



NOHMI BOSAI LTD.

ANNUAL REPORT 2022

For the Year Ended
March 31, 2022

NOHMI

Profile

Established in 1944, NOHMI BOSAI LTD. is a leading Japanese manufacturer of fire alarm and fire extinguishing systems. In the fiscal year ended March 31, 2022, the Company realized consolidated net sales of ¥112.9 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, 2020, 2021 and 2022

	Millions of Yen			Percentage Change	Thousands of U.S. Dollars*4
	2020	2021	2022	2022/2021	2022
For the year:					
New orders	¥ 111,872	¥ 113,309	¥ 110,948	(2.1) %	\$ 906,512
Net sales	117,295	107,898	112,914	4.6	922,575
Cost of sales	77,989	72,770	74,151	1.9	605,858
Operating income	15,140	11,054	12,634	14.3	103,227
Net income attributable to owners of the parent	10,517	7,621	9,351	22.7	76,403
Comprehensive income	10,274	8,488	9,892	16.5	80,824
At year-end:					
Total assets	¥ 136,667	¥ 139,875	¥ 148,600	6.2 %	\$1,214,151
Total net assets	97,672	104,122	111,892	7.5	914,225
Backlog of orders	50,634	56,045	50,405	(10.1)	411,839
Number of employees	2,524	2,606	2,635	1.1	—
Per share (in yen and U.S. dollars):					
Net income*1	¥ 174.41	¥ 126.38	¥ 155.07	22.7 %	\$ 1.27
Net assets*2	1,594.52	1,700.87	1,827.92	7.5	14.94
Cash dividends	33.00	33.00	36.00	9.1	0.29

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

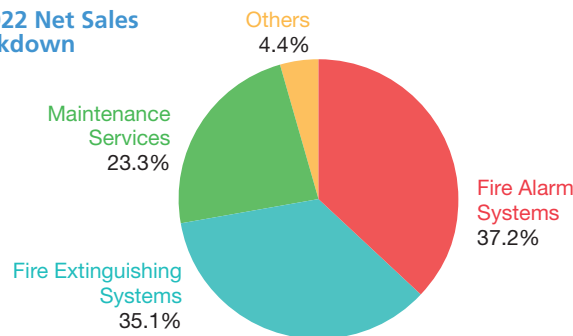
*2. Per share amounts are based on the number of shares outstanding at the end of each period, less treasury stock.

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

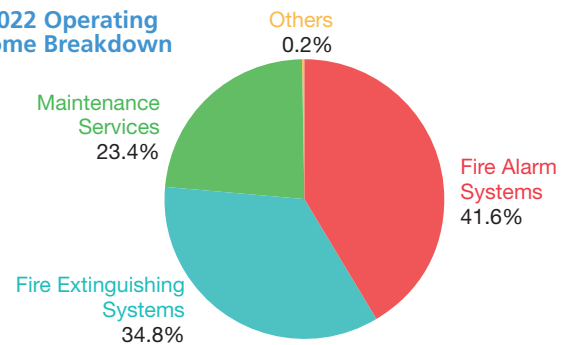
*4. All dollar figures herein refer to U.S. currency unless otherwise specified. The dollar amounts in this report represent the translation of yen, for convenience only, at the rate of ¥122.39=US\$1, the prevailing exchange rate at March 31, 2022.

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

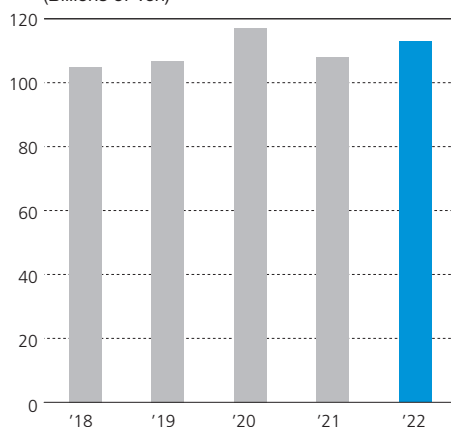
FY2022 Net Sales Breakdown



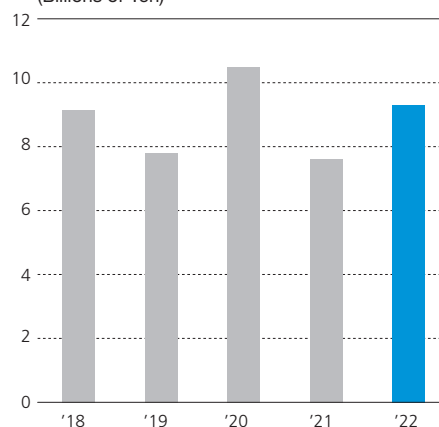
FY2022 Operating Income Breakdown



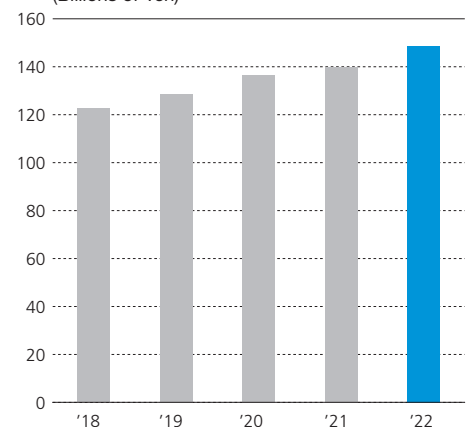
Net Sales
(Billions of Yen)



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



Total Assets
(Billions of Yen)



Shaping the Customers' Expectations



Takeshi Okamura
President

Operating Environment and Business Results in Fiscal 2022

During the fiscal year ended March 31, 2022, the Japanese economy continued to be affected by the spread of COVID-19. Despite signs of recovery led by the progress in vaccinations and various government measures, difficult conditions still remain.

Uncertainty persisted in the domestic fire protection industry, impacted by parts supply shortages and rising raw material costs, which offset a recovery trend in corporate profitability and private sector capital investment.

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 made various efforts to lay the foundation for accurately capturing ever-changing needs for safety and security while responding quickly to these needs and achieving 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 2022, the medium-term business plan's final year, we engaged in business activities while closely following COVID-19 safety protocols to prevent its spread. As a result, in fiscal 2022 net sales increased 4.6% to ¥112,914 million, while new orders decreased 2.1% to ¥110,948 million.

At the profit level, because of a concentration of contracts with relatively high profitability, operating income increased 14.3% to ¥12,634 million and net income attributable to owners of the parent increased 22.7% to ¥9,351 million.

By business segment, the Fire Alarm Systems segment posted net sales of ¥42,037 million and operating income of ¥8,618 million, increases of 10.8% and 44.1%, respectively,

from the previous year. Net sales and operating income in the Fire Extinguishing Systems segment increased 3.2% to ¥39,648 million and 9.6% to ¥7,197 million year on year, respectively. Net sales and operating income in the Maintenance Services segment decreased 1.5% to ¥26,299 million and 10.0% to ¥4,854 million year on year, respectively. While net sales in other businesses increased 1.8% to ¥4,930 million from the previous fiscal year, operating income decreased 81.6% to ¥47 million.

Initiatives for Management Transparency

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 returning profits to shareholders, our basic policy is to pay stable dividends over the long term. Accordingly, we pay dividends based on a comprehensive evaluation of such financial indicators as our payout ratio while strengthening our financial structure in preparation for future business development.

Based on this policy, we have set a target of achieving a consolidated dividend payout ratio of 40% by the fiscal year ending March 31, 2025, while promoting the “Medium- to Long-term Vision 2028—Shaping the Customers’ Expectations” with fiscal 2023 as the first year in our efforts to enhance stable and continuous shareholder returns.

For the fiscal year ended March 31, 2022, the Company declared a year-end dividend per share of ¥18.00. Including the interim dividend of ¥18.00 per share, annual dividends per share totaled ¥36.00.

For fiscal 2023, we plan to declare annual dividends per

share of ¥40.00, which include an interim dividend per share of ¥20.00 and a year-end dividend per share of ¥20.00.

Outlook for Fiscal 2023

We expect economic uncertainty to persist for fiscal 2023 as it is still unclear when the COVID-19 pandemic will subside.

In the fire protection industry, we must keep a close eye on the impact brought by parts supply shortages and rising raw material costs.

Amid such circumstances, the NOHMI BOSAI Group formulated the “Medium- to Long-term Vision 2028—Shaping the Customers’ Expectations” to define its vision for fiscal 2028 and clarify measures to realize its objectives. We have already started implementing measures from fiscal 2023 to transform into a company capable of creating even higher added value.

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

July 2022



Takeshi Okamura
President

Special Feature: Medium- to Long-term Vision 2028 “Shaping the Customers’ Expectations”

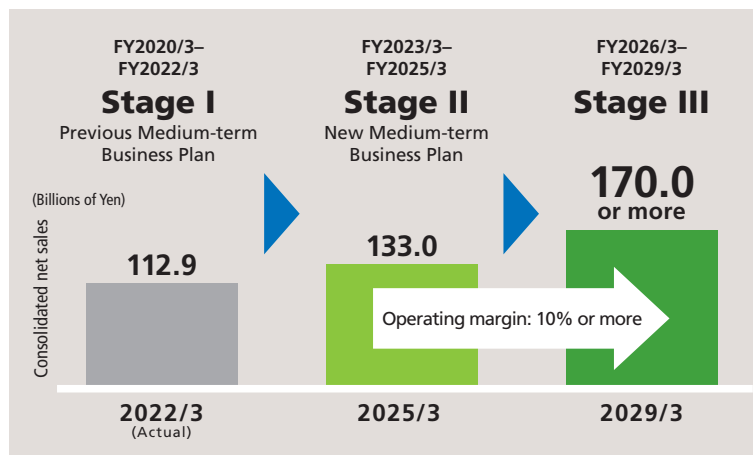


Shape Safety to Meet Customers’ Expectations and Realize a Society Where Anyone Can Live Happily

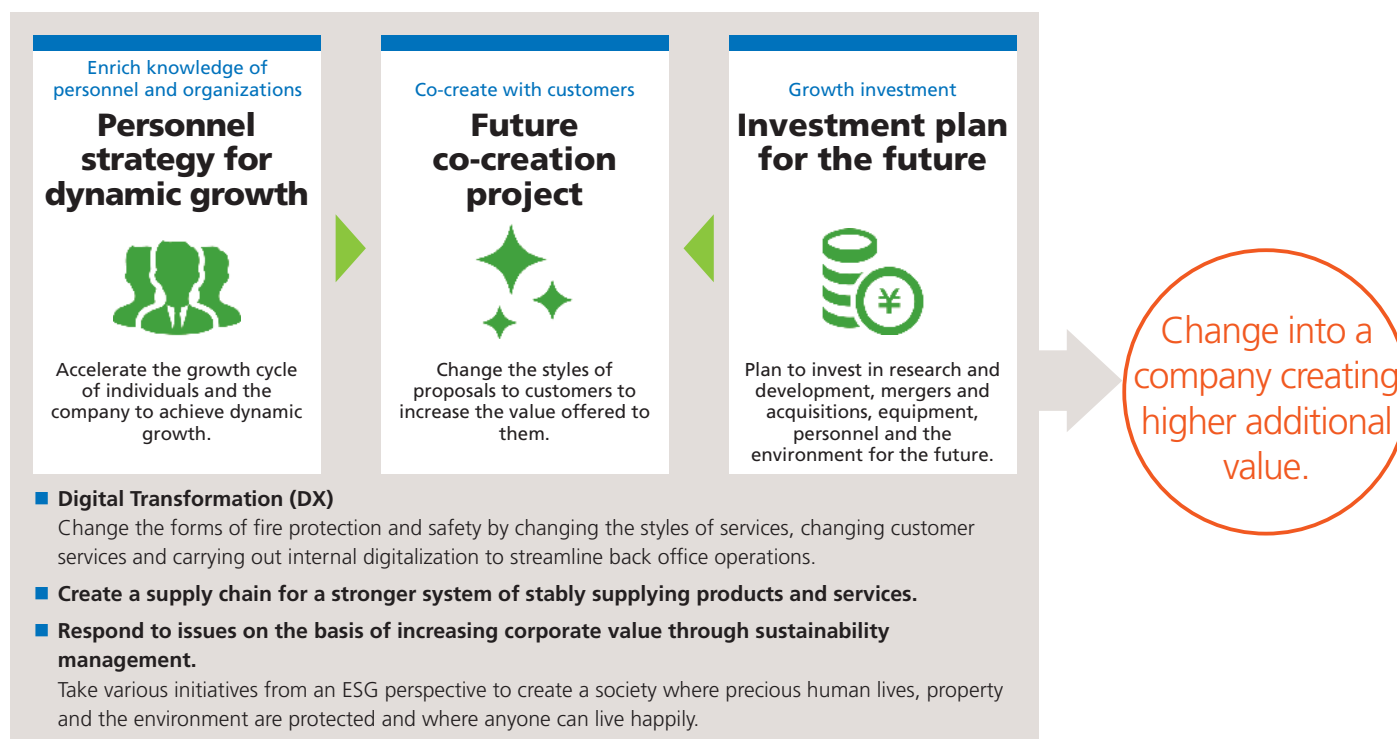
NOHMI BOSAI's Aspirations

- 1** Offer original fire protection systems mainly to existing business domains.
- 2** Offer optimal fire safety solutions based on customers’ issues.
- 3** Help resolve customers’ issues in all situations of fire protection and monitoring.
- 4** Establish a system of construction and maintenance that responds to an aging workforce and labor shortages.
- 5** Expand business coverage to all kinds of disasters as a comprehensive fire protection manufacturer.

Every one of us will be aware of our mission as a pioneer in fire protection services. We will sincerely listen to those who support the NOHMI BOSAI Group and gain enhanced insights into customers’ expectations. We will carry out activities with an inquisitive mindset to realize the targets.

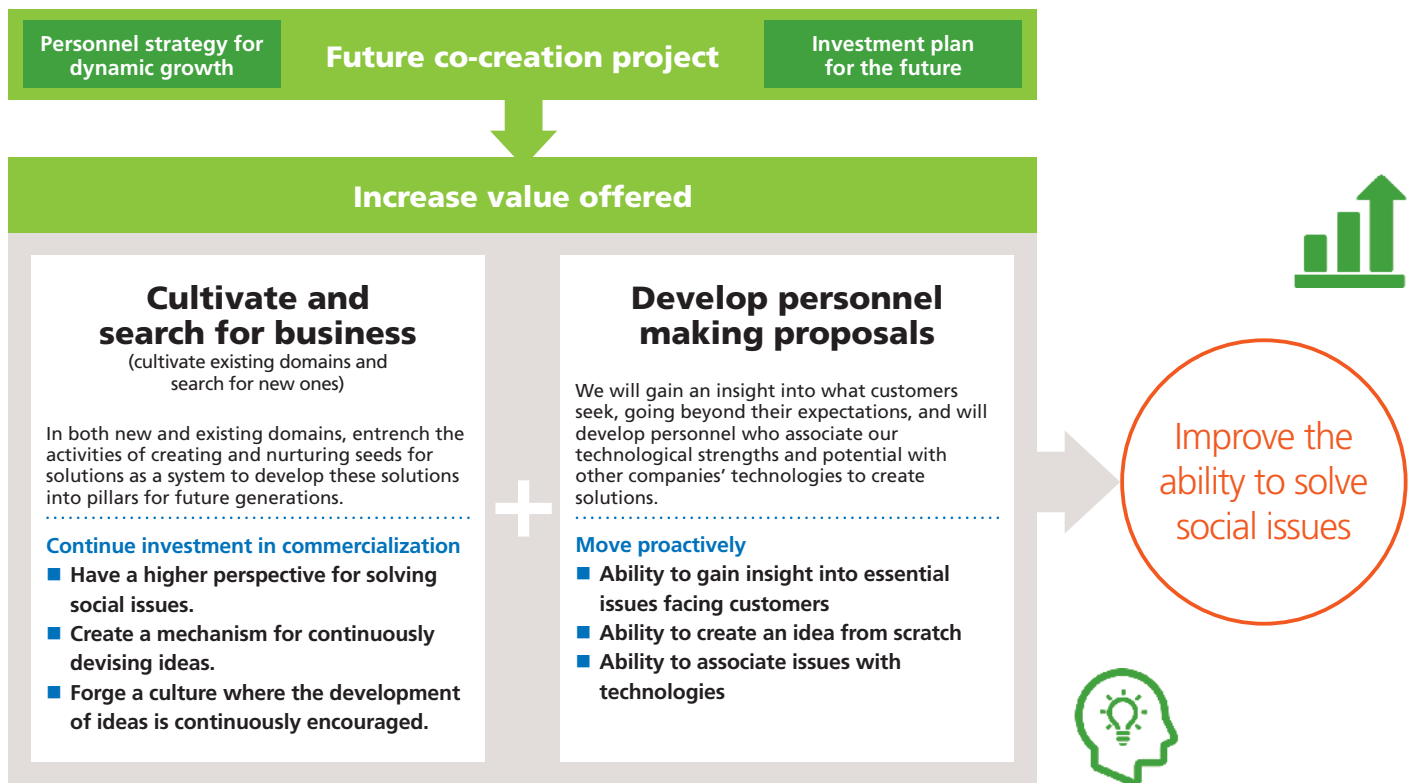


Realizing the Medium- to Long-term Vision Statement





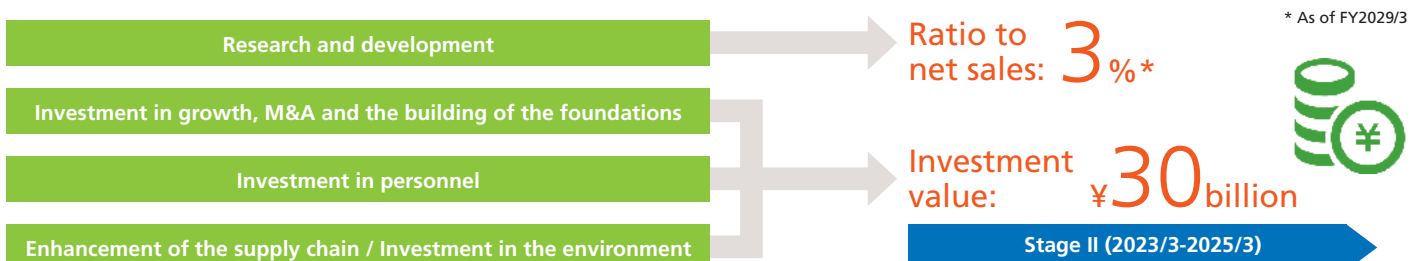
Solution to Social Issues Centered on Future Co-Creation Project



Personnel Strategy for Dynamic Growth



Investment Plan for the Future



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 2022 increased ¥4,085 million, or 10.8%, from the previous fiscal year to ¥42,037 million, accounting for 37.2% of consolidated net sales. Operating income was up ¥2,639 million, or 44.1%, to ¥8,618 million. New orders also rose ¥7,702 million, or 20.6%, to ¥45,170 million.

The NOHMI BOSAI Group posted record highs for both net sales and operating income. These achievements were attributable to a growth in demand for fire protection facilities with higher added value such as clean rooms and data centers as well as a concentration of contracts with relatively high profitability.

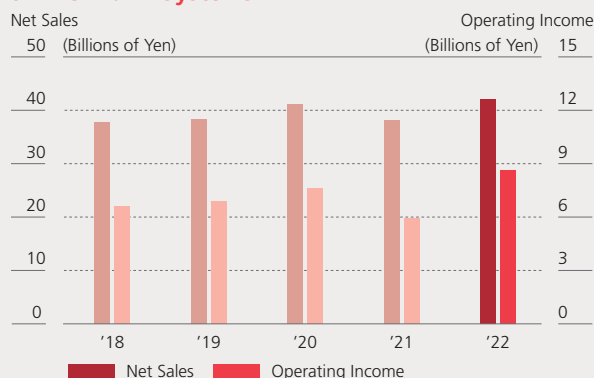


Fire Monitoring Panels in Control Center

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, cultural properties, 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 2022 increased ¥1,232 million, or 3.2%, from the previous fiscal year to ¥39,648 million, accounting for 35.1% of consolidated net sales. Operating income was up ¥629 million, or 9.6%, to ¥7,197 million. New orders fell ¥11,305 million, or 25.4%, to ¥33,164 million.

In fiscal 2022, despite a decrease in revenue from fire extinguishing systems for general properties, such as high-rise buildings, we recorded an increase in revenue from systems used in special facilities, including industrial plants and systems used in road tunnels, for which we received higher orders in the previous fiscal year. Operating income also rose thanks to successful cost reduction efforts.

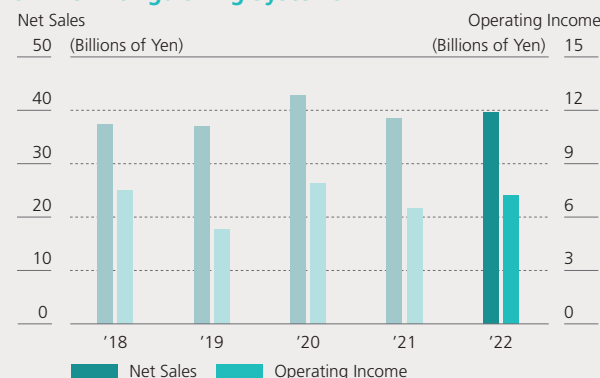


Sprinkler Test

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 2022 were down ¥388 million, or 1.5%, from the previous fiscal year to ¥26,299 million, representing 23.3% of consolidated net sales. Operating income declined ¥539 million, or 10.0%, to ¥4,854 million. New orders increased ¥631 million, or 2.4%, to ¥27,068 million.

During fiscal 2022, sales for maintenance and inspection services outperformed the previous fiscal year by steadily accumulating orders amid an uncertain market environment, while sales for repair/renewal services declined. The higher number of properties with relatively low profitability in repair/renewal services also resulted in decreases in both net sales and operating income in the Maintenance Services segment as a whole.

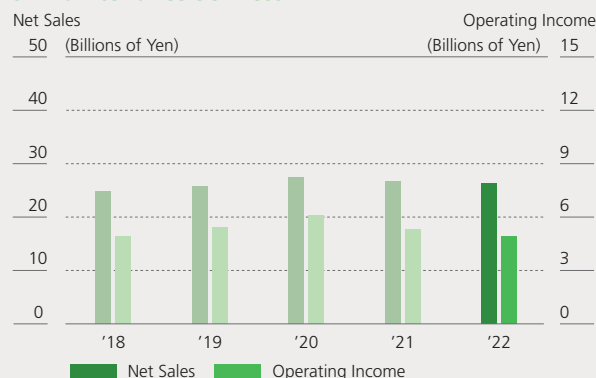


Maintenance and Inspection Services

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 2022 increased ¥87 million, or 1.8%, from the previous fiscal year to ¥4,930 million, representing 4.4% of consolidated net sales. Operating income was down ¥207 million, or 81.6%, to ¥47 million. New orders increased ¥611 million, or 12.4%, to ¥5,547 million.

During the fiscal year, net sales increased despite COVID-19-induced restrictions on movement. On the other hand, operating income once again declined despite efforts to improve the cost-of-sales ratio.

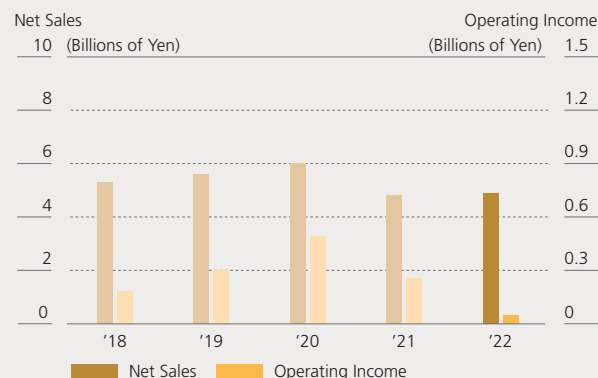


Parking Lot Driving Lane Control Systems

Major Products and Services

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

Net Sales/Operating Income of Others



Fundamental Policies

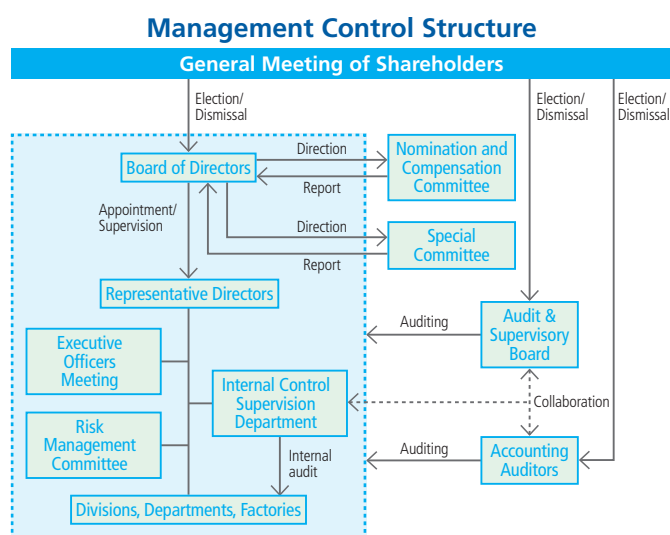
We recognize the importance of enhanced corporate governance to achieve sustainable growth and improve medium-to-long-term corporate value. With this in mind, we implement various measures aimed at ensuring the transparency and fairness of management and making quick management decisions.

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

Corporate Governance Structure

The Company has established an Audit & Supervisory Board. The Board of Directors makes important management decisions and oversees the execution of business operations with the aim of maximizing corporate value, ensuring transparency and fairness in corporate management and enabling a quick decision-making process. The Board of Directors consists of nine directors, three of whom are outside directors. From the standpoint of strengthening oversight, it is our policy to appoint at least one-third of the Board of Directors as independent outside directors. Under this structure, we have also established the Nomination and Compensation Committee as a voluntary advisory organization of the Board of Directors. The purpose is to further ensure independence, objectivity and accountability of the Board of Directors in relation to the appointment and compensation of directors. In addition, we have introduced an executive officer system to raise the agility of management and strengthen other measures. In addition, to more strongly protect the interest of minority shareholders,



we have established the Special Committee to deliberate and examine important transactions and actions in which NOHMI BOSAI's parent company and minority shareholders have a conflict of interest.

Management Team (As of June 28, 2022)

Directors and Audit & Supervisory Board Members

Chairman and Representative Director

Takeshi Hashizume

Vice Chairman and Director

Tatsunori Ito

President and Representative Director

Takeshi Okamura

Directors

Masahiro Hasegawa*

Yasuo Ariga*

Tatsuya Izumida

Shin Shiotani**

Ichiro Ishii**
Keiko Hirano**

Full-Time Audit & Supervisory Board Members

Yoshihisa Asakura

Hiroshi Kondo

Audit & Supervisory Board Members

Kazuo Kondo**

Yasuhiro Takahashi**

Akiko Nagahama**

*Concurrently serve as executive officers

** Outside

Executive Officers

Senior Managing Executive Officer

Masahiro Hasegawa

Managing Executive Officers

Yasuo Ariga

Yuji Hara

Executive Officers

Hisato Miura

Shinya Ikeda

Kazuto Yamamoto

Hisayoshi Atoji

Makoto Kamihigoshi

Keishi Odori

Ryoichi Kato

Masayuki Nakamura

Yasuhiro Ono

Kazuki Takumi

The Audit & Supervisory Board is composed of two Full-time Audit & Supervisory Board members and three Outside Audit & Supervisory Board members. The Full-time Audit & Supervisory Board members attend important meetings, including those held by the Board of Directors and the Executive Officers Meeting, 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. Hiroshi Kondo, a Full-time Audit & Supervisory Board member, has served in the Accounting Department of the Company and possesses abundant knowledge regarding finance and accounting.

The Internal Control Supervision Department, which is an internal audit department 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 results of these audits are reported to the President, Audit & Supervisory Board members and the Executive Officers Meeting. At the same time, the Internal Control Supervision Department provides recommendations for improvements and requires departments to regularly report on the status of any recommended improvements to help address any problems. The department is also 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 developed Risk Management Regulations and built a management structure. The Risk Management Committee promotes activities to prevent 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 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 (Internal Control System) for assuring the appropriateness of business operations of the corporate group composed of the Company and its subsidiaries. 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 2022 is shown below.

Performance Analysis

During fiscal 2022, we continued to engage in business activities in the medium-term business plan's final year to ensure the safety of society while closely following COVID-19 safety protocols. As a result, net sales and operating income both increased due mainly to a concentration of contracts with relatively high profitability. A summary of business results by segment is as follows.

In the Fire Alarm Systems segment, we engaged in proactive sales activities. As a result, although sales of installation work decreased, sales of products increased. Net sales increased ¥4,085 million, or 10.8%, from the previous fiscal year to ¥42,037 million. Operating income rose ¥2,639 million, or 44.1%, from the previous year to ¥8,618 million.

In the Fire Extinguishing Systems segment, net sales increased ¥1,232 million, or 3.2%, from the previous fiscal year to ¥39,648 million. This is attributable primarily to an increase in revenue from systems used in special facilities, such as industrial plants and road tunnels, despite a decrease in revenue from fire extinguishing systems for general properties, such as high-rises. Operating income was ¥7,197 million, up ¥629 million, or 9.6%, from the previous year.

Net sales in the Maintenance Services segment were down ¥388 million, or 1.5%, from the previous fiscal year to ¥26,299 million. An increase in sales for maintenance and inspection services that resulted from steady sales activities amid an uncertain market environment was offset by a decrease in sales for repair/renewal services. Operating income decreased ¥539 million, or 10.0%, from the previous year to ¥4,854 million.

For other businesses, net sales increased ¥87 million, or 1.8%, from the previous year to ¥4,930 million due to an increase in revenue from other services, which offset a decrease in revenue from parking lot driving lane control systems. Operating income was down ¥207 million, or 81.6%, to ¥47 million.

Consequently, consolidated net sales increased ¥5,016 million, or 4.6%, from the previous year to ¥112,914 million.

The cost-of-sales ratio decreased 1.7 percentage points from the previous year to 65.7%. The ratio improved as a result of efforts to streamline business operations and reduce costs amid a harsh business environment as well as a concentration of orders received with relatively high profitability.

Gross profit was up ¥3,635 million, or 10.3%, from the

previous year to ¥38,763 million, and the gross profit margin rose 1.7 percentage points from the previous year to 34.3%.

Selling, general and administrative (SG&A) expenses increased ¥2,055 million, or 8.5%, and the SG&A expenses-to-net-sales ratio declined by 0.8 percentage point from the previous year to 23.1%.

As a result of an increase in net sales and the successful implementation of efforts to streamline business operations and reduce costs, operating income increased 14.3% from the previous fiscal year to ¥12,634 million. Net income attributable to owners of the parent increased 22.7% year on year to ¥9,351 million. Net income per share was ¥155.07.

Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2022 amounted to ¥148,600 million, an increase of ¥8,725 million from the previous fiscal year-end. This was mainly attributable to increases of ¥11,457 million in trade receivables and contract assets, ¥1,565 million in buildings and structures and ¥1,046 million in software, which collectively offset decreases of ¥3,386 million in cash and bank deposits and ¥2,706 million in inventories.

Total liabilities increased ¥955 million from the end of the previous fiscal year to ¥36,708 million. This decline was due primarily to an increase of ¥1,042 million in income taxes payable.

Total net assets increased ¥7,770 million from the end of the previous fiscal year to ¥111,892 million attributable mainly to an increase in retained earnings.

Cash Flow

Cash and cash equivalents at the end of fiscal 2022 totaled ¥47,507 million, a decrease of ¥3,453 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 trade receivables and contract assets of ¥8,342 million and income taxes paid of ¥3,107 million, such inflows as income before income taxes of ¥13,155 million and depreciation and amortization of ¥2,334 million resulted in net cash provided by operating activities of ¥3,560 million compared with ¥15,829 million in the previous fiscal year.

Net cash used in investing activities

Net cash used in investing activities amounted to ¥4,875 million compared with ¥4,343 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 ¥2,293 million compared with ¥2,234 million in the previous fiscal year, consisting mainly of cash dividends paid.

Outlook for Fiscal 2023

We expect economic uncertainty to persist for fiscal 2023 as it is still unclear when the COVID-19 pandemic will subside.

In the fire protection industry, we must keep a close eye on the impact of the parts supply shortages and rising raw material costs.

Amid such circumstances, the NOHMI BOSAI Group formulated the “Medium- to Long-term Vision 2028—Shaping the Customers’ Expectations” to define its vision for fiscal 2028 and clarify measures to realize it. We have already started implementing measures from fiscal 2023 to transform into a company capable of creating even higher added value.

For fiscal 2023, we are projecting consolidated net sales of ¥111,000 million, operating income of ¥10,100 million and net income attributable to owners of the parent of ¥7,150 million. Regarding cash dividends, we plan to declare annual dividends per share of ¥40.00, which include an interim dividend per share of ¥20.00 and a year-end dividend per share of ¥20.00.

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.

(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 continue its efforts 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, 2021 and 2022

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2022	2022
Current Assets:			
Cash and bank deposits (Note 5).....	¥ 52,050	¥ 48,664	\$ 397,614
Trade receivables and contract assets (Notes 11, 16, 17 and 21):			
Notes	—	6,617	54,065
Accounts	—	42,298	345,600
Unconsolidated subsidiaries and affiliates.....	—	76	621
Trade receivables (Notes 11, 16, 17 and 21):			
Notes	6,513	—	—
Accounts	30,933	—	—
Unconsolidated subsidiaries and affiliates.....	88	—	—
	37,534	48,991	400,286
Less: Allowance for bad debts	(370)	(540)	(4,412)
	37,164	48,451	395,874
Inventories (Note 7)	11,951	9,245	75,537
Prepaid expenses and other current assets.....	780	865	7,068
Total current assets	101,945	107,225	876,093
Property, Plant and Equipment:			
Buildings and structures.....	16,895	18,459	150,821
Machinery and equipment	2,771	2,842	23,221
Tools and furniture	9,233	9,694	79,206
	28,899	30,995	253,248
Less: Accumulated depreciation	(17,289)	(18,605)	(152,014)
	11,610	12,390	101,234
Construction in progress	2,793	3,051	24,929
Land.....	7,066	7,081	57,856
Other	177	379	3,096
Net property, plant and equipment	21,646	22,901	187,115
Intangible Assets:			
Software	1,873	2,919	23,850
Goodwill.....	20	9	74
Other intangible assets	69	69	563
Total intangible assets	1,962	2,997	24,487
Investments and Other Assets:			
Investments in securities (Notes 6 and 11)	3,208	3,638	29,725
Investments in unconsolidated subsidiaries and affiliates (Note 11)	3,375	3,676	30,035
Long-term loans receivable (Note 11).....	3	2	16
Deferred tax assets (Note 12).....	5,171	5,385	43,999
Other assets (Note 5)	2,634	2,837	23,180
	14,391	15,538	126,955
Less: Allowance for bad debts	(69)	(61)	(499)
Total investments and other assets	14,322	15,477	126,456
Total assets	¥139,875	¥148,600	\$1,214,151

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2022	2022
Current Liabilities:			
Short-term debt (Note 8).....	¥ 15	¥ 4	\$ 33
Trade payables (Note 21):			
Notes	861	829	6,774
Accounts.....	2,788	2,253	18,408
Electronically recorded obligations	2,838	3,138	25,639
Unconsolidated subsidiaries and affiliates	2,888	3,156	25,786
	9,375	9,376	76,607
Non-trade accounts payable.....	7,221	7,245	59,196
Contract liabilities (Note 16).....	—	1,081	8,832
Advances received on uncompleted construction contracts	1,985	—	—
Accrued bonuses to employees	3,358	3,610	29,496
Provision for product warranties.....	4	15	123
Provision for warranties for completed construction contracts	84	82	670
Income taxes payable.....	1,571	2,613	21,350
Provision for losses on construction contracts.....	1,083	1,287	10,516
Other current liabilities (Note 8)	2,217	2,491	20,352
Total current liabilities	26,913	27,804	227,175
Long-term Liabilities:			
Long-term debt (Note 8)	25	9	74
Long-term accounts payable—other	216	216	1,765
Liability for retirement benefits (Note 9)	7,485	7,431	60,716
Directors' and Audit & Supervisory Board members' retirement benefits.....	191	205	1,675
Provision for product warranties.....	233	132	1,079
Provision for loss on guarantees for construction performance (Note 13).....	203	167	1,364
Other long-term liabilities.....	370	626	5,114
Asset retirement obligations.....	117	118	964
Total long-term liabilities	8,840	8,904	72,751
Total liabilities	35,753	36,708	299,926
Net Assets (Note 14)			
Shareholders' Equity:			
Common stock:			
Authorized: 160,000,000 shares at March 31, 2021 and 2022			
Issued: 60,832,771 shares at March 31, 2021 and 2022	13,302	13,302	108,685
Capital surplus	12,906	12,921	105,572
Retained earnings	75,876	83,095	678,936
Less: Treasury stock, at cost			
533,785 shares and 517,921 shares at March 31, 2021 and 2022, respectively	(281)	(272)	(2,222)
Total shareholders' equity.....	101,803	109,046	890,971
Accumulated Other Comprehensive Income (Note 15):			
Unrealized gains on securities, net of taxes	1,077	1,033	8,440
Foreign currency translation adjustments.....	335	682	5,573
Accumulated adjustments for retirement benefits, net of taxes (Note 9).....	(654)	(510)	(4,167)
Total accumulated other comprehensive income	758	1,205	9,846
Non-controlling Interests.....	1,561	1,641	13,408
Total net assets	104,122	111,892	914,225
Total liabilities and net assets.....	¥139,875	¥148,600	\$1,214,151

Consolidated Statements of Income

NOHMI BOSAI LTD. and Subsidiaries

For the years ended March 31, 2020, 2021 and 2022

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2020	2021	2022	2022
Net Sales (Notes 16 and 20)	¥ 117,295	¥ 107,898	¥ 112,914	\$922,575
Cost of Sales (Notes 10 and 20)	77,989	72,770	74,151	605,858
Gross profit	39,306	35,128	38,763	316,717
Selling, General and Administrative Expenses (Notes 10 and 19)	24,166	24,074	26,129	213,490
Operating income	15,140	11,054	12,634	103,227
Other Income (Expenses):				
Interest income	22	19	22	180
Interest expense	(16)	(15)	(9)	(74)
Dividend income	61	61	72	588
Subsidy income	45	49	49	400
Dividend on insurance policies	21	24	16	131
Insurance return	10	18	14	114
Rental revenue	58	59	57	466
Rental expense	(26)	(25)	(26)	(212)
Equity in earnings of affiliates	119	217	287	2,345
Foreign exchange gains (losses)	6	8	(22)	(180)
Commitment fee	(7)	(45)	(7)	(57)
Gain on sales of investments in securities	—	—	13	106
Compensation for damage	(44)	—	(1)	(8)
Loss on sales/disposals of property, plant and equipment	(100)	(16)	(23)	(188)
Loss on devaluation of investments in securities	(61)	(368)	(1)	(8)
Impairment loss on fixed assets	—	—	(25)	(204)
Reversal for loss on guarantees for construction performance	28	—	36	294
Others, net	31	71	69	564
	147	57	521	4,257
Income before income taxes	15,287	11,111	13,155	107,484
Income Taxes (Note 12):				
Current	4,599	3,437	4,097	33,475
Deferred	69	(18)	(209)	(1,708)
	4,668	3,419	3,888	31,767
Net income	10,619	7,692	9,267	75,717
Net loss (income) attributable to non-controlling interests	(102)	(71)	84	686
Net income attributable to owners of the parent	¥ 10,517	¥ 7,621	¥ 9,351	\$ 76,403
	Yen			U.S. Dollars (Note 1)
Per Share:				
Net income	¥ 174.41	¥ 126.38	¥ 155.07	\$ 1.27
Net assets	1,594.52	1,700.87	1,827.92	14.94
Cash dividends	33.00	33.00	36.00	0.29
Weighted Average Number of Shares Issued (in thousands)	60,299	60,299	60,303	—

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

NOHMI BOSAI LTD. and Subsidiaries
For the years ended March 31, 2020, 2021 and 2022

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2020	2021	2022	2022
Net Income	¥10,619	¥7,692	¥9,267	\$75,717
Other Comprehensive Income (Note 15):				
Unrealized gains on securities, net of taxes	(176)	405	(45)	(367)
Foreign currency translation adjustments.....	(88)	47	524	4,281
Adjustments for retirement benefits, net of taxes.....	(77)	341	145	1,185
Share of other comprehensive income of affiliates accounted for under the equity method.....	(4)	3	1	8
Total other comprehensive income.....	(345)	796	625	5,107
Comprehensive income	¥10,274	¥8,488	¥9,892	\$80,824
Total Comprehensive Income Attributable to:				
Owners of the parent.....	¥10,210	¥8,400	¥9,799	\$80,064
Non-controlling interests	64	88	93	760

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, 2020, 2021 and 2022

	Thousands Number of shares of common stock	Millions of Yen										
		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	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
Net income attributable to owners of the parent				7,621		7,621						7,621
Cash dividends paid				(2,024)		(2,024)						(2,024)
Acquisition of treasury stock					(1)	(1)						(1)
Purchase of shares of consolidated subsidiaries			37			37						37
Net changes during the year	—	—	—	—	—	—	408	31	341	780	37	817
Total changes of items during the period	—	—	37	5,597	(1)	5,633	408	31	341	780	37	6,450
Balance at March 31, 2021	60,832	¥13,302	¥12,906	¥75,876	¥(281)	¥101,803	¥1,077	¥335	¥(654)	¥ 758	¥1,561	¥104,122
Cumulative effects of change in accounting policies				(48)		(48)					(0)	(48)
Restated balance at April 1, 2021	60,832	¥13,302	¥12,906	¥75,828	¥(281)	¥101,755	¥1,077	¥335	¥(654)	¥ 758	¥1,561	¥104,074
Net income attributable to owners of the parent				9,351		9,351						9,351
Cash dividends paid				(2,084)		(2,084)						(2,084)
Acquisition of treasury stock					0	0						0
Disposal of treasury stock			10		6	16						16
Restricted stock compensation ...			5		3	8						8
Net changes during the year	—	—	—	—	—	—	(44)	347	144	447	80	527
Total changes of items during the period	—	—	15	7,267	9	7,291	(44)	347	144	447	80	7,818
Balance at March 31, 2022	60,832	¥13,302	¥12,921	¥83,095	¥(272)	¥109,046	¥1,033	¥682	¥(510)	¥1,205	¥1,641	¥111,892

	Thousands of U.S. Dollars (Note 1)										
	Shareholders' equity					Accumulated other comprehensive income					
	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	Total
Balance at March 31, 2021.....	\$108,685	\$105,450	\$619,953	\$(2,296)	\$831,792	\$8,800	\$2,737	\$(5,344)	\$6,193	\$12,754	\$850,739
Cumulative effects of change in accounting policies			(392)		(392)					(0)	(392)
Restated balance at April 1, 2021.....	\$108,685	\$105,450	\$619,561	\$(2,296)	\$831,400	\$8,800	\$2,737	\$(5,344)	\$6,193	\$12,754	\$850,347
Net income attributable to owners of the parent.....			76,403		76,403						76,403
Cash dividends paid			(17,028)		(17,028)						(17,028)
Acquisition of treasury stock.....				0	0						0
Disposal of treasury stock		81		49	130						130
Restricted stock compensation.....		41		25	66						66
Net changes during the year.....	—	—	—	—	—	(360)	2,836	1,177	3,653	654	4,307
Total changes of items during the period.....	—	122	59,375	74	59,571	(360)	2,836	1,177	3,653	654	63,878
Balance at March 31, 2022.....	\$108,685	\$105,572	\$678,936	\$(2,222)	\$890,971	\$8,440	\$5,573	\$(4,167)	\$9,846	\$13,408	\$914,225

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

NOHMI BOSAI LTD. and Subsidiaries
For the years ended March 31, 2020, 2021 and 2022

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2020	2021	2022	2022
Cash Flows from Operating Activities:				
Income before income taxes	¥15,287	¥11,111	¥13,155	\$107,484
Adjustments for:				
Depreciation and amortization	2,066	2,209	2,334	19,070
Impairment loss on fixed assets	—	—	25	204
Amortization of goodwill	11	11	11	90
Share-based compensation cost	—	—	5	41
Increase (decrease) in allowance for bad debts	10	(22)	150	1,226
Increase (decrease) in liability for retirement benefits	(269)	69	153	1,250
Increase in directors' and Audit & Supervisory Board members' retirement benefits	5	20	14	114
Increase (decrease) in accrued bonuses	351	(147)	243	1,985
Increase (decrease) in provision for product warranties	28	39	(90)	(735)
Increase (decrease) in provision for warranties for completed construction contracts	14	28	(2)	(16)
Increase (decrease) in provision for losses on construction contracts	(40)	203	463	3,783
Decrease in provision for loss on guarantees for construction performance	(28)	—	(36)	(294)
Interest and dividend income	(83)	(80)	(94)	(768)
Insurance return	(10)	(18)	(14)	(114)
Interest expenses	16	15	9	74
Equity in earnings of affiliates	(119)	(217)	(287)	(2,345)
Loss on sales/disposal of property, plant and equipment	100	16	23	188
Loss on devaluation of investments in securities	61	368	1	8
Loss (gain) on sales of investments in securities	1	—	(10)	(82)
Decrease (increase) in trade receivables	(4,237)	6,627	—	—
Increase in trade receivables and contract assets	—	—	(8,342)	(68,159)
Decrease (increase) in inventories	1,163	2,126	(591)	(4,829)
Increase (decrease) in trade payables	(767)	179	(232)	(1,896)
Decrease in advances received on uncompleted construction contracts	(810)	(1,533)	—	—
Decrease in contract liabilities	—	—	(251)	(2,051)
Others, net	242	(547)	(63)	(514)
Subtotal	12,992	20,457	6,574	53,714
Interest and dividend income received	88	78	102	833
Interest expenses paid	(16)	(15)	(9)	(74)
Income taxes paid	(3,658)	(4,691)	(3,107)	(25,386)
Net cash provided by operating activities	9,406	15,829	3,560	29,087
Cash Flows from Investing Activities:				
Decrease (increase) in time deposits	298	5	(54)	(441)
Payments into long-term deposits	(47)	—	(90)	(735)
Proceeds from withdrawal of long-term deposits	—	—	90	735
Payments for purchase of property, plant and equipment	(2,114)	(4,229)	(4,194)	(34,268)
Proceeds from sales of property, plant and equipment	4	4	51	417
Payments for purchase of investments in securities	(103)	(225)	(553)	(4,518)
Proceeds from sales of investments in securities	1	2	46	376
Payments for loans receivable	(30)	—	—	—
Proceeds from loans receivable	5	29	1	8
Proceeds from cancellation of insurance contracts	283	281	48	392
Others, net	(216)	(210)	(220)	(1,798)
Net cash used in investing activities	(1,919)	(4,343)	(4,875)	(39,832)
Cash Flows from Financing Activities:				
Repayment of long-term debt	(19)	(19)	(15)	(123)
Repayments of bonds	(61)	(61)	(41)	(335)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(21)	(2)	—	—
Cash dividends paid	(1,934)	(2,024)	(2,085)	(17,036)
Cash dividends paid to non-controlling interests	(10)	(11)	(13)	(106)
Net increase (decrease) in treasury stock	(1)	(0)	3	25
Others, net	(100)	(117)	(142)	(1,160)
Net cash used in financing activities	(2,146)	(2,234)	(2,293)	(18,735)
Effect of exchange rate changes on cash and cash equivalents	(7)	13	155	1,267
Net increase (decrease) in cash and cash equivalents	5,334	9,265	(3,453)	(28,213)
Cash and cash equivalents at beginning of year	36,361	41,695	50,960	416,374
Cash and cash equivalents at end of year (Note 5)	¥41,695	¥50,960	¥47,507	\$388,161

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

NOHMI BOSAI LTD. and Subsidiaries
For the years ended March 31, 2020, 2021 and 2022

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, 2022, which is ¥122.39 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, 2021 and 2022.

The consolidated financial statements include the accounts of the Company and 20 subsidiaries at March 31, 2021 and 2022.

The 20 subsidiaries which have been consolidated with the Company at March 31, 2022 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.	85.0%
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, 2021 and 2022, 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, 2021 and 2022, 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

(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 from short-term differences in prices, are stated at fair value, with changes in fair value included in 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 using 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 quoted prices 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) 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) Accounting Policy for Recognition of Significant Revenues and Expenses

Revenues from construction contracts mainly relate to fire protection systems. The performance obligations are deemed to be satisfied over time and revenues are recognized based on the progress of fulfillment of performance obligations. The progress of fulfillment of performance obligations is measured based on the ratio of construction costs incurred by the end of each reporting period to the total expected construction costs.

In cases where the progress of fulfillment of performance obligations cannot be reasonably estimated, but it is expected that the costs incurred will be recovered, revenue will be recognized based on the cost recovery method. Consideration for performance obligations of construction contracts is received generally within one year after the

performance obligation is satisfied, except when the consideration is received as a contract liability prior to the fulfillment of the performance obligation and does not include any significant financial components in the contract.

Revenues from product sales are mainly sales of fire protection equipment to customers. The performance obligations are deemed to be satisfied at the time when the product is delivered to the customer, and the revenue is recognized at the time of delivery of the product. In accordance with the alternative treatment prescribed in paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition," for domestic sales of products, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the equipment is transferred to the customer is a normal period.

Revenues from maintenance services mainly relate to the maintenance of fire protection systems for customers. The performance obligation is deemed to be satisfied at the time when maintenance services are performed, and revenue is recognized upon completion of maintenance services.

(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 as a prime contractor and transferred certain sub-contracts to another company (see Note 13. Contingent Liabilities).

(19) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(20) Share-based Compensation

Compensation paid to the Company's directors based on the Company's restricted share-based compensation plan is expensed over the applicable service period.

(21) 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.

(22) 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.

As described in Note 4 "Changes in Accounting Standard", "Accounting Standards for Revenue Recognition" etc. are applied. As a result, net assets per share and net income per share decreased by ¥0.62 (\$0.01) and increased by ¥0.18 (\$0.00), respectively, for the year ended March 31, 2022.

(23) Reclassification

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

3. Significant Accounting Estimates

Reasonableness of the estimated total construction costs and the estimated progress toward completion of construction used in recognizing revenue from construction contracts over time (excluding those by a cost recovery method)

(a) The amount of sales recognized as revenue was ¥22,519 million and ¥24,339 million (\$198,864 thousand) in the consolidated statement of income for the years ended March 31, 2021 and 2022, respectively.

(b) Information on the nature of significant accounting estimates for the identified item

For specific construction contracts which meet certain requirements, revenue is recognized over time based on the progress towards

complete satisfaction of related performance obligations when the performance obligations of a construction contract are determined to be satisfied over time and the progress towards complete satisfaction of the performance obligations can be reasonably estimated.

This revenue is recognized based on the progress toward completion of construction, which is measured as a percentage of construction costs incurred to date against the total construction costs. In measuring the progress, it is necessary to reasonably estimate the total construction costs and the progress toward completion of construction at the end of the consolidated fiscal year. The estimated total construction costs are calculated by identifying all the work necessary to complete the construction contract and the estimated costs included in the project budget. Construction revenue is recognized as net sales for the current fiscal year, and is calculated by multiplying highly credible total amount of construction orders supported by purchase orders and construction contracts by the ratio of completion of construction.

The Group has consistently improved the accuracy of estimates based on its accumulated experience for construction contracts and confirmed whether construction costs appropriately reflect the progress toward the completion of construction. In addition, project budgets are updated in a timely and appropriate manner when circumstances may be changed due to the progress of construction work. The project budget indicates hypothetical amounts because it is calculated by accumulating estimated amounts that are expected to be incurred when the budget is developed. As the specifications for each construction project are unique, the project budget involves a high degree of uncertainty.

Therefore, the consolidated financial statements for the fiscal year ending March 31, 2023 and thereafter could be significantly affected if the update of project budgets due to significant changes in the terms of a contract, construction timeline or period has an effect on the total construction costs and the progress toward the completion of construction.

4. Changes in Accounting Standard

The Company and its consolidated subsidiaries adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020 (hereinafter, the "Statement No.29")) from the beginning of the fiscal year ended March 31, 2022. Revenue is recognized at the time of the transfer of promised goods or services to customers in an amount expected to be received in exchange for those goods or services. The percentage-of-completion method was previously applied to construction contracts, whose outcomes was deemed certain, and the completed-contract method was previously applied to other construction contracts. However, for the performance obligations deemed to be satisfied over time, revenue is recognized based on the progress of fulfillment of performance obligations. The progress of fulfillment of performance obligations is measured based on the ratio of construction costs incurred by the end of each reporting period to the total expected construction costs. In cases where the progress of fulfillment of performance obligations cannot be reasonably estimated, but it is expected that the costs incurred will be recovered, revenue is recognized based on the cost recovery method.

The transitional treatment as stipulated in paragraph 84 of the Statement No. 29 is applied. The cumulative impact of retrospective application of the new accounting policy prior to the beginning of the fiscal year ended March 31, 2022 is added to or deducted from retained earnings at the beginning of the fiscal year ended March 31, 2022 so that the new accounting policy is applied from the balance at the beginning of the fiscal year ended March 2022. However, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the fiscal year ended March 31, 2022, by applying the method stipulated in paragraph 86 of the Statement No. 29. In addition, by applying the method stipulated in paragraph 86 Note (1) of the Statement No. 29, for contract modifications made prior to the beginning of the fiscal year ended March 31, 2022, the contract conditions after modifications are reflected. The cumulative impact of these changes is added to or deducted from retained earnings at the beginning of the fiscal year ended March 31, 2022.

As a result, net sales increased by ¥197 million (\$1,610 thousand), cost of sales increased by ¥181 million (\$1,479 thousand), and operating income and income before income taxes increased by ¥16 million (\$131 thousand) compared to the amounts if the previous approach had been applied.

The impact on per share information is described in Note 2 "Summary of Significant Accounting Policies (22) Net Income and Dividends per Share."

As the cumulative impact was reflected in net assets at the beginning of the fiscal year ended March 31, 2022, the beginning balance of retained earnings on the consolidated statement of changes in net assets decreased by ¥48 million (\$392 thousand).

Due to the adoption of the Statement No. 29, "Trade receivables" which was presented in "Current assets" and "Advances received on uncompleted construction contracts" which was presented in "Current liabilities" in the consolidated balance sheets of the fiscal year ended March 31, 2021, are included in "Trade receivables and contract assets" and "Contract liabilities", respectively, from the fiscal year ended March 31, 2022. In addition, "Decrease (increase) in trade receivables" and "Decrease in advances received on uncompleted construction contracts" which were presented in "Cash flows from operating activities" in the consolidated statements of cash flows for the fiscal year ended March 31, 2021, are included in "Decrease (increase) in trade receivables and contract assets" and "Decrease in contract liabilities", respectively, from the fiscal year ended March 31, 2022.

In accordance with the transitional treatment stipulated in paragraph 89-2 of the Statement No. 29, no reclassification of previously reported amounts has been made to conform with the new presentation requirements. Furthermore, in accordance with the transitional treatment stipulated in paragraph 89-3 of the Statement No. 29, notes to "Revenue Recognition" for the fiscal year ended March 31, 2021 are not disclosed.

5. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2020, 2021 and 2022 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2020	2021	2022	2022
Cash and bank deposits.....	¥ 42,707	¥ 52,050	¥ 48,664	\$ 397,614
Long-term deposit	126	48	90	736
Total.....	42,833	52,098	48,754	398,350
Time deposits with deposit terms of over three months.....	(1,138)	(1,138)	(1,247)	(10,189)
Cash and cash equivalents.....	¥ 41,695	¥ 50,960	¥ 47,507	\$ 388,161

6. Securities

The following tables summarize the acquisition costs and book value/fair value of securities with available fair values as of March 31, 2021 and 2022.

Available-for-sale securities

Securities with book value exceeding acquisition costs

	Millions of Yen		
	Book value/fair value	Acquisition cost	Difference
Equity securities	¥ 2,640	¥ 1,166	¥ 1,474

	Millions of Yen		
	Book value/fair value	Acquisition cost	Difference
Equity securities	¥ 2,398	¥ 942	¥ 1,456

	Thousands of U.S. Dollars		
	Book value/fair value	Acquisition cost	Difference
Equity securities	\$ 19,593	\$ 7,697	\$ 11,896

Securities with book value not exceeding acquisition cost

	Millions of Yen		
	Book value/fair value	Acquisition cost	Difference
Equity securities	¥ 165	¥ 181	¥ (16)

	Millions of Yen		
	Book value/fair value	Acquisition cost	Difference
Equity securities	¥ 838	¥ 921	¥ (83)

	Thousands of U.S. Dollars		
	Book value/fair value	Acquisition cost	Difference
Equity securities	\$ 6,847	\$ 7,525	\$ (678)

The following tables summarize book value of securities with no available fair values as of March 31, 2021 and 2022.

Available-for-sale securities

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Non-listed equity securities.....	¥ 403	¥ 402	\$ 3,285

A summary of other securities sold in the years ended March 31, 2021 and 2022 is shown below:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Total amount of sales	¥ 2	¥ 46	\$ 376
Total amount of gains on sales.....	¥ 1	¥ 13	\$ 106
Total amount of losses on sales	¥ —	¥ 3	\$ 25

7. Inventories

Inventories as of March 31, 2021 and 2022 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Products	¥ 2,805	¥ 2,944	\$ 24,054
Raw materials	4,468	5,290	43,222
Work in progress.....	1,155	1,011	8,261
Cost of construction contracts in progress	3,523	—	—
	¥ 11,951	¥ 9,245	\$ 75,537

8. Short-term Debt and Long-term Debt

Short-term debt at March 31, 2022 bore interest at an annual average rate of 0.64% 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.

Short-term debt and long-term debt at March 31, 2021 and 2022 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2021	2022	2021	2022
Unsecured 1.4% short-term borrowings.....	¥ —	¥ 4	\$ —	\$ 33
Unsecured 1.3% short-term borrowings.....	15	—	—	—
Unsecured 1.4% long-term borrowings due in 2023	4	—	—	—
Unsecured 0.26% domestic standard bonds due in 2022.....	10	—	—	—
Unsecured 0.25% domestic standard bonds due in 2022.....	10	—	—	—
Unsecured 0.31% domestic standard bonds due in 2024.....	19	12	98	—
Unsecured 0.40% domestic standard bonds due in 2024.....	13	9	74	—
Unsecured 0.29% domestic standard bonds due in 2022.....	10	—	—	—
	81	25	205	—
Less—portion due within one year....	56	16	131	—
Total short-term debt and long-term debt.....	¥ 81	¥ 25	\$ 205	\$ —

The average interest rate for long-term debt of 0.36% as of March 31, 2022 represents the weighted-average rate applicable to the year-end balance.

The annual maturities and the aggregate annual maturities of short-term debt and long-term debt as of March 31, 2022 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
2023.....	¥ 16	\$ 131
2024.....	9	74
2025.....	—	—
2026.....	—	—
2027 and thereafter.....	—	—
Total	¥ 25	\$ 205

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, 2021 and 2022.

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	
	2021	2022	2021	2022
Projected benefit obligations at beginning of year	¥ 16,939	¥ 17,546	\$ 143,361	\$ 143,361
Service costs	901	984	8,040	8,040
Interest expenses	68	70	572	572
Actuarial losses	32	27	221	221
Retirement benefits paid	(394)	(643)	(5,254)	(5,254)
Projected benefit obligations at end of year.....	¥ 17,546	¥ 17,984	\$ 146,940	\$ 146,940

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	
	2021	2022	2021	2022
Plan assets at beginning of year	¥ 9,420	¥ 10,445	\$ 85,342	\$ 85,342
Expected return on plan assets.....	235	260	2,124	2,124
Actuarial gains.....	255	7	57	57
Employer contributions	811	680	5,556	5,556
Retirement benefits paid	(276)	(443)	(3,619)	(3,619)
Plan assets at end of year.....	¥ 10,445	¥ 10,949	\$ 89,460	\$ 89,460

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	
	2021	2022	2021	2022
Liability for retirement benefits at beginning of year	¥ 389	¥ 351	\$ 2,868	\$ 2,868
Net pension and employees' severance costs	38	92	752	752
Retirement benefits paid	(36)	(53)	(433)	(433)
Employer contributions to the plan....	(40)	(41)	(335)	(335)
Liability for retirement benefits at end of year.....	¥ 351	¥ 349	\$ 2,852	\$ 2,852

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
	2021	2022	2022
Projected benefit obligations (funded).....	¥ 12,348	¥ 12,591	\$ 102,876
Plan assets.....	(11,193)	(11,722)	(95,776)
	1,155	869	7,100
Projected benefit obligations (unfunded).....	6,297	6,515	53,232
Total net liability for retirement benefits on the consolidated balance sheets.....	¥ 7,452	¥ 7,384	\$ 60,332
Liability for retirement benefits.....	¥ 7,485	¥ 7,431	\$ 60,716
Asset for retirement benefits.....	(33)	(47)	(384)
Total net liability for retirement benefits on the consolidated balance sheets.....	¥ 7,452	¥ 7,384	\$ 60,332

The components of net pension and employees' severance costs for the years ended March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2020	2021	2022	2022
Service costs	¥ 874	¥ 901	¥ 984	\$ 8,040
Interest expenses	66	68	70	572
Expected return on plan assets.....	(218)	(235)	(260)	(2,124)
Recognized actuarial differences.....	203	269	227	1,854
Net pension and employees' severance costs calculated using the simplified method	109	38	92	752
Net periodic benefit costs.....	¥ 1,034	¥ 1,041	¥ 1,113	\$ 9,094

The components of adjustments for retirement benefits in other comprehensive income (before applicable tax effects) for the years ended March 31, 2020, 2021 and 2022 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2020	2021	2022	2022
Actuarial losses (gains)	¥ (96)	¥ 491	¥ 207	\$ 1,691
Total	¥ (96)	¥ 491	¥ 207	\$ 1,691

The components of accumulated adjustments for retirement benefits in accumulated other comprehensive income (before applicable tax effects) as of March 31, 2021 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Unrecognized actuarial differences.....	¥ 945	¥ 738	\$ 6,030
Total	¥ 945	¥ 738	\$ 6,030

Breakdown of plan assets as of March 31, 2021 and 2022 was as follows:

	2021	2022
Equity securities	29%	32%
General accounts	34	34
Bonds	35	33
Other	2	1
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, 2020, 2021 and 2022 were as follows:

	2020	2021	2022
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, 2020, 2021 and 2022 was ¥17 million, ¥17 million and ¥17 million (\$139 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, 2020, 2021 and 2022 was ¥532 million, ¥546 million and ¥557 million (\$4,551 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, 2020, 2021 and 2022 were ¥2,125 million, ¥2,312 million and ¥2,492 million (\$20,361 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 from customers are exposed to customers' credit risk. With respect to receivables, in order to manage 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.

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 a 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 values of financial instruments:

The fair values of financial instruments as of March 31, 2021 and 2022 were as follows:

Millions of Yen			
2021			
	Carrying amount	Fair value	Unrecognized gain (loss)
Investments in securities.....	¥ 2,804	¥ 2,804	¥ —
Total.....	¥ 2,804	¥ 2,804	¥ —
Bonds	¥ 21	¥ 20	¥ (1)
Long-term debt.....	4	4	(0)
Total.....	¥ 25	¥ 24	¥ (1)

Millions of Yen			
2022			
	Carrying amount	Fair value	Unrecognized gain (loss)
Investments in securities.....	¥ 3,235	¥ 3,235	¥ —
Total.....	¥ 3,235	¥ 3,235	¥ —
Bonds	¥ 9	¥ 9	¥ (0)
Total.....	¥ 9	¥ 9	¥ (0)

Thousands of U.S. Dollars			
2022			
	Carrying amount	Fair value	Unrecognized gain (loss)
Investments in securities.....	\$ 26,432	\$ 26,432	\$ —
Total.....	\$ 26,432	\$ 26,432	\$ —
Bonds	\$ 74	\$ 74	\$ (0)
Total.....	\$ 74	\$ 74	\$ (0)

1. Carrying amounts of financial instruments that do not have a market price:

Notes to "Cash and bank deposits", "Trade receivables and contract assets", "Trade payables", "Electronically recorded obligations", "Short-term debt", "Non-trade accounts payable" and "Income taxes payable" have been omitted since they are all cash and their carrying values approximate fair values because of their short maturities.

2. Financial instruments that do not have a market price:

The carrying amounts 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, 2021 and 2022 were ¥3,779 million and ¥4,079 million (\$33,328 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, 2022

Millions of Yen				
2022				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and bank deposits	¥ 48,664	¥ —	¥ —	¥ —
Trade notes receivable	6,640	—	—	—
Trade accounts receivable.....	30,682	—	—	—
Total.....	¥ 85,986	¥ —	¥ —	¥ —

Thousands of U.S. Dollars				
2022				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and bank deposits	\$ 397,614	\$ —	\$ —	\$ —
Trade notes receivable	54,253	—	—	—
Trade accounts receivable.....	250,690	—	—	—
Total.....	\$ 702,557	\$ —	\$ —	\$ —

4. Fair value information of financial instruments by level of inputs

Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: the fair value measured using observable inputs other than Level 1.

Level 3 fair value: fair values measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Company and its subsidiaries classified fair values into a category to which the lowest priority is assigned.

(1) Financial instruments measured at fair values in the consolidated balance sheet

Millions of Yen				
2022				
	Level 1	Level 2	Level 3	Total
Investments in securities.....	¥ 3,235	¥ —	¥ —	¥ 3,235
Total.....	¥ 3,235	¥ —	¥ —	¥ 3,235

Thousands of U.S. Dollars				
2022				
	Level 1	Level 2	Level 3	Total
Investments in securities.....	\$26,432	\$ —	\$ —	\$26,432
Total.....	\$26,432	\$ —	\$ —	\$26,432

(2) Financial instruments other than those measured at fair values in the consolidated balance sheet

Millions of Yen				
2022				
	Level 1	Level 2	Level 3	Total
Bonds	¥ —	¥ 9	¥ —	¥ 9
Total.....	¥ —	¥ 9	¥ —	¥ 9

Thousands of U.S. Dollars				
2022				
	Level 1	Level 2	Level 3	Total
Bonds	\$ —	\$ 74	\$ —	\$ 74
Total.....	\$ —	\$ 74	\$ —	\$ 74

(Note) Valuation techniques and inputs used in measuring fair values

Investments in securities

Listed equity securities are measured using quoted prices. Fair value of listed equity securities are classified as level 1, because they are exchanged in active markets.

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. Fair values of bonds are categorized as Level 2.

12. Income Taxes

At March 31, 2021 and 2022, significant components of deferred tax assets and liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Deferred tax assets:			
Liability for retirement benefits.....	¥ 2,294	¥ 2,268	\$ 18,531
Accrued bonuses	1,032	1,109	9,061
Directors' and Audit & Supervisory Board members' retirement benefits.....	66	71	580
Loss on write-off of fixed assets	165	146	1,193
Accrued legal welfare expenses.....	150	160	1,307
Accrued enterprise taxes.....	145	201	1,642
Allowance for bad debts.....	93	152	1,242
Impairment loss on fixed assets.....	109	125	1,021
Devaluation of inventories.....	418	477	3,897
Provision for losses on construction contracts.....	333	397	3,244
Provision for product warranties.....	73	45	368
Loss on valuation of shares of subsidiaries and affiliates	328	328	2,680
Provision for loss on guarantee for construction performance	62	51	417
Others	940	887	7,248
Subtotal.....	6,208	6,417	52,431
Valuation allowance.....	(598)	(633)	(5,172)
Total.....	¥ 5,610	¥ 5,784	\$ 47,259
Deferred tax liabilities:			
Special depreciation of acquired assets.....	¥ (51)	¥ (51)	\$ (417)
Unrealized gains on securities	(388)	(348)	(2,843)
Total.....	¥ (439)	¥ (399)	\$ (3,260)
Net deferred tax assets.....	¥ 5,171	¥ 5,385	\$ 43,999

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 30.6% for the years ended March 31, 2020, 2021 and 2022.

Since the differences between the statutory tax rate and effective tax rate for the fiscal years ended March 31, 2021 and 2022 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 ¥30 million and ¥33 million (\$270 thousand), trade notes endorsed for payment to third parties in the ordinary course of business in the amount of ¥93 million and ¥64 million (\$523 thousand) and performance guarantees made for unconsolidated subsidiaries of ¥60 million and ¥57 million (\$466 thousand) at March 31, 2021 and 2022, 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 (hereinafter, "UML") and four 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 requested reorganization procedures to a court in August 2018 and they were accepted.

There is a possibility that the Company will be obliged to complete the constructions 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.

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 28, 2022, the distribution of cash dividends amounting to ¥1,088 million (\$8,890 thousand) was approved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2022 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, 2022

The following was approved by the annual shareholders' meeting held on June 25, 2021:

(a) Total dividends.....	¥997 million (\$8,146 thousand)
(b) Cash dividends per common share	¥16.50 (\$0.13)
(c) Record date	March 31, 2021
(d) Effective date	June 28, 2021

The following was approved by the Board of Directors on November 9, 2021:

(a) Total dividends.....	¥1,088 million (\$8,890 thousand)
(b) Cash dividends per common share	¥18.50 (\$0.15)
(c) Record date	September 30, 2021
(d) Effective date	December 3, 2021

b) Dividends to be paid after March 31, 2022 but the record date for the payment belongs to the year ended March 31, 2022

The following was approved by the annual shareholders' meeting held on June 28, 2022:

(a) Total dividends.....	¥1,088 million (\$8,890 thousand)
(b) Cash dividends per common share	¥18.50 (\$0.15)
(c) Record date	March 31, 2022
(d) Effective date	June 29, 2022

15. Comprehensive Income

The amount of reclassification adjustments and tax effect relating to other comprehensive income for the years ended March 31, 2020, 2021 and 2022 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2020	2021	2022	2022
Unrealized gains on securities, net of taxes:				
Increase during the year	¥ (294)	¥ 557	¥ (75)	\$ (613)
Reclassification adjustments	61	(1)	(10)	(81)
Amount before tax effect adjustment	(233)	556	(85)	(694)
Tax effect	57	(151)	40	327
Unrealized gains on securities, net of taxes	(176)	405	(45)	(367)
Foreign currency translation adjustments:				
Increase (decrease) during the year	(88)	47	524	4,281
Adjustments for retirement benefits, net of taxes:				
Increase (decrease) during the year	(298)	223	(20)	(163)
Reclassification adjustments	202	268	227	1,854
Amount before tax effect adjustment	(96)	491	207	1,691
Tax effect	19	(150)	(62)	(506)
Adjustments for retirement benefits, net of taxes	(77)	341	145	1,185
Share of other comprehensive income of affiliates accounted for under the equity method:				
Increase (decrease) during the year	(4)	3	1	8
Total other comprehensive income	¥ (345)	¥ 796	¥ 625	\$ 5,107

16. Revenue Recognition

(a) Information about the breakdown of revenues from contracts with customers

Information about the breakdown of revenues from contracts with customers is as described in Note 20 "Segment Information."

(b) Information that provides a basis for understanding revenues from contracts with customers

Information that provides a basis for understanding revenues from contracts with customers is as described in Note 2 "Summary of Significant Accounting Policies (14) Accounting Policy for Recognition of Significant Revenues and Expenses."

(c) Information to understand the amount of revenue in the current and subsequent fiscal years

Information about the amount and timing of revenue expected to be recognized after March 31, 2022, but the revenue arising from contracts with customers that exist as of March 31, 2022

(1) The balance of contract assets and contract liabilities as of March 31, 2022 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Receivables from contracts with customers:		
Balance at beginning of year	¥ 30,620	\$ 250,184
Balance at end of year	37,322	304,943
Contract assets:		
Balance at beginning of year	9,833	80,342
Balance at end of year	11,669	95,343
Contract liabilities:		
Balance at beginning of year	1,371	11,202
Balance at end of year	1,082	8,841

Contract assets mainly relate to consideration for work where revenue has been recognized but not yet invoiced, mainly in construction contracts where the performance obligation is satisfied over time. Contract assets are reclassified to trade receivables at the time of the customer acceptance. Contract liabilities mainly relate to advance payments received from customers as the construction progresses, for construction contracts that recognize revenue based on performance obligations to be satisfied over time. Contract liabilities are reversed as revenue is recognized. Of the amount of revenue recognized in the fiscal year ended March 31, 2022, ¥1,169 million (\$9,551 thousand) was included in the contract liability

balance at the beginning of the fiscal year ended March 31, 2022.

The changes in contract assets are mainly due to revenue recognition (increase in contract assets) and reclassification to trade receivables (decrease in contract assets).

The changes in contract liabilities are mainly due to receipt of advance payments (increase in contract liabilities) and revenue recognition (decrease in contract liabilities).

The amount of revenue recognized (mainly changes in transaction prices) in the fiscal year ended March 31, 2022, but the performance obligations satisfied (or partially satisfied) before March 31, 2022 was ¥515 million (\$4,208 thousand).

(2) Transaction prices allocated to remaining performance obligations

The Company and some consolidated subsidiaries apply the practical expedient method to note the transaction prices allocated to the remaining performance obligations, and contracts with an initially expected contract term of one year or less are not included in the notes.

The balance of transaction prices allocated to unsatisfied performance obligations as of March 31, 2022 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
2023.....	¥ 28,354	\$ 231,669
2024.....	7,757	63,379
2025.....	1,510	12,338
2026 and thereafter.....	76	621
Total	¥ 37,697	\$ 308,007

17. Receivables and Contract Assets from Contracts with Customers

The amounts of trade notes receivable, trade accounts receivable and contract assets arising from contract with customers included in trade receivables and contract assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Trade notes receivable:	¥ 6,640	\$ 54,253
Trade accounts receivable.....	30,682	250,690
Contract assets	11,669	95,343

18. Leases

Finance lease transactions as lessee

Finance lease transactions except for those that stipulate the transfer of ownership of leased property to the lessee:

(a) Leased assets of property, plant and equipment are mainly buildings and structures of the fire protection business.

(b) Depreciation method of lease assets

The depreciation method for leased assets is described in Note 2 "Summary of Significant Accounting Policies (13) Leases."

19. Stock Options

1. Outline of compensation paid to the Company's directors based on the Company's restricted share-based compensation plan

(a) Details of restricted stock

Restricted stock issued in 2021	
Title and number of grantees	5 directors of the Company (Excluding non-executive directors and independent outside directors)
Number of shares	4,982 common shares
Grant date	July 21, 2021
Vested conditions.....	Remain in the position of director from the grant date to the end of the annual shareholders' meeting of for the year ended March 31, 2022
Intended service period	From the grant date to the end of the annual shareholders' meeting of for the year ended March 31, 2022

(b) Scale and changes of shares

Restricted stock with outstanding number of shares as of March 31, 2022 is disclosed.

(1) The amount of cost and its presentation in the consolidated statements of income

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Selling, general and administrative expenses	¥ 7	\$ 57

(2) Number of shares

Restricted stock issued in 2021	
As of March 31, 2021	—
Granted	4,982 shares
Free of charge acquisition	—
Vested	—
Outstanding.....	4,982 shares

(3) Price information

	Yen	U.S. Dollars
	2022	2022
Fair value at the grant date	¥ 2,109	\$ 17.23

2. Valuation method for estimating fair value of per share of restricted stock

Estimated fair value is the closing stock price of the Company's common stock at Tokyo Stock Exchange on the previous business day of the Board of Directors' meeting.

3. Method for estimating vested number of shares

Because it is difficult to estimate the number of forfeitures in the future reasonably, only actual number of forfeitures is reflected to estimate the vested number of shares.

20. 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 protection 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 and breakdown of revenues from contracts with customers

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

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 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 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 included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥421 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								
2021								
	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	¥ 37,952	¥ 38,416	¥ 26,687	¥ 103,055	¥ 4,843	¥ 107,898	¥ —	¥ 107,898
Inter-segment.....	88	66	1	155	195	350	(350)	—
Total	38,040	38,482	26,688	103,210	5,038	108,248	(350)	107,898
Segment income.....	¥ 5,979	¥ 6,568	¥ 5,393	¥ 17,940	¥ 254	¥ 18,194	¥ (7,140)	¥ 11,054
Segment assets	¥ 47,760	¥ 32,818	¥ 13,436	¥ 94,014	¥ 3,938	¥ 97,952	¥ 41,923	¥ 139,875
Other:								
Depreciation	¥ 920	¥ 223	¥ 143	¥ 1,286	¥ 137	¥ 1,423	¥ 749	¥ 2,172
Amortization of goodwill	¥ 11	¥ —	¥ —	¥ 11	¥ —	¥ 11	¥ —	¥ 11
Affiliates accounted for under the equity method.....	¥ —	¥ 2,735	¥ —	¥ 2,735	¥ —	¥ 2,735	¥ —	¥ 2,735
Increase in property, plant and equipment and intangible assets..	¥ 2,602	¥ 542	¥ 474	¥ 3,618	¥ 68	¥ 3,686	¥ 820	¥ 4,506

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

Note 2: (1) ¥(7,140) 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) ¥41,923 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) ¥749 million included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥820 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								
2022								
	Reportable segments				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal				
Net sales:								
Goods or services transferred at a point in time.....	¥ 20,242	¥ 4,325	¥ 15,266	¥ 39,833	¥ 1,930	¥ 41,763	¥ —	¥ 41,763
Goods or services transferred over time.....	21,795	35,323	11,033	68,151	3,000	71,151	—	71,151
Revenues from contacts with customers.....	¥ 42,037	¥ 39,648	¥ 26,299	¥ 107,984	¥ 4,930	¥ 112,914	¥ —	¥ 112,914
Outside customers	¥ 42,037	¥ 39,648	¥ 26,299	¥ 107,984	¥ 4,930	¥ 112,914	¥ —	¥ 112,914
Inter-segment.....	64	68	1	133	190	323	(323)	—
Total	42,101	39,716	26,300	108,117	5,120	113,237	(323)	112,914
Segment income.....	¥ 8,618	¥ 7,197	¥ 4,854	¥ 20,669	¥ 47	¥ 20,716	¥ (8,082)	¥ 12,634
Segment assets	¥ 46,305	¥ 42,912	¥ 13,270	¥ 102,487	¥ 5,000	¥ 107,487	¥ 41,113	¥ 148,600
Other:								
Depreciation	¥ 1,007	¥ 253	¥ 184	¥ 1,444	¥ 173	¥ 1,617	¥ 682	¥ 2,299
Amortization of goodwill	¥ 11	¥ —	¥ —	¥ 11	¥ —	¥ 11	¥ —	¥ 11
Impairment loss.....	¥ 25	¥ —	¥ —	¥ 25	¥ —	¥ 25	¥ —	¥ 25
Affiliates accounted for under the equity method	¥ —	¥ 3,036	¥ —	¥ 3,036	¥ —	¥ 3,036	¥ —	¥ 3,036
Increase in property, plant and equipment and intangible assets...	¥ 2,729	¥ 525	¥ 171	¥ 3,425	¥ 50	¥ 3,475	¥ 993	¥ 4,468

Thousands of U.S. Dollars

	2022							
	Reportable segments				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal				
Net sales:								
Goods or services transferred at a point in time.....	\$ 165,389	\$ 35,338	\$ 124,733	\$ 325,460	\$ 15,769	\$ 341,229	\$ —	\$ 341,229
Goods or services transferred over time.....	178,078	288,610	90,146	556,834	24,512	581,346	—	581,346
Revenues from contacts with customers.....	\$ 343,467	\$ 323,948	\$ 214,879	\$ 882,294	\$ 40,281	\$ 922,575	\$ —	\$ 922,575
Outside customers	\$ 343,467	\$ 323,948	\$ 214,879	\$ 882,294	\$ 40,281	\$ 922,575	\$ —	\$ 922,575
Inter-segment.....	523	556	8	1,087	1,552	2,639	(2,639)	—
Total	343,990	324,504	214,887	883,381	41,833	925,214	(2,639)	922,575
Segment income.....	\$ 70,414	\$ 58,804	\$ 39,660	\$ 168,878	\$ 384	\$ 169,262	\$ (66,035)	\$ 103,227
Segment assets	\$ 378,339	\$ 350,617	\$ 108,424	\$ 837,380	\$ 40,853	\$ 878,233	\$ 335,918	\$ 1,214,151
Other:								
Depreciation	\$ 8,228	\$ 2,067	\$ 1,503	\$ 11,798	\$ 1,414	\$ 13,212	\$ 5,572	\$ 18,784
Amortization of goodwill	\$ 90	\$ —	\$ —	\$ 90	\$ —	\$ 90	\$ —	\$ 90
Impairment loss.....	\$ 204	\$ —	\$ —	\$ 204	\$ —	\$ 204	\$ —	\$ 204
Affiliates accounted for under the equity method	\$ —	\$ 24,806	\$ —	\$ 24,806	\$ —	\$ 24,806	\$ —	\$ 24,806
Increase in property, plant and equipment and intangible assets...	\$ 22,298	\$ 4,289	\$ 1,397	\$ 27,984	\$ 409	\$ 28,393	\$ 8,113	\$ 36,506

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

Note 2: (1) ¥(8,082) million (\$ (66,035) 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) ¥41,113 million (\$335,918 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) ¥682 million (\$5,572 thousand) included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥993 million (\$8,113 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) Information about impairment loss on property, plant and equipment by reportable segment

Information about impairment loss on property, plant and equipment is omitted since the equivalent segment information is disclosed above.

(5) Amortization and unamortized balances of goodwill by reportable segment as of and for the years ended March 31, 2020, 2021 and 2022 were as follows:

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

Millions of Yen								
2021								
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	¥ 20	¥ —	¥ —	¥ 20	¥ —	¥ 20	¥ —	¥ 20

Millions of Yen								
2022								
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	¥ 9	¥ —	¥ —	¥ 9	¥ —	¥ 9	¥ —	¥ 9

Thousands of U.S. Dollars								
2022								
Reportable segments								
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others	Total	Adjustments	Consolidated
Amortization during the year	\$ 90	\$ —	\$ —	\$ 90	\$ —	\$ 90	\$ —	\$ 90
Unamortized balance	\$ 74	\$ —	\$ —	\$ 74	\$ —	\$ 74	\$ —	\$ 74

21. 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,

2021 and 2022 and for the years ended March 31, 2020, 2021 and 2022, 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, 2022				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	
				2020	2021	2022	2021	2022
¥66,419 million	Security service	Direct: 50.7% (*) Indirect: 0.1%	Sale of products and other transactions	¥1,580	¥1,503	¥1,355 (\$11,071)	Trade receivables ¥261	Trade receivables ¥143 (\$1,168)

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

WATANABE PIPE Co., Ltd.

As of March 31, 2022				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	
				2020	2021	2022	2021	2022
¥10,099 million	Industrial equipment wholesale	— (*)	Sale of products and other transactions	¥22	¥19	¥116 (\$948)	Trade receivables ¥0	Trade receivables ¥42 (\$343)

(*) 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, 2022					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	
					2020	2021	2021	2022
¥60 million	Fire extinguishing systems	Direct: 20.8%	Direct: 0.9%	Purchase of raw materials	¥7,734	¥8,063	¥7,628 (\$62,325)	
							Trade notes payables	Electronically recorded obligations
							¥2	¥1,737
							¥54 (\$441)	¥1,879 (\$15,353)
							Trade accounts payables	Non-trade accounts payables
							¥955	¥448
							¥1,008 (\$8,236)	¥345 (\$2,819)

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, 2022 and 2021, 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, 2022, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the years in the three-year period ended March 31, 2022 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the estimated total construction costs and the estimated progress toward completion of construction used in recognizing revenue from construction contracts over time	
The key audit matter	How the matter was addressed in our audit
As described in Note 3, "Significant Accounting Estimates," to the consolidated financial statements, NOHMI BOSAI LTD. (the "Company") and its consolidated subsidiaries recognize revenues from construction contracts over time based on the progress towards complete satisfaction of the related performance obligations when the performance obligations of a construction contract are determined to be satisfied over time and the progress towards complete satisfaction of the performance obligations can be reasonably estimated. For the current fiscal year, revenues recognized over time from construction contracts, for which the progress towards complete satisfaction of the performance obligations can be reasonably estimated, amounted to ¥24,339 million, representing 21.5% of total	<p>The primary procedures we performed to assess whether the Company's estimates of the total construction costs and the progress toward completion of construction used in recognizing revenues from construction contracts over time were reasonable included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of preparing a project budget for construction contracts. In this assessment, we focused our testing on the following controls:</p> <ul style="list-style-type: none">controls to ensure compliance with the internal rules for preparing a project budget, including how to accumulate work hours of each

<p>revenue of ¥112,914 million in the consolidated financial statements.</p> <p>The progress towards complete satisfaction of the performance obligations is measured as a percentage of construction costs incurred to date against the total construction costs. In measuring the progress, it is necessary to reasonably estimate the total construction costs and the progress toward completion of construction at the end of the fiscal year.</p> <p>The specifications of construction projects differ among individual properties. Therefore, the preparation of a project budget, which provided the basis for estimating the total construction costs and the progress toward completion of construction, involved a high degree of uncertainty. In particular, management's judgment on the following aspects had a significant effect on the project budget:</p> <ul style="list-style-type: none"> ● whether all the work necessary to complete the construction contract was identified and the estimated costs were included in the project budget; ● whether any changes in work due to changes in circumstances that occurred subsequent to the start of construction were reflected within the project budget in a timely and appropriate manner; and ● whether the ratio of construction costs incurred to the estimated total construction costs appropriately reflected the progress toward completion of the construction at the end of the fiscal year. <p>We, therefore, determined that our assessment of the reasonableness of the Company's estimates of the total construction costs and the progress toward completion of construction used in recognizing revenue from construction contracts over time was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>construction project, what information and data to be used, and how to reflect the risk of any uncertainties within the budget; and</p> <ul style="list-style-type: none"> ● controls to reflect any changes in circumstances that occur after the start of construction within the project budget in a timely and appropriate manner. <p>(2) Assessment of the reasonableness of the estimated total construction costs and the estimated progress toward completion of construction</p> <p>In order to assess the appropriateness of key assumptions adopted in preparing the budget for each construction project, which was used as the basis for estimating the total construction costs and the progress toward completion of construction, we inquired of management and the personnel responsible for construction work about the basis on which those assumptions were developed. In addition, we:</p> <ul style="list-style-type: none"> ● assessed whether all the activities agreed upon with the customer were reflected in the project budget by comparing it with the construction contract, the purchase order and the specification sheet; ● assessed the reasonableness of the estimated costs by tracing the estimated costs of each activity included in the project budget with the supporting worksheet that calculated the accumulated costs, and also comparing the occurrence of the standard costs with that of the actual costs in similar construction projects in the past; ● evaluated the accuracy of the project budget by comparing the actual costs of completed constructions with their initial project budget and analyzing variances between the two, and ensured that the causes of those variances were appropriately reflected in the project budget of uncompleted construction projects when such causes were applicable to other construction projects; ● inspected the project budget change confirmation sheet, inquired of the construction manager, the accounting staff and other relevant personnel about any changes in circumstances that occurred after the start of construction and their judgment on whether to update the project budget, assessed the consistency of their responses with each other's, and for significant construction projects, examined the reasonableness of the updated project budget by matching it with
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	<p>evidence such as the revised specification sheets and quotations; and</p> <ul style="list-style-type: none"> assessed whether the estimated progress towards completion of uncompleted construction projects appropriately reflected the status of construction by inquiring of the construction manager and the accounting staff regarding whether there was any discrepancy between the initial schedule and the actual progress of uncompleted construction projects at the end of the fiscal year, and inspecting the relevant documents, such as invoices, that served as the basis for their responses to our inquiries.
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Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 with regard to 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.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year

ended March 31, 2022 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/ Kenya Yakuwa
Designated Engagement Partner
Certified Public Accountant

/S/ Shuji Yasuzaki
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
August 10, 2022

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

Prime Market, Tokyo Stock Exchange

Transfer Agent

Sumitomo 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	28	87,919	14.46
Japanese securities companies	26	2,322	0.38
Other Japanese corporations.....	195	349,275	57.43
Japanese individuals and others	2,874	97,431	16.02
Foreign institutions and individuals.....	140	67,112	11.04
Treasury stocks.....	1	4,053	0.67
Total	3,264	608,112	100.00

Major Stockholders

	Number of Shares Held (Thousands)	Percentage of Total Shares in Issue (%)
SECOM Co., Ltd.	30,598	50.64
The Master Trust Bank of Japan, Ltd. (Trust Account).....	3,613	5.98
Shareholding Commission of NOHMI BOSAI Distributors.....	2,086	3.45
Shareholding Commission of NOHMI BOSAI Partners.....	1,611	2.67
Custody Bank of Japan, Ltd. (Trust Account).....	1,153	1.91
MUFG Bank, Ltd.	1,000	1.66
Shareholding Commission of NOHMI BOSAI Employees.....	881	1.46
Fuji Electric Co., Ltd.	868	1.44
NORTHERN TRUST CO. (AVFC) RE HCR00	860	1.42
Sumitomo Mitsui Banking Corporation	765	1.27

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



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