,516
Accrued legal welfare expenses.....	132	144	1,323
Accrued enterprise taxes.....	157	196	1,801
Allowance for bad debts.....	105	89	818
Impairment loss on fixed assets.....	118	110	1,011
Devaluation of inventories.....	286	363	3,335
Provision for losses on construction contracts.....	285	271	2,490
Provision for product warranties.....	51	61	561
Loss on valuation of shares of subsidiaries and affiliates	215	215	1,976
Provision for loss on guarantee for construction performance	71	62	570
Others	1,189	982	9,022
Subtotal.....	6,278	6,233	57,272
Valuation allowance.....	(484)	(490)	(4,502)
Total.....	¥ 5,794	¥ 5,743	\$ 52,770
Deferred tax liabilities:			
Special depreciation of acquired assets.....	¥ (51)	¥ (51)	\$ (468)
Unrealized gains on securities	(294)	(237)	(2,178)
Total.....	¥ (345)	¥ (288)	\$ (2,646)
Net deferred tax assets.....	¥ 5,449	¥ 5,455	\$ 50,124

Income taxes applicable to the Company and its consolidated domestic subsidiaries consist of corporation, inhabitants' and enterprise taxes. The statutory income tax rate of the Company is approximately 30.9% for the year ended March 31, 2018 and 30.6% for the years ended March 31, 2019 and 2020.

Since the differences between the statutory tax rate and effective tax rate for the fiscal years ended March 31, 2018 and 2019 is less than 5% of the effective tax rate, reconciliations of these two rates are not presented.

13. Contingent Liabilities

The Company and its consolidated subsidiaries were contingently liable for borrowings from financial institutions in the amount of ¥32 million and ¥29 million (\$266 thousand), trade notes endorsed for payment to third parties in the ordinary course of business in the amount of ¥71 million and ¥66 million (\$606 thousand) and performance guarantees made for unconsolidated subsidiaries of ¥119 million and ¥70 million (\$643 thousand) at March 31, 2019 and 2020, respectively.

The Company made a successful bid as a prime contractor for seven contracts of a power plant construction project from National Thermal Power Construction (hereinafter, "NTPC") in India. Among these contracts, local procurement supply contract and construction, and material handling contract were transferred to Unitech Machines Limited (herein after, "UML") and five contracts are in progress.

Based on the terms of the contracts, the Company owes performance obligations to NTPC as a prime contractor, including contracts transferred to UML. With the financial deterioration of UML, a bank claimed reorganizing procedures to a court in August 2018 and they were accepted.

There is a possibility that the Company will be obliged to complete the construction because the Company owes performance obligations for the contracts transferred to UML.

A part of the estimated amount for future losses relating to these contracts is provided as provision for loss on guarantees for construction performance. However, currently it is difficult to reasonably estimate the total amount of loss.

This provision has been partially reversed for payments made during the year ended March 31, 2020.

14. Net Assets

Net assets comprise three subsections, which are shareholders' equity, accumulated other comprehensive income and non-controlling interests.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital which is included in capital surplus.

In cases where dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal reserve must be set aside as additional paid-in capital or legal reserve. Legal reserve is included in retained earnings in the accompanying consolidated balance sheets.

Both appropriations of legal reserve and additional paid-in capital used to eliminate or reduce a deficit generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal reserve may not be distributed as dividends. All additional paid-in capital and legal reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 25, 2020, the distribution of cash dividends amounting to ¥1,027 million (\$9,437 thousand) was approved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2020 since they are recognized in the period in which they are resolved at the annual shareholders' meeting.

a) Dividends paid during the year ended March 31, 2020

The following was approved by the annual shareholders' meeting held on June 26, 2019:

(a) Total dividends	¥967 million (\$8,885 thousand)
(b) Cash dividends per common share	¥16.00 (\$0.15)
(c) Record date	March 31, 2019
(d) Effective date	June 27, 2019

The following was approved by the Board of Directors on November 7, 2019:

(a) Total dividends	¥967 million (\$8,886 thousand)
(b) Cash dividends per common share	¥16.00 (\$0.15)
(c) Record date	September 30, 2019
(d) Effective date	December 5, 2019

b) Dividends to be paid after March 31, 2020 but the record date for the payment belongs to the year ended March 31, 2020

The following was approved by the annual shareholders' meeting held on June 25, 2020:

(a) Total dividends	¥1,027 million (\$9,437 thousand)
(b) Cash dividends per common share	¥17.00 (\$0.16)
(c) Record date	March 31, 2020
(d) Effective date	June 26, 2020

15. Comprehensive Income

The amount of reclassification adjustments and tax effect relating to other comprehensive income for the years ended March 31, 2018, 2019 and 2020 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2018	2019	2020	2020
Unrealized gains on securities, net of taxes:				
Increase during the year	¥ 167	¥ 80	¥ (294)	\$ (2,701)
Reclassification adjustments	(102)	(21)	61	560
Amount before tax effect adjustment	65	59	(233)	(2,141)
Tax effect	(44)	(38)	57	524
Unrealized gains on securities, net of taxes	21	21	(176)	(1,617)
Foreign currency translation adjustments:				
Increase (decrease) during the year	121	(240)	(88)	(808)
Adjustments for retirement benefits, net of taxes:				
Increase (decrease) during the year	194	(274)	(298)	(2,738)
Reclassification adjustments	319	257	202	1,856
Amount before tax effect adjustment	513	(17)	(96)	(882)
Tax effect	(157)	17	19	174
Adjustments for retirement benefits, net of taxes	356	0	(77)	(708)
Share of other comprehensive income of affiliates accounted for under the equity method:				
Increase (decrease) during the year	2	(2)	(4)	(37)
Total other comprehensive income	¥ 500	¥ (221)	¥ (345)	\$ (3,170)

16. Segment Information

(a) Summary of reportable segments

The reportable segments of the Company are segments, based on the Company's components, for which separate financial information is available which is regularly reviewed by the Board of Directors for determining resource allocation and performance evaluation.

The Company and its consolidated subsidiaries are mainly involved in fire prevention business and have three reportable segments: "Fire Alarm Systems," "Fire Extinguishing Systems" and "Maintenance Services."

"Fire Alarm Systems" produces, sells and installs automatic fire alarm systems, environmental monitoring systems, hinged fire doors, smoke control systems and other products.

"Fire Extinguishing Systems" produces, sells and installs a variety of sprinkler systems, foam systems and fire protection equipment for industrial plants, road tunnels and other products.

"Maintenance Services" provides maintenance services and inspection services for a wide range of fire protection systems.

(b) Method of measurement for the amount of net sales, income, assets, liabilities and other items for each reportable segment

Accounting policies of each reportable segment are basically consistent with those described in Note 2 "Summary of Significant Accounting Policies." Inter-segment sales and transfers are determined by the current market price.

(c) Information about net sales, income, assets, liabilities and other items of reportable segments

Millions of Yen									
2018									
Reportable segments									
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)	
Net sales:									
Outside customers	¥ 37,642	¥ 37,328	¥ 24,890	¥ 99,860	¥ 5,172	¥ 105,032	¥ —	¥ 105,032	
Inter-segment.....	77	115	1	193	196	389	(389)	—	
Total	37,719	37,443	24,891	100,053	5,368	105,421	(389)	105,032	
Segment income.....	¥ 6,640	¥ 7,648	¥ 4,987	¥ 19,275	¥ 185	¥ 19,460	¥ (6,578)	¥ 12,882	
Segment assets	¥ 38,923	¥ 32,015	¥ 12,628	¥ 83,566	¥ 3,552	¥ 87,118	¥ 35,500	¥ 122,618	
Other:									
Depreciation	¥ 591	¥ 152	¥ 82	¥ 825	¥ 129	¥ 954	¥ 694	¥ 1,648	
Amortization of goodwill	¥ 3	¥ —	¥ —	¥ 3	¥ —	¥ 3	¥ —	¥ 3	
Affiliates accounted for under the equity method.....	¥ —	¥ 2,297	¥ —	¥ 2,297	¥ —	¥ 2,297	¥ —	¥ 2,297	
Increase in property, plant and equipment and intangible assets..	¥ 1,830	¥ 363	¥ 108	¥ 2,301	¥ 175	¥ 2,476	¥ 525	¥ 3,001	

Note 1: "Others" represents businesses such as car parking control systems, which are not included in the above reportable segments.

Note 2: (1) ¥(6,578) million included in "Adjustments" for "Segment income" is for total corporate expenses. Corporate expenses are mainly general and administrative expenses and research and development expenses, which cannot be allocated to each reportable segment.

(2) ¥35,500 million included in "Adjustments" for "Segment assets" is for corporate assets. Corporate assets mainly consist of surplus operating funds such as cash, bank deposits, long-term investment funds such as investments in securities, and assets for administrative and R&D departments, which cannot be allocated to each reportable segment.

(3) ¥694 million included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥525 million included in "Adjustments" for "Increase in property, plant and equipment and intangible assets" is the increase in corporate assets.

Note 3: Segment income reconciles to operating income disclosed in the accompanying consolidated statements of income.

Millions of Yen									
2019									
Reportable segments									
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)	
Net sales:									
Outside customers	¥ 38,298	¥ 37,041	¥ 25,830	¥ 101,169	¥ 5,606	¥ 106,775	¥ —	¥ 106,775	
Inter-segment.....	81	77	1	159	203	362	(362)	—	
Total	38,379	37,118	25,831	101,328	5,809	107,137	(362)	106,775	
Segment income.....	¥ 6,912	¥ 5,349	¥ 5,488	¥ 17,749	¥ 319	¥ 18,068	¥ (6,701)	¥ 11,367	
Segment assets	¥ 41,148	¥ 34,626	¥ 12,650	¥ 88,424	¥ 4,063	¥ 92,487	¥ 36,141	¥ 128,628	
Other:									
Depreciation	¥ 751	¥ 183	¥ 117	¥ 1,051	¥ 155	¥ 1,206	¥ 655	¥ 1,861	
Amortization of goodwill	¥ 11	¥ —	¥ —	¥ 11	¥ —	¥ 11	¥ —	¥ 11	
Affiliates accounted for under the equity method.....	¥ —	¥ 2,406	¥ —	¥ 2,406	¥ —	¥ 2,406	¥ —	¥ 2,406	
Increase in property, plant and equipment and intangible assets..	¥ 1,007	¥ 202	¥ 181	¥ 1,390	¥ 152	¥ 1,542	¥ 228	¥ 1,770	

Note 1: "Others" represents businesses such as car parking control systems, which are not included in the above reportable segments.

Note 2:(1) ¥(6,701) million included in "Adjustments" for "Segment income" is for total corporate expenses. Corporate expenses are mainly general and administrative expenses and research and development expenses, which cannot be allocated to each reportable segment.

(2) ¥36,141 million included in "Adjustments" for "Segment assets" is for corporate assets. Corporate assets mainly consist of surplus operating funds such as cash, bank deposits, long-term investment funds such as investments in securities, and assets for administrative and R&D departments, which cannot be allocated to each reportable segment.

(3) ¥655 million included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥228 million included in "Adjustments" for "Increase in property, plant and equipment and intangible assets" is the increase in corporate assets.

Note 3: Segment income reconciles to operating income disclosed in the accompanying consolidated statements of income.

Millions of Yen								
2020								
	Reportable segments				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal				
Net sales:								
Outside customers	¥ 41,016	¥ 42,726	¥ 27,482	¥ 111,224	¥ 6,071	¥ 117,295	¥ —	¥ 117,295
Inter-segment.....	93	79	1	173	201	374	(374)	—
Total	41,109	42,805	27,483	111,397	6,272	117,669	(374)	117,295
Segment income.....	¥ 7,672	¥ 7,984	¥ 6,162	¥ 21,818	¥ 490	¥ 22,308	¥ (7,168)	¥ 15,140
Segment assets	¥ 41,859	¥ 35,547	¥ 13,165	¥ 90,571	¥ 4,515	¥ 95,086	¥ 41,581	¥ 136,667
Other:								
Depreciation	¥ 854	¥ 201	¥ 128	¥ 1,183	¥ 170	¥ 1,353	¥ 678	¥ 2,031
Amortization of goodwill	¥ 11	¥ —	¥ —	¥ 11	¥ —	¥ 11	¥ —	¥ 11
Affiliates accounted for under the equity method.....	¥ —	¥ 2,518	¥ —	¥ 2,518	¥ —	¥ 2,518	¥ —	¥ 2,518
Increase in property, plant and equipment and intangible assets..	¥ 1,161	¥ 287	¥ 165	¥ 1,613	¥ 63	¥ 1,676	¥ 421	¥ 2,097

Thousands of U.S. Dollars								
2020								
	Reportable segments				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal				
Net sales:								
Outside customers	\$ 376,881	\$ 392,594	\$ 252,522	\$ 1,021,997	\$ 55,785	\$ 1,077,782	\$ —	\$ 1,077,782
Inter-segment.....	855	726	9	1,590	1,846	3,436	(3,436)	—
Total	377,736	393,320	252,531	1,023,587	57,631	1,081,218	(3,436)	1,077,782
Segment income.....	\$ 70,495	\$ 73,363	\$ 56,620	\$ 200,478	\$ 4,502	\$ 204,980	\$ (65,864)	\$ 139,116
Segment assets	\$ 384,628	\$ 326,629	\$ 120,968	\$ 832,225	\$ 41,486	\$ 873,711	\$ 382,073	\$ 1,255,784
Other:								
Depreciation	\$ 7,847	\$ 1,847	\$ 1,176	\$ 10,870	\$ 1,562	\$ 12,432	\$ 6,230	\$ 18,662
Amortization of goodwill	\$ 101	\$ —	\$ —	\$ 101	\$ —	\$ 101	\$ —	\$ 101
Affiliates accounted for under the equity method.....	\$ —	\$ 23,137	\$ —	\$ 23,137	\$ —	\$ 23,137	\$ —	\$ 23,137
Increase in property, plant and equipment and intangible assets..	\$ 10,668	\$ 2,637	\$ 1,516	\$ 14,821	\$ 579	\$ 15,400	\$ 3,869	\$ 19,269

Note 1: "Others" represents businesses such as car parking control systems, which are not included in the above reportable segments.

Note 2: (1) ¥(7,168) million (\$ (65,864) thousand) included in "Adjustments" for "Segment income" is for total corporate expenses. Corporate expenses are mainly general and administrative expenses and research and development expenses, which cannot be allocated to each reportable segment.

(2) ¥41,581 million (\$382,073 thousand) included in "Adjustments" for "Segment assets" is for corporate assets. Corporate assets mainly consist of surplus operating funds such as cash, bank deposits, long-term investment funds such as investments in securities, and assets for administrative and R&D departments, which cannot be allocated to each reportable segment.

(3) ¥678 million (\$6,230 thousand) included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥421 million (\$3,869 thousand) included in "Adjustments" for "Increase in property, plant and equipment and intangible assets" is the increase in corporate assets.

Note 3: Segment income reconciles to operating income disclosed in the accompanying consolidated statements of income.

Related information

(1) Information about products and services

Information about products and services has been omitted since the classification by products and services is the same as the reportable segments.

(2) Information about geographical areas

(a) Sales

Information about sales by geographical areas has been omitted since sales to outside customers in Japan constituted more than 90% of net sales on the consolidated statements of income.

(b) Property, plant and equipment

Information about property, plant and equipment has been omitted since property, plant and equipment in Japan constituted more than 90% of property, plant and equipment on the consolidated balance sheets.

(3) Information about major customers

Information about major customers has been omitted since there are no outside customers who constituted more than 10% of net sales on the consolidated statements of income.

(4) Amortization and unamortized balances of goodwill by reportable segment as of and for the years ended March 31, 2018, 2019 and 2020 were as follows:

Millions of Yen								
2018								
Reportable segments								
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others	Total	Adjustments	Consolidated
Amortization during the year	¥ 3	¥ —	¥ —	¥ 3	¥ —	¥ 3	¥ —	¥ 3
Unamortized balance	¥ 55	¥ —	¥ —	¥ 55	¥ —	¥ 55	¥ —	¥ 55

Millions of Yen								
2019								
Reportable segments								
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others	Total	Adjustments	Consolidated
Amortization during the year	¥ 11	¥ —	¥ —	¥ 11	¥ —	¥ 11	¥ —	¥ 11
Unamortized balance	¥ 43	¥ —	¥ —	¥ 43	¥ —	¥ 43	¥ —	¥ 43

Millions of Yen								
2020								
Reportable segments								
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others	Total	Adjustments	Consolidated
Amortization during the year	¥ 11	¥ —	¥ —	¥ 11	¥ —	¥ 11	¥ —	¥ 11
Unamortized balance	¥ 32	¥ —	¥ —	¥ 32	¥ —	¥ 32	¥ —	¥ 32

Thousands of U.S. Dollars								
2020								
Reportable segments								
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others	Total	Adjustments	Consolidated
Amortization during the year	\$ 101	\$ —	\$ —	\$ 101	\$ —	\$ 101	\$ —	\$ 101
Unamortized balance	\$ 294	\$ —	\$ —	\$ 294	\$ —	\$ 294	\$ —	\$ 294

17. Related Party Information

Material transactions of the Company with related companies and individuals, excluding transactions with consolidated subsidiaries, which are eliminated in the consolidated financial statements, and other than those disclosed elsewhere in these financial statements, as of March 31, 2019 and 2020 and for the years ended March 31, 2018, 2019 and 2020, were as set out below. The terms and conditions of the transactions below are the same as those of arm's-length transactions.

SECOM Co., Ltd.

As of March 31, 2020				Millions of Yen/Thousands of U.S. Dollars				
Paid-in capital	Principal business	Share of voting rights in the Company	Description of the Company's transactions	Volume of transactions made in the year ended March 31			Resulting account balances as at March 31	
				2018	2019	2020	2019	2020
¥66,401 million	Security service	Direct: 50.7% (*) Indirect: 0.1%	Sale of products etc.	¥1,528	¥1,576	¥1,580 (\$14,518)	Trade receivables ¥168	Trade receivables ¥174 (\$1,599)

(*) The Company is a subsidiary of SECOM Co., Ltd.

WATANABE PIPE Co., Ltd.

As of March 31, 2020				Millions of Yen/Thousands of U.S. Dollars				
Paid-in capital	Principal business	Share of voting rights in the Company	Description of the Company's transactions	Volume of transactions made in the year ended March 31			Resulting account balances as at March 31	
				2018	2019	2020	2019	2020
¥10,099 million	Industrial equipment wholesale	— (*)	Sale of products etc.	¥ —	¥58	¥22 (\$202)	Trade receivables ¥ —	Trade receivables ¥0 (\$0)

(*) Mr. Hajime Watanabe, who is a director of SECOM Co., Ltd., and his close relatives own the majority of voting rights of a company which directly owns 100.0% voting rights of WATANABE PIPE Co., Ltd.

KOATSU Co., Ltd.

As of March 31, 2020					Millions of Yen/Thousands of U.S. Dollars			
Paid-in capital	Principal business	Company's share of voting rights	Share of voting rights in the Company	Description of the Company's transactions	Volume of transactions made in the year ended March 31		Resulting account balances as at March 31	
					2018	2019	2019	2020
¥60 million	Fire extinguishing systems	Direct: 20.8%	Direct: 1.0%	Purchase of raw materials	¥4,487	¥5,216	Trade payables ¥1,337	Trade notes payables ¥47 (\$432)
							Electronically recorded obligations ¥1,630	Electronically recorded obligations ¥1,250 (\$11,486)
								Trade accounts payables ¥1,013 (\$9,308)
								Non-trade accounts payables ¥594 (\$5,458)

Independent Auditor's Report



Independent Auditor's Report

To the Board of Directors of NOHMI BOSAI LTD.:

Opinion

We have audited the accompanying consolidated financial statements of NOHMI BOSAI LTD. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for each of the years in the three-year period ended March 31, 2020, and notes, comprising a summary of significant accounting policies, other explanatory information expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
- We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ Hideki Yoshida
Designated Engagement Partner
Certified Public Accountant

/S/ Kenya Yakuwa
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 25, 2020

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Fiscal Year

Ending March 31

Annual Stockholders' Meeting

The annual meeting of the Company's stockholders is normally held in June of each year in Tokyo, Japan.

Stock Exchange Listing

First Section, Tokyo Stock Exchange

Transfer AgentSumitomo Mitsui Trust Bank, Limited
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan**Paid-in Capital**

¥13,302,282,161

Number of Shares Issued

60,832,771

Distribution of Stockholders and Shares

	Number of Stockholders	Number of Shares Held (Hundreds)	Percentage of Total Shares in Issue (%)
Japanese national and regional governmental bodies	—	—	—
Japanese financial institutions	40	97,986	16.11
Japanese securities companies	27	1,392	0.23
Other Japanese corporations.....	194	350,148	57.58
Japanese individuals and others	2,911	98,076	16.13
Foreign institutions and individuals.....	132	56,417	9.28
Treasury stocks.....	1	4,101	0.67
Total	3,305	608,120	100.00

Major Stockholders

	Number of Shares Held (Thousands)	Percentage of Total Shares in Issue (%) [*]
SECOM Co., Ltd.	30,598	50.64
Shareholding Commission of NOHMI BOSAI Distributors.....	2,038	3.37
Japan Trustee Services Bank, Ltd. (Trust Account).....	1,654	2.74
The Master Trust Bank of Japan, Ltd. (Trust Account).....	1,614	2.67
Shareholding Commission of NOHMI BOSAI Partners.....	1,566	2.59
MUFG Bank, Ltd.	1,000	1.66
Shareholding Commission of NOHMI BOSAI Employees.....	877	1.45
Fuji Electric Co., Ltd.	868	1.44
Sumitomo Mitsui Banking Corporation	765	1.27
Shareholding Commission of NOHMI BOSAI Safety and Health Cooperative Association.....	665	1.10

^{*}The percentage of total shares in issue is calculated after deducting treasury stocks.



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