ANNUAL REPORT 2021

For the Year Ended March 31, 2021

NOHMI BOSAI LTD.

Profile

NOHMI BOSAI LTD., established in 1944 and listed on the First Section of the Tokyo Stock Exchange in 1991, is a leading Japanese manufacturer of fire alarm and fire extinguishing systems. In the fiscal year ended March 31, 2021, the Company realized consolidated net sales of ¥107.9 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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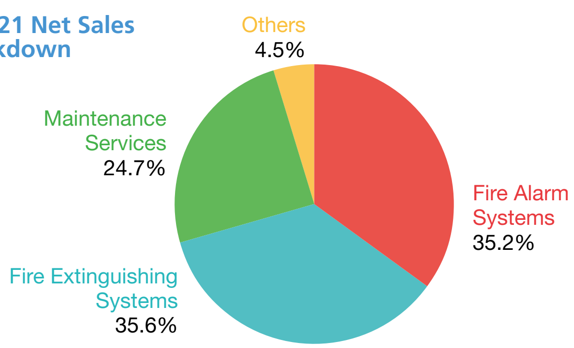
Consolidated Financial Highlights

NOHMI BOSAI LTD. and Subsidiaries
For the years ended March 31, 2019, 2020 and 2021

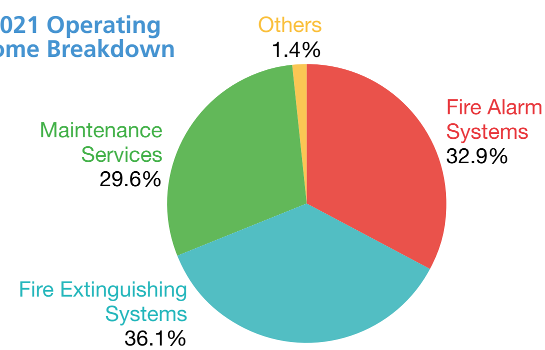
	Millions of Yen			Percentage Change	Thousands of U.S. Dollars*4
	2019	2020	**2021**	2021/2020	**2021**
For the year:					
New orders	¥ 107,860	¥ 111,872	**¥ 113,309**	1.3 %	**$1,023,476**
Net sales	106,775	117,295	**107,898**	(8.0)	**974,600**
Cost of sales	71,927	77,989	**72,770**	(6.7)	**657,303**
Operating income	11,367	15,140	**11,054**	(27.0)	**99,846**
Net income attributable to owners of the parent	7,804	10,517	**7,621**	(27.5)	**68,838**
Comprehensive income	7,617	10,274	**8,488**	(17.4)	**76,669**
At year-end:					
Total assets	¥ 128,628	¥ 136,667	**¥ 139,875**	2.3 %	**$1,263,436**
Total net assets	89,363	97,672	**104,122**	6.6	**940,493**
Backlog of orders	56,057	50,634	**56,045**	10.7	**506,232**
Number of employees	2,442	2,524	**2,606**	3.2	**—**
Per share (in yen and U.S. dollars):					
Net income*1	¥ 129.42	¥ 174.41	**¥ 126.38**	(27.5) %	**$ 1.14**
Net assets*2	1,457.31	1,594.52	**1,700.87**	6.7	**15.36**
Cash dividends	32.00	33.00	**33.00**	0.0	**0.30**

Notes: *1. Per share amounts are based on the weighted average number of shares outstanding during each period, less treasury stock.
*2. Per share amounts are based on the number of shares outstanding at the end of each period, less treasury stock.
*3. There is no diluted net income per share presented as there are no shares with a potentially dilutive effect.
*4. All dollar figures herein refer to U.S. currency unless otherwise specified. The dollar amounts in this report represent the translation of yen, for convenience only, at the rate of ¥110.71=US$1, the prevailing exchange rate at March 31, 2021.
*5. All amounts are in millions of yen or thousands of U.S. dollars, except number of employees and per share amounts.

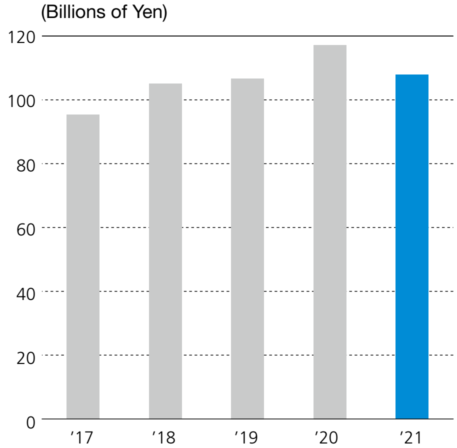
FY2021 Net Sales Breakdown



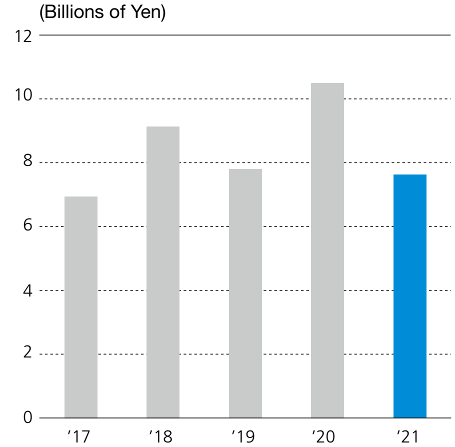
FY2021 Operating Income Breakdown



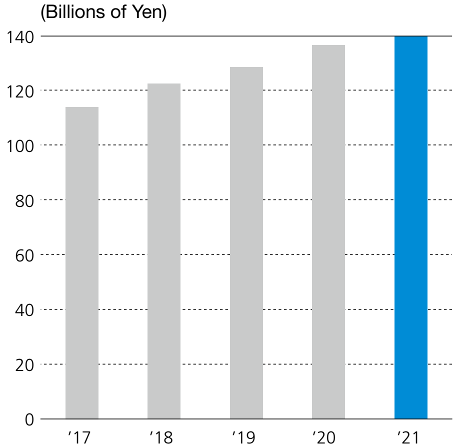
Net Sales
(Billions of Yen)



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



Total Assets
(Billions of Yen)



Toward Dramatic Growth Based on Strong "On-site Capabilities"

Takeshi Okamura
President

Operating Environment and Business Results in Fiscal 2021

During the fiscal year ended March 31, 2021, the spread of COVID-19 significantly restricted social and economic activities around the world, rapidly bringing the Japanese economy into a downward spiral, where it stayed amid difficult conditions.

Uncertainty persisted in the domestic fire protection industry, impacted by a cautious trend in private-sector investments due to a drastic decline in corporate profitability.

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 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 2021, the medium-term business plan's second year, we engaged in business activities to ensure the safety of society while closely following COVID-19 safety protocols to prevent its spread. As a result, in fiscal 2021 new orders increased 1.3% to ¥113,309 million, while net sales decreased 8.0% to ¥107,898 million.

At the profit level, because of a concentration of contracts with relatively high profitability in the previous fiscal year, operating income decreased 27.0% to ¥11,054 million and net income attributable to owners of the parent decreased 27.5% to ¥7,621 million.

By business segment, the Fire Alarm Systems segment posted net sales of ¥37,952 million and operating income of ¥5,979 million, decreases of 7.5% and 22.1%, respectively, from the previous year. Net sales and operating income in the Fire Extinguishing Systems segment decreased 10.1% to ¥38,416 million and 17.7% to ¥6,568 million year on year, respectively. Net sales and operating income in the Maintenance Services segment decreased 2.9% to ¥26,687 million and 12.5% to ¥5,393 million year on year, respectively. Net sales and operating income in the Others segment also decreased 20.2% to ¥4,843 million and 48.2% to ¥254 million, respectively, from the previous fiscal year.

Initiatives for Transparent Management

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

Shareholder Returns

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

Based on the above policy, for the fiscal year ended March 31, 2021, the Company declared a year-end dividend per share of ¥16.50. Including the interim dividend of ¥16.50 per share, annual dividends per share totaled ¥33.00.

For fiscal 2022, we plan to declare annual dividends per share of ¥36.00, which include an interim dividend per share of ¥18.00 and a year-end dividend per share of ¥18.00.

Outlook for Fiscal 2022

We expect economic uncertainty to persist for fiscal 2022 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 pandemic, such as delays in construction and a decrease in capital investments.

The NOHMI BOSAI Group formulated a three-year medium-term business plan starting from fiscal 2020 called "Project 2021—Build Strong 'On-site Capabilities'." During fiscal 2022, the final year of the plan, the Group will accurately identify and respond quickly to continually evolving safety and security needs. We will also make various efforts to lay the foundation that will lead to dramatic growth.

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

July 2021

Takeshi Okamura

Takeshi Okamura
President

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

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

Vision

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

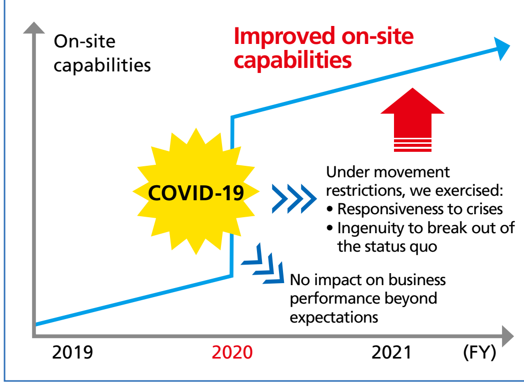
Continue to be pioneers in fire protection fields as a comprehensive fire protection company

Priority policies of Medium-Term Business Plan

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

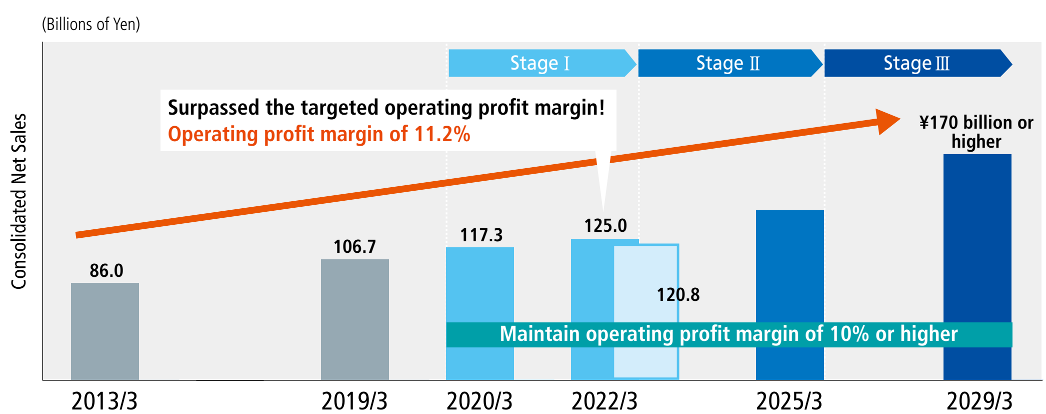
Create a foundation for even higher stages of growth (investments, new initiatives)

Respond to External Environment and Elevate to a Higher Level



Quantitative targets

Consolidated net sales/Operating profit margin



R&D investment

- Collaborate with related in-house and external bodies and introduce elemental and other technologies (data, technology, AI, IoT, etc.)
- Promote in-house development of NOHMI BOSAI’s core technologies

▶▶▶ Toward the development of next-generation new products

	2019/3	2022/3	2029/3
Experimental research expenses	2.2 billion yen	2.6 billion yen	5.0 billion yen
As a percentage of consolidated net sales	2.1%	2.2%	3.0%

Review plans based on changes in the external environment

Progress on Priority Policies and Initiatives for the Final Year of the Plan

1 Improve human resource capabilities

- Improve digital skills to quickly develop and maximize the use of tools for responding to online transactions
- Assign the right persons to the right positions
- Respond to labor shortages by further utilizing older personnel

2 Build a stronger base for core businesses

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

New businesses Markets in which the NOHMI BOSAI Group is directly or indirectly involved
- Infrastructure/maintenance
- Energy conservation/recycling
- Disaster prevention technologies, others

Core businesses Markets in which there are new movements
- Response to factory fires
- Fire protection for cultural properties, data centers, distribution centers, others

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

1. Expand business fields

Get more deeply involved in core businesses to strengthen their foundation. Meanwhile, we aim to expand business fields by reinforcing proposal capabilities in areas beyond the legal domain. To this end, we will review business transactions throughout the company to visualize overall work and examine which work procedures to discontinue. By doing so, we aim to spend more time for making proposals for better fire protection.

2. Reinforce overseas businesses

Although impacted by the spread of COVID-19, we intend to maintain our current business strategies. We will continue to provide high-value-added services, including after-sales services, mainly in Southeast Asia, China, Taiwan and India. For example, in Southeast Asia we will review the product lineup while striving to expand the scope of sales targets, in China we will re-examine manufacturing strategies, and in India we will revise business strategies.

4 Continue to strengthen governance structure

We will continue to implement measures to strengthen corporate governance.

<Implemented in June 2021>
- Introduced a restricted stock compensation plan

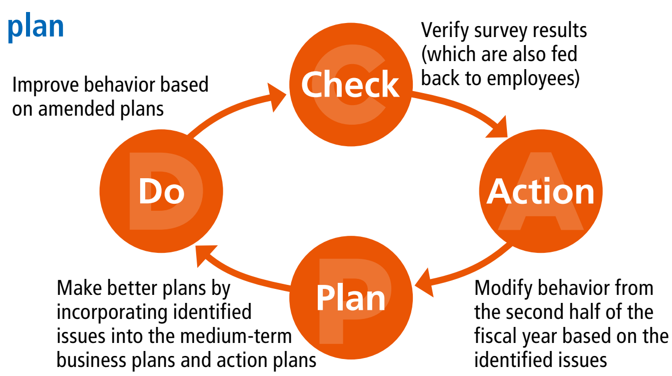
<Implemented in June 2020>
- Outside directors account for more than one-third of the Board of Directors to increase its independence.
- Appointed a female director
- Introduced an executive officer system
- Revised criteria for discussion at Board of Directors' meetings
- Established the voluntary Nomination and Compensation Committee

5 Initiatives to promote medium-term business plan

To effectively promote the medium-term business plan, we perform an engagement survey for all employees and reflect the results in our measures to raise employee motivation and improve organizational performance.

An engagement survey is conducted once every year to promote the medium-term business plans and its results are analyzed based on the Employee Net Promoter Score (eNPS).

eNPS (%) = Ratio of positive respondents – Ratio of negative respondents



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 2021 decreased ¥3,063 million, or 7.5%, from the previous fiscal year to ¥37,952 million, accounting for 35.2% of consolidated net sales. Operating income was down ¥1,693 million, or 22.1%, to ¥5,979 million. New orders also decreased ¥975 million, or 2.5%, to ¥37,467 million.

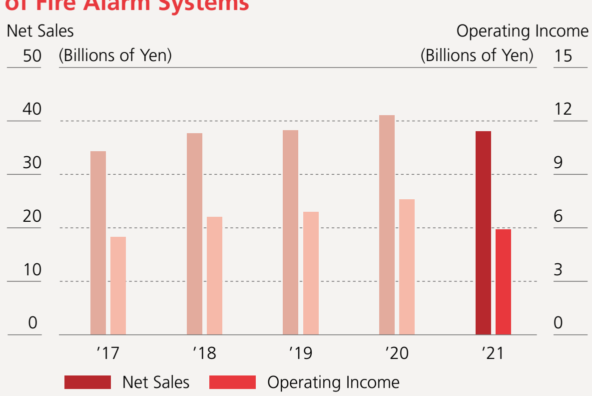
Net sales fell due mainly to a decline in sales of installation in mostly new properties as well as COVID-19-induced restrictions on overseas sales activities. Operating income also decreased because of a concentration of contracts with relatively high profitability in the previous fiscal year.


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 2021 decreased ¥4,310 million, or 10.1%, from the previous fiscal year to ¥38,416 million, accounting for 35.6% of consolidated net sales. Operating income was down ¥1,416 million, or 17.7%, to ¥6,568 million. New orders rose ¥4,050 million, or 10.0%, to ¥44,469 million.

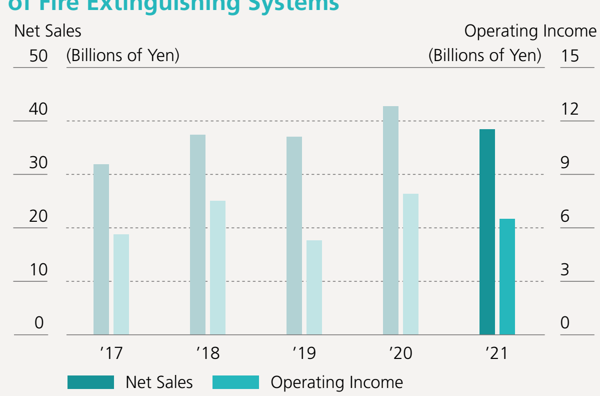
Fire accidents in recent years have given rise to higher demand for protecting cultural properties from fire, leading to an increase in orders in fiscal 2021. Nevertheless, net sales declined due to the postponement of completion for many properties to the next fiscal year and beyond. Meanwhile, operating income decreased due to a concentration of orders received with relatively high profitability in the previous fiscal year.


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 2021 were down ¥795 million, or 2.9%, from the previous fiscal year to ¥26,687 million, representing 24.7% of consolidated net sales. Operating income declined ¥769 million, or 12.5%, to ¥5,393 million. New orders decreased ¥499 million, or 1.9%, to ¥26,437 million.

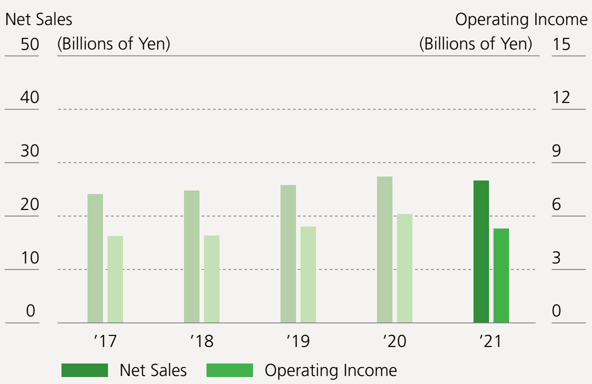
During fiscal 2021, sales for maintenance and inspection services outperformed the previous fiscal year by steadily accumulating orders amid an uncertain market environment. However, revenues from major properties in the previous fiscal year resulted in a lower level of repair/renewal services in the current fiscal year, leading to declines in both net sales and operating income in the Maintenance Services segment as a whole in the fiscal year.


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 2021 decreased ¥1,229 million, or 20.2%, from the previous fiscal year to ¥4,843 million, representing 4.5% of consolidated net sales. Operating income was down ¥236 million, or 48.2%, to ¥254 million. New orders decreased ¥1,140 million, or 18.8%, to ¥4,936 million.

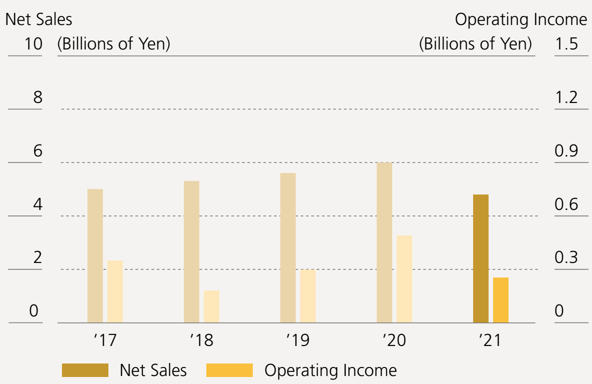
During the fiscal year, COVID-19-induced restrictions on movement resulted in the lower use of parking lots, bringing down both net sales and operating income.


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.

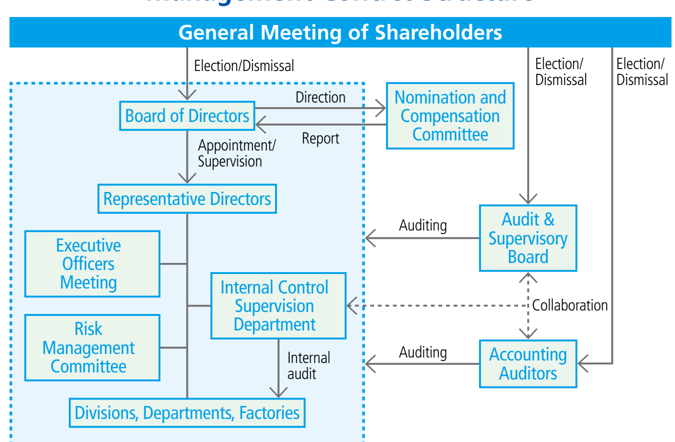
We also undertake compliance-based management that ensures strict Group-wide adherence to our corporate ethics and internal rules to help prevent cases of misconduct.

Corporate Governance Structure

The Company has established an Audit & Supervisory Board. The Board of Directors, presided over by the Chairman, makes important management decisions and oversees the execution of business operations with the aims of maximizing corporate value, ensuring transparency and fairness in corporate management and enabling a quick decision-making process. 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.

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

Management Control Structure



Management Team (As of June 25, 2021)

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

Full-Time Audit & Supervisory Board Members
Yoshihisa Asakura
Hiroshi Kondo

Audit & Supervisory Board Members
Tojiro Ishii**
Kazuo Kondo**
Yasuhiro Takahashi**

*Concurrently serve as executive officers
** Outside

Executive Officers

Senior Managing Executive Officer
Jun Uchiyama

Managing Executive Officers
Masahiro Hasegawa
Yasuo Ariga
Yuji Hara

Executive Officers
Hisato Miura
Shinya Ikeda
Kazuto Yamamoto
Hisayoshi Atoji
Makoto Kamihigoshi
Keishi Odori
Ryoichi Kato
Masayuki Nakamura
Yasuhiro Ono

& 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.

The Internal Control Supervision Department, which is an internal audit department comprised of six staff members and is independent from other departments, works in collaboration with the Audit & Supervisory Board members and accounting auditors to systematically conduct financial and operational audits of all departments, including Group companies. The 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. In addition, the Internal Control Supervision Department is tasked with addressing the evaluation and audit of internal controls over financial reporting based on the Japanese Financial Instruments and Exchange Act.

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

Concerning risk management, we have formulated the Risk Management Regulations and built a management structure. The Risk Management Committee promotes activities to 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 (Basic Policies of the 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 2021 is shown below.

Performance Analysis

During fiscal 2021, the economic conditions worsened rapidly because of significant restrictions on social and economic activities that were imposed to prevent the spread of COVID-19. Amid this environment, we continued to engage in business activities in the medium-term business plan's second year to ensure the safety of society while closely following COVID-19 safety protocols. As a result, net sales and operating income both declined. A summary of business results by segment is as follows.

In the Fire Alarm Systems segment, despite proactive sales activities, sales of both installation work and products decreased. Net sales decreased ¥3,063 million, or 7.5%, from the previous fiscal year to ¥37,592 million. Operating income fell ¥1,693 million, or 22.1%, from the previous year to ¥5,979 million due to a concentration of orders received with relatively high profitability in the previous fiscal year.

In the Fire Extinguishing Systems segment, net sales decreased ¥4,310 million, or 10.1%, from the previous fiscal year to ¥38,416 million, due primarily to decreases in revenues both from fire extinguishing systems for general properties, such as high-rises, as well as from systems used in special facilities, such as industrial plants and road tunnels, despite robust orders for new projects. Operating income was ¥6,568 million, down ¥1,416 million, or 17.7%, from the previous year due to a higher number of orders received with relatively low profitability compared with the previous fiscal year.

Net sales in the Maintenance Services segment were down ¥795 million, or 2.9%, from the previous fiscal year to ¥26,687 million. An increase in sales for maintenance and inspection services that resulted from steady sales activities was offset by a decrease in sales for repair/renewal services. Operating income decreased ¥769 million, or 12.5%, from the previous year to ¥5,393 million due to a concentration of orders received with relatively high profitability in the previous fiscal year.

For other businesses, net sales decreased ¥1,229 million, or 20.2%, from the previous year to ¥4,843 million due to a decrease in revenue from parking lot driving lane control systems and security-related facilities. Despite efforts to control costs amid a harsh business environment, operating income was down ¥236 million, or 48.2%, to ¥254 million.

Consequently, consolidated net sales decreased ¥9,397 million, or 8.0%, from the previous year to ¥107,898 million.

The cost-of-sales ratio increased 0.9 percentage point from the previous year to 67.4%. Despite efforts to streamline business operations and reduce costs amid a harsh business environment, the ratio worsened as a result of a concentration of orders received with relatively high profitability in the previous fiscal year.

Gross profit was down ¥4,178 million, or 10.6%, from the previous year to ¥35,128 million, and the gross profit margin fell 0.9 percentage point from the previous year to 32.6%.

Selling, general and administrative (SG&A) expenses decreased ¥92 million, or 0.4%, but the SG&A expenses-to-net-sales ratio worsened by 1.7 percentage points from the previous year to 22.3%.

As a result, operating income decreased 27.0% from the previous year to ¥11,054 million. Net income attributable to owners of the parent decreased 27.5% year on year to ¥7,621 million. Net income per share was ¥126.38.

Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2021 amounted to ¥139,875 million, an increase of ¥3,208 million from the previous fiscal year-end. This was mainly attributable to an increase of ¥9,343 million in cash and bank deposits as well as an increase of ¥2,455 million in construction in progress, which together offset decreases of ¥6,582 million in trade receivables and ¥2,109 million in inventories.

Total liabilities decreased ¥3,242 million from the end of the previous fiscal year to ¥35,753 million. This decline is due primarily to decreases of ¥1,533 million in advances received on uncompleted construction contracts and ¥1,295 million in income taxes payable.

Total net assets increased ¥6,450 million from the end of the previous fiscal year to ¥104,122 million attributable mainly to an increase in retained earnings.

Cash Flow

Cash and cash equivalents at the end of fiscal 2021 totaled ¥50,960 million, an increase of ¥9,265 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 income taxes paid of ¥4,691 million and a decrease in advances received on uncompleted construction contracts of ¥1,533 million, such inflows as income before income taxes of ¥11,111 million, a decrease in trade receivables of ¥6,627 million, adjustment for depreciation and amortization of ¥2,209 million and a decrease in inventories of ¥2,126 million resulted in net cash provided by operating activities of ¥15,829 million compared with ¥9,406 million in the previous fiscal year.

Net cash used in investing activities

Net cash used in investing activities amounted to ¥4,343 million compared with ¥1,919 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 ¥2,234 million compared with ¥2,146 million in the previous fiscal year, consisting mainly of cash dividends paid.

Outlook for Fiscal 2022

We expect economic uncertainty to persist for fiscal 2022 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 pandemic, such as delays in construction and a decrease in capital investments.

The NOHMI BOSAI Group formulated a three-year medium-term business plan starting from fiscal 2020 called "Project 2021—Build Strong 'On-site Capabilities'." During fiscal 2022, the final year of the plan, the Group will accurately identify and respond quickly to continually evolving safety and security needs. We will also make various efforts to lay the foundation that will lead to dramatic growth.

Regarding cash dividends, we plan to declare annual dividends per share of ¥36.00, which include an interim dividend per share of ¥18.00 and a year-end dividend per share of ¥18.00.

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 comply with the guidelines from the governments and local authorities in each country and region where it operates in 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, 2020 and 2021

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2021	2021
Current Assets:			
Cash and bank deposits (Notes 6 and 12)	¥ 42,707	¥ 52,050	$ 470,147
Trade receivables (Notes 12 and 18):			
Notes	7,334	6,513	58,829
Accounts	36,716	30,933	279,406
Unconsolidated subsidiaries and affiliates	66	88	795
	44,116	37,534	339,030
Less: Allowance for bad debts	(363)	(370)	(3,342)
	43,753	37,164	335,688
Inventories (Note 8)	14,060	11,951	107,949
Prepaid expenses and other current assets	789	780	7,045
Total current assets	101,309	101,945	920,829
Property, Plant and Equipment:			
Buildings and structures	16,677	16,895	152,606
Machinery and equipment	2,711	2,771	25,029
Tools and furniture	8,897	9,233	83,398
	28,285	28,899	261,033
Less: Accumulated depreciation	(16,199)	(17,289)	(156,164)
	12,086	11,610	104,869
Construction in progress	338	2,793	25,228
Land	7,066	7,066	63,824
Other	214	177	1,599
Net property, plant and equipment	19,704	21,646	195,520
Intangible Assets:			
Software	1,407	1,873	16,918
Goodwill	32	20	181
Other intangible assets	69	69	623
Total intangible assets	1,508	1,962	17,722
Investments and Other Assets:			
Investments in securities (Notes 7 and 12)	2,428	3,208	28,977
Investments in unconsolidated subsidiaries and affiliates (Note 12)	3,526	3,375	30,485
Long-term loans receivable (Note 12)	25	3	27
Deferred tax assets (Note 13)	5,455	5,171	46,708
Other assets (Note 6)	2,809	2,634	23,791
	14,243	14,391	129,988
Less: Allowance for bad debts	(97)	(69)	(623)
Total investments and other assets	14,146	14,322	129,365
Total assets	¥136,667	¥139,875	$1,263,436

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	**2021**	**2021**
Current Liabilities:			
Short-term debt (Notes 9 and 12)	¥ 19	**¥ 15**	**$ 135**
Trade payables (Notes 12 and 18):			
Notes	1,042	**861**	**7,777**
Accounts	2,168	**2,788**	**25,183**
Electronically recorded obligations	3,063	**2,838**	**25,635**
Unconsolidated subsidiaries and affiliates	2,584	**2,888**	**26,086**
	8,857	**9,375**	**84,681**
Non-trade accounts payable (Note 12)	7,371	**7,221**	**65,224**
Advances received on uncompleted construction contracts	3,518	**1,985**	**17,930**
Accrued bonuses to employees	3,505	**3,358**	**30,331**
Provision for product warranties	26	**4**	**36**
Provision for warranties for completed construction contracts	57	**84**	**759**
Income taxes payable (Note 12)	2,866	**1,571**	**14,190**
Provision for losses on construction contracts	880	**1,083**	**9,782**
Other current liabilities	2,379	**2,217**	**20,027**
Total current liabilities	29,478	**26,913**	**243,095**
Long-term Liabilities:			
Long-term debt (Notes 9 and 12)	81	**25**	**226**
Long-term accounts payable—other	334	**216**	**1,951**
Liability for retirement benefits (Note 10)	7,908	**7,485**	**67,609**
Directors' and Audit & Supervisory Board members' retirement benefits	171	**191**	**1,725**
Provision for product warranties	172	**233**	**2,105**
Provision for loss on guarantees for construction performance (Note 14)	203	**203**	**1,834**
Other long-term liabilities	537	**370**	**3,342**
Asset retirement obligations	111	**117**	**1,056**
Total long-term liabilities	9,517	**8,840**	**79,848**
Total liabilities	38,995	**35,753**	**322,943**
Contingent liabilities (Note 14)			
Net Assets (Note 15)			
Shareholders' Equity:			
Common stock:			
Authorized: 160,000,000 shares at March 31, 2020 and 2021			
Issued: 60,832,771 shares at March 31, 2020 and 2021	13,302	**13,302**	**120,152**
Capital surplus	12,869	**12,906**	**116,575**
Retained earnings	70,279	**75,876**	**685,358**
Less: Treasury stock, at cost			
533,659 shares and 533,785 shares at March 31, 2020 and 2021, respectively	(280)	**(281)**	**(2,538)**
Total shareholders' equity	96,170	**101,803**	**919,547**
Accumulated Other Comprehensive Income (Note 16):			
Unrealized gains on securities, net of taxes	669	**1,077**	**9,728**
Foreign currency translation adjustments	304	**335**	**3,026**
Accumulated adjustments for retirement benefits, net of taxes (Note 10)	(995)	**(654)**	**(5,907)**
Total accumulated other comprehensive income	(22)	**758**	**6,847**
Non-controlling interests	1,524	**1,561**	**14,099**
Total net assets	97,672	**104,122**	**940,493**
Total liabilities and net assets	¥136,667	**¥139,875**	**$1,263,436**

Consolidated Statements of Income

NOHMI BOSAI LTD. and Subsidiaries
For the years ended March 31, 2019, 2020 and 2021

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2019	2020	**2021**	**2021**
Net Sales (Note 17)	¥ 106,775	¥ 117,295	**¥ 107,898**	**$974,600**
Cost of Sales (Notes 11 and 17)	71,927	77,989	**72,770**	**657,303**
Gross profit	34,848	39,306	**35,128**	**317,297**
Selling, General and Administrative Expenses (Note 11)	23,481	24,166	**24,074**	**217,451**
Operating income	11,367	15,140	**11,054**	**99,846**
Other Income (Expenses):				
Interest income	27	22	**19**	**172**
Interest expense	(7)	(16)	**(15)**	**(135)**
Dividend income	58	61	**61**	**551**
Subsidy income	—	45	**49**	**443**
Dividend on insurance policies	6	21	**24**	**217**
Insurance return	102	10	**18**	**163**
Rental revenue	47	58	**59**	**533**
Rental expense	(25)	(26)	**(25)**	**(226)**
Equity in earnings of affiliates	113	119	**217**	**1,960**
Foreign exchange gains	33	6	**8**	**72**
Commitment fee	(7)	(7)	**(45)**	**(406)**
Gain on sales of investments in securities	21	—	**—**	**—**
Compensation for damage	(19)	(44)	**—**	**—**
Gain (loss) on sales/disposals of property, plant and equipment	87	(100)	**(16)**	**(145)**
Loss on devaluation of investments in securities	(237)	(61)	**(368)**	**(3,324)**
Reversal (provision) for loss on guarantees for construction performance	(231)	28	**—**	**—**
Others, net	(51)	31	**71**	**640**
	(83)	147	**57**	**515**
Income before income taxes	11,284	15,287	**11,111**	**100,361**
Income Taxes (Note 13):				
Current	3,811	4,599	**3,437**	**31,045**
Deferred	(365)	69	**(18)**	**(163)**
	3,446	4,668	**3,419**	**30,882**
Net income	7,838	10,619	**7,692**	**69,479**
Net income attributable to non-controlling interests	(34)	(102)	**(71)**	**(641)**
Net income attributable to owners of the parent	¥ 7,804	¥ 10,517	**¥ 7,621**	**$ 68,838**

	Yen			U.S. Dollars (Note 1)
Per Share:				
Net income	¥ 129.42	¥ 174.41	**¥ 126.38**	**$ 1.14**
Net assets	1,457.31	1,594.52	**1,700.87**	**15.36**
Cash dividends	32.00	33.00	**33.00**	**0.30**
Weighted Average Number of Shares Issued (in thousands)	60,299	60,299	**60,299**	**—**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

NOHMI BOSAI LTD. and Subsidiaries
For the years ended March 31, 2019, 2020 and 2021

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2019	2020	**2021**	**2021**
Net Income	¥7,838	¥10,619	**¥7,692**	**$69,479**
Other Comprehensive Income (Note 16):				
Unrealized gains on securities, net of taxes	21	(176)	**405**	**3,658**
Foreign currency translation adjustments	(240)	(88)	**47**	**425**
Adjustments for retirement benefits, net of taxes	0	(77)	**341**	**3,080**
Share of other comprehensive income of affiliates accounted for under the equity method	(2)	(4)	**3**	**27**
Total other comprehensive income	(221)	(345)	**796**	**7,190**
Comprehensive income	¥7,617	¥10,274	**¥8,488**	**$76,669**
Total Comprehensive Income Attributable to:				
Owners of the parent	¥7,669	¥10,210	**¥8,400**	**$75,874**
Non-controlling interests	(52)	64	**88**	**795**

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, 2019, 2020 and 2021

	Thousands	Millions of Yen										
		Shareholders' equity					Accumulated other comprehensive income					
	Number of shares of common stock	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, 2018	60,832	¥13,302	¥12,870	¥55,825	¥(279)	¥ 81,718	¥ 830	¥508	¥(919)	¥419	¥1,547	¥ 83,684
Net income attributable to owners of the parent				7,804		7,804						7,804
Cash dividends paid				(1,933)		(1,933)						(1,933)
Acquisition of treasury stock					(1)	(1)						(1)
Purchase of shares of consolidated subsidiaries			2			2						2
Net changes during the year	—	—	—	—	—	—	19	(154)	1	(134)	(59)	(193)
Total changes of items during the period	—	—	2	5,871	(1)	5,872	19	(154)	1	(134)	(59)	5,679
Balance at March 31, 2019	60,832	¥13,302	¥12,872	¥61,696	¥(280)	¥ 87,590	¥ 849	¥354	¥(918)	¥285	¥1,488	¥ 89,363
Net income attributable to owners of the parent				10,517		10,517						10,517
Cash dividends paid				(1,934)		(1,934)						(1,934)
Acquisition of treasury stock					(0)	(0)						(0)
Purchase of shares of consolidated subsidiaries			(3)			(3)						(3)
Net changes during the year	—	—	—	—	—	—	(180)	(50)	(77)	(307)	36	(271)
Total changes of items during the period	—	—	(3)	8,583	(0)	8,580	(180)	(50)	(77)	(307)	36	8,309
Balance at March 31, 2020	**60,832**	**¥13,302**	**¥12,869**	**¥70,279**	**¥(280)**	**¥96,170**	**¥ 669**	**¥304**	**¥(995)**	**¥ (22)**	**¥1,524**	**¥ 97,672**
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**

	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, 2020	**$120,152**	**$116,241**	**$634,803**	**$(2,529)**	**$868,667**	**$6,043**	**$2,746**	**$(8,987)**	**$ (198)**	**$13,766**	**$882,235**
Net income attributable to owners of the parent			**68,838**		**68,838**						**68,838**
Cash dividends paid			**(18,283)**		**(18,283)**						**(18,283)**
Acquisition of treasury stock				**(9)**	**(9)**						**(9)**
Purchase of shares of consolidated subsidiaries		**334**			**334**						**334**
Net changes during the year	**—**	**—**	**—**	**—**	**—**	**3,685**	**280**	**3,080**	**7,045**	**333**	**7,378**
Total changes of items during the period	**—**	**334**	**50,555**	**(9)**	**50,880**	**3,685**	**280**	**3,080**	**7,045**	**333**	**58,258**
Balance at March 31, 2021	**$120,152**	**$116,575**	**$685,358**	**$(2,538)**	**$919,547**	**$9,728**	**$3,026**	**$(5,907)**	**$6,847**	**$14,099**	**$940,493**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

NOHMI BOSAI LTD. and Subsidiaries
For the years ended March 31, 2019, 2020 and 2021

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2019	2020	**2021**	**2021**
Cash Flows from Operating Activities:				
Income before income taxes	¥11,284	¥15,287	**¥11,111**	**$100,361**
Adjustments for:				
Depreciation and amortization	1,892	2,066	**2,209**	**19,953**
Amortization of goodwill	11	11	**11**	**99**
Increase (decrease) in allowance for bad debts	40	10	**(22)**	**(199)**
Increase (decrease) in liability for retirement benefits	250	(269)	**69**	**623**
Increase (decrease) in directors' and Audit & Supervisory Board members' retirement benefits	(78)	5	**20**	**181**
Increase (decrease) in accrued bonuses	60	351	**(147)**	**(1,328)**
Increase (decrease) in provision for product warranties	(90)	28	**39**	**352**
Increase (decrease) in provision for warranties for completed construction contracts	(3)	14	**28**	**253**
Increase (decrease) in provision for losses on construction contracts	60	(40)	**203**	**1,834**
Increase (decrease) in provision for loss on guarantees for construction performance	231	(28)	**—**	**—**
Interest and dividend income	(85)	(83)	**(80)**	**(723)**
Insurance return	(102)	(10)	**(18)**	**(163)**
Interest expenses	7	16	**15**	**135**
Equity in earnings of affiliates	(113)	(119)	**(217)**	**(1,960)**
Loss (gain) on sales/disposal of property, plant and equipment	(87)	100	**16**	**145**
Loss on devaluation of investments in securities	237	61	**368**	**3,324**
Loss (gain) on sales of investments in securities	(21)	1	**—**	**—**
Decrease (increase) in trade receivables	(1,424)	(4,237)	**6,627**	**59,859**
Decrease (increase) in inventories	(17)	1,163	**2,126**	**19,203**
Increase (decrease) in trade payables	1,084	(767)	**179**	**1,617**
Decrease in advances received on uncompleted construction contracts	(442)	(810)	**(1,533)**	**(13,847)**
Others, net	418	242	**(547)**	**(4,939)**
Subtotal	13,112	12,992	**20,457**	**184,780**
Interest and dividend income received	106	88	**78**	**704**
Interest expenses paid	(7)	(16)	**(15)**	**(135)**
Income taxes paid	(4,733)	(3,658)	**(4,691)**	**(42,372)**
Net cash provided by operating activities	8,478	9,406	**15,829**	**142,977**
Cash Flows from Investing Activities:				
Decrease in time deposits	27	298	**5**	**45**
Payments into long-term deposits	(81)	(47)	**—**	**—**
Proceeds from withdrawal of long-term deposits	81	—	**—**	**—**
Payments for purchase of property, plant and equipment	(1,781)	(2,114)	**(4,229)**	**(38,199)**
Proceeds from sales of property, plant and equipment	198	4	**4**	**36**
Payments for purchase of investments in securities	(391)	(103)	**(225)**	**(2,032)**
Proceeds from sales of investments in securities	36	1	**2**	**18**
Payments for loans receivable	(1)	(30)	**—**	**—**
Proceeds from loans receivable	7	5	**29**	**262**
Proceeds from cancellation of insurance contracts	179	283	**281**	**2,538**
Others, net	(190)	(216)	**(210)**	**(1,897)**
Net cash used in investing activities	(1,916)	(1,919)	**(4,343)**	**(39,229)**
Cash Flows from Financing Activities:				
Net decrease in short-term debt	(30)	—	**—**	**—**
Repayment of long-term debt	(26)	(19)	**(19)**	**(172)**
Repayments of bonds	(61)	(61)	**(61)**	**(551)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(0)	(21)	**(2)**	**(18)**
Cash dividends paid	(1,933)	(1,934)	**(2,024)**	**(18,282)**
Cash dividends paid to non-controlling interests	(5)	(10)	**(11)**	**(99)**
Payments for purchase of treasury stock	(1)	(1)	**(0)**	**(0)**
Others, net	(0)	(100)	**(117)**	**(1,056)**
Net cash used in financing activities	(2,056)	(2,146)	**(2,234)**	**(20,178)**
Effect of exchange rate changes on cash and cash equivalents	(37)	(7)	**13**	**117**
Net increase (decrease) in cash and cash equivalents	4,469	5,334	**9,265**	**83,687**
Cash and cash equivalents at beginning of year	31,892	36,361	**41,695**	**376,615**
Cash and cash equivalents at end of year (Note 6)	¥ 36,361	¥41,695	**¥50,960**	**$460,302**

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

NOHMI BOSAI LTD. and Subsidiaries
For the years ended March 31, 2019, 2020 and 2021

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, 2021, which is ¥110.71 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, 2020 and 2021.

The consolidated financial statements include the accounts of the Company and 20 subsidiaries at March 31, 2020 and 2021.

The 20 subsidiaries which have been consolidated with the Company at March 31, 2021 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, 2020 and 2021, 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, 2020 and 2021, the Company had investments in 4 affiliates. Investments in unconsolidated subsidiaries and affiliates are generally accounted for under the equity method. Consolidated income includes the Company's current equity in the net income of affiliates after elimination of intercompany profits.

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

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

(4) Cash and Cash Equivalents

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

(5) Inventories

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

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

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

(6) Securities

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

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

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

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

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

(7) Property, Plant and Equipment

Property, plant and equipment are stated at cost.

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

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

(8) Amortization of Intangible Assets

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

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

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

(9) Allowance for Bad Debts

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

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

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

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

(10) Provision for Product Warranties

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

(11) Provision for Warranties for Completed Construction Contracts

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

(12) Provision for Losses on Construction Contracts

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

(13) Leases

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

(14) Revenue Recognition for Construction Contracts

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

(Additional information)
From the year ended March 31, 2021, the percentage-of-completion method has been applied to an additional number of construction contracts since reliable estimates can be made as a result of the Company's strengthened cost management system.

As a result, net sales increased by ¥9,240 million ($83,461 thousand) and operating income and income before income taxes increased by ¥2,909 million ($26,276 thousand) for the year ended March 31, 2021 compared to if the previous approach had been applied.

(15) Income Taxes

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

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

(16) Liability for Retirement Benefits

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

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

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

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

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

(18)Provision for loss on guarantees for construction performance

Provision for loss on guarantees for construction performance is provided at the estimated amount for future losses on guaranteed performance of power plant construction project in India for which the Company had made a successful bid as a prime contractor and transferred certain sub-contracts to another company (see Note 14. Contingent Liabilities).

(19) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(20) Foreign Currency Translation

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

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

(21) Net Income and Dividends per Share

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year. There are no equity instruments issued that have a dilutive effect on earnings per share. Cash dividends per share shown for each period in the accompanying consolidated statements of income represent dividends declared as applicable to the respective periods.

(22) Reclassification

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

3. Significant Accounting Estimates

Estimated total cost and construction progress in application of the percentage-of-completion method

(a) The amount of sales recorded based on the percentage-of-completion method was ¥22,519 million ($203,405 thousand) in the consolidated statement of income for the year ended March 31, 2021.

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

The percentage-of-completion method, where revenue is recorded based on the progress of construction, is applied to specific construction contracts which meet certain requirements when the total revenue, total cost and construction progress can be estimated reliably.

Under the percentage-of-completion method, revenue is recognized based on the progress toward the completion of construction, which is determined using the cost-to-cost method. Under the cost-to-cost method, the progress toward the completion of construction is reasonably estimated based on the percentage of total construction costs incurred by the end of the current fiscal year to the estimated total construction costs. The estimated total construction costs are calculated by identifying all the work necessary to complete the construction contract and accumulating costs to be incurred with the use of a 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 percentage of completion.

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, 2022 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. Accounting Standard Issued But Not Yet Adopted

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

(a) Overview

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

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

(b) Effective date

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

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

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

5. Changes in Presentation Method

Adoption of Accounting Standard for Disclosure of Accounting Estimates

The Company and its consolidated subsidiaries adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, issued on March 31, 2020) in the consolidated financial statements for the year ended March 31, 2021, and therefore significant accounting estimates are disclosed in Note 3 to the consolidated financial statements.

The note does not include comparative information for the prior year in accordance with the transitional provision set out in paragraph 11 of the Accounting Standard.

6. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2019, 2020 and 2021 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2019	2020	**2021**	**2021**
Cash and bank deposits	¥ 37,689	¥ 42,707	**¥ 52,050**	**$ 470,147**
Long-term deposit	81	126	**48**	**434**
Total	37,770	42,833	**52,098**	**470,581**
Time deposits with deposit terms of over three months	(1,409)	(1,138)	**(1,138)**	**(10,279)**
Cash and cash equivalents	¥ 36,361	¥ 41,695	**¥ 50,960**	**$ 460,302**

7. Securities

The following tables summarize the acquisition costs and book value/ fair value of securities with available fair values as of March 31, 2020 and 2021.

Available-for-sale securities

Securities with book value exceeding acquisition costs

	Millions of Yen		
	2020		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	¥ 1,797	¥ 837	¥ 960

	Millions of Yen		
	2021		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	**¥ 2,640**	**¥ 1,166**	**¥ 1,474**

	Thousands of U.S. Dollars		
	2021		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	**$ 23,846**	**$ 10,532**	**$ 13,314**

Securities with book value not exceeding acquisition cost

	Millions of Yen		
	2020		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	¥ 228	¥ 287	¥ (59)

	Millions of Yen		
	2021		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	**¥ 165**	**¥ 181**	**¥ (16)**

	Thousands of U.S. Dollars		
	2021		
	Book value/ fair value	Acquisition cost	Difference
Equity securities	**$ 1,490**	**$ 1,635**	**$ (145)**

The following tables summarize book value of securities with no available fair values as of March 31, 2020 and 2021.

Available-for-sale securities

	Millions of Yen		Thousands of U.S. Dollars
	2020	**2021**	**2021**
Non-listed equity securities	¥ 403	**¥ 403**	**$ 3,641**

A summary of other securities sold in the years ended March 31, 2020 and 2021 is shown below:

	Millions of Yen		Thousands of U.S. Dollars
	2020	**2021**	**2021**
Total amount of sales	¥ 1	**¥ 2**	**$ 18**
Total amount of gains on sales	¥ —	**¥ 1**	**$ 9**
Total amount of losses on sales	¥ 1	**¥ —**	**$ —**

8. Inventories

Inventories as of March 31, 2020 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	**2021**	**2021**
Products	¥ 2,743	**¥ 2,805**	**$ 25,336**
Raw materials	4,552	**4,468**	**40,358**
Work in progress	830	**1,155**	**10,433**
Cost of construction contracts in progress	5,935	**3,523**	**31,822**
	¥ 14,060	**¥ 11,951**	**$ 107,949**

9. Short-term Debt and Long-term Debt

Short-term debt at March 31, 2021 bore interest at an annual average rate of 0.56% 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, 2020 and 2021 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars
	2020	**2021**	**2021**
Unsecured 1.3% short-term borrowings	¥ 19	**¥ 15**	**$ 136**
Unsecured 1.4% long-term borrowings due in 2023	19	**4**	**36**
Unsecured 0.26% domestic standard bonds due in 2022	10	**10**	**90**
Unsecured 0.25% domestic standard bonds due in 2022	10	**10**	**90**
Unsecured 0.31% domestic standard bonds due in 2024	19	**19**	**172**
Unsecured 0.40% domestic standard bonds due in 2024	13	**13**	**118**
Unsecured 0.29% domestic standard bonds due in 2022	10	**10**	**90**
	100	**81**	**732**
Less—portion due within one year	—	**—**	**—**
Total short-term debt and long-term debt	¥ 100	**¥ 81**	**$ 732**

The average interest rate for long-term debt of 0.53% as of March 31, 2021 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, 2021 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
2022	**¥ 56**	**$ 506**
2023	**16**	**145**
2024	**9**	**81**
2025	**—**	**—**
2026 and thereafter	**—**	**—**
Total	**¥ 81**	**$ 732**

10. 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, 2020 and 2021.

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
	2020	**2021**	**2021**
Projected benefit obligations at beginning of year	¥ 16,458	**¥ 16,939**	**$ 153,003**
Service costs	874	**901**	**8,138**
Interest expenses	66	**68**	**614**
Actuarial losses (gains)	12	**32**	**289**
Retirement benefits paid	(471)	**(394)**	**(3,558)**
Projected benefit obligations at end of year	¥ 16,939	**¥ 17,546**	**$ 158,486**

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
	2020	**2021**	**2021**
Plan assets at beginning of year	¥ 8,728	**¥ 9,420**	**$ 85,087**
Expected return on plan assets	218	**235**	**2,123**
Actuarial gains (losses)	(287)	**255**	**2,303**
Employer contributions	1,077	**811**	**7,326**
Retirement benefits paid	(316)	**(276)**	**(2,493)**
Plan assets at end of year	¥ 9,420	**¥ 10,445**	**$ 94,346**

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
	2020	**2021**	**2021**
Liability for retirement benefits at beginning of year	¥ 342	**¥ 389**	**$ 3,514**
Net pension and employees' severance costs	109	**38**	**343**
Retirement benefits paid	(23)	**(36)**	**(325)**
Employer contributions to the plan	(39)	**(40)**	**(361)**
Liability for retirement benefits at end of year	¥ 389	**¥ 351**	**$ 3,171**

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
	2020	**2021**	**2021**
Projected benefit obligations (funded)	¥ 11,950	**¥ 12,348**	**$ 111,535**
Plan assets	(10,091)	**(11,193)**	**(101,102)**
	1,859	**1,155**	**10,433**
Projected benefit obligations (unfunded)	6,049	**6,297**	**56,878**
Total net liability for retirement benefits on the consolidated balance sheets	¥ 7,908	**¥ 7,452**	**$ 67,311**
Liability for retirement benefits	¥ 7,908	**¥ 7,485**	**$ 67,609**
Asset for retirement benefits	—	**(33)**	**(298)**
Total net liability for retirement benefits on the consolidated balance sheets	¥ 7,908	**¥ 7,452**	**$ 67,311**

The components of net pension and employees' severance costs for the years ended March 31, 2019, 2020 and 2021 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2019	2020	**2021**	**2021**
Service costs	¥ 826	¥ 874	**¥ 901**	**$ 8,138**
Interest expenses	64	66	**68**	**614**
Expected return on plan assets	(212)	(218)	**(235)**	**(2,123)**
Recognized actuarial differences	258	203	**269**	**2,430**
Net pension and employees' severance costs calculated using the simplified method	83	109	**38**	**343**
Net periodic benefit costs	¥1,019	¥1,034	**¥1,041**	**$ 9,402**

The components of adjustments for retirement benefits in other comprehensive income (before applicable tax effects) for the years ended March 31, 2019, 2020 and 2021 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2019	2020	**2021**	**2021**
Actuarial losses (gains)	¥ (17)	¥ (96)	**¥ 491**	**$ 4,435**
Total	¥ (17)	¥ (96)	**¥ 491**	**$ 4,435**

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

	Millions of Yen		Thousands of U.S. Dollars
	2020	**2021**	**2021**
Unrecognized actuarial differences	¥ 1,436	**¥ 945**	**$ 8,536**
Total	¥ 1,436	**¥ 945**	**$ 8,536**

Breakdown of plan assets as of March 31, 2020 and 2021 was as follows:

	2020	**2021**
Equity securities	25%	**29%**
General accounts	35	**34**
Bonds	38	**35**
Other	2	**2**
Total	100%	**100%**

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

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

Significant assumptions used in determining the projected benefit obligations at March 31, 2019, 2020 and 2021 were as follows:

	2019	2020	2021
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, 2019, 2020 and 2021 was ¥16 million, ¥17 million and ¥17 million ($154 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, 2019, 2020 and 2021 was ¥512 million, ¥532 million and ¥546 million ($4,932 thousand), respectively.

11. 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, 2019, 2020 and 2021 were ¥2,268 million, ¥2,125 million and ¥2,312 million ($20,883 thousand), respectively.

12. 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 control customers' credit risk, the balance of receivables and payment date of each customer are monitored. Investments in securities comprise equities of customer-related business or capital tie-ups, and are exposed to the issuer's credit risk and market price fluctuation risk. However, investments in securities are managed by monitoring market values and the financial position of issuers on a regular basis.

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

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

(c) Fair Values of Financial Instruments

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

Fair value of financial instruments:
The fair value of financial instruments as of March 31, 2020 and 2021 was as follows:

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

	Millions of Yen		
	2021		
	Carrying amount	Fair value	Unrecognized gain (loss)
Cash and bank deposits	¥ 52,050	¥ 52,050	¥ —
Trade receivables	37,534	37,534	—
Investments in securities	2,804	2,804	—
Long-term loan receivable	3	3	—
Total	¥ 92,391	¥ 92,391	¥ —
Trade payables	¥ 9,375	¥ 9,375	¥ —
Short-term debt	15	15	—
Non-trade accounts payable	7,221	7,221	—
Income taxes payable	1,571	1,571	—
Bonds	21	20	(1)
Long-term debt	4	4	(0)
Total	¥ 18,207	¥ 18,206	¥ (1)

	Thousands of U.S. Dollars		
	2021		
	Carrying amount	Fair value	Unrecognized gain (loss)
Cash and bank deposits	$ 470,147	$ 470,147	$ —
Trade receivables	339,030	339,030	—
Investments in securities	25,328	25,328	—
Long-term loan receivable	27	27	—
Total	$ 834,532	$ 834,532	$ —
Trade payables	$ 84,681	$ 84,681	$ —
Short-term debt	135	135	—
Non-trade accounts payable	65,224	65,224	—
Income taxes payable	14,190	14,190	—
Bonds	190	181	(9)
Long-term debt	36	36	(0)
Total	$ 164,456	$ 164,447	$ (9)

1. Calculation methods of fair value of financial instruments:

Cash and bank deposits and trade receivables

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

Investments in securities

The fair value of investments in securities is measured at the quoted market price. Information of the fair value for the investments in securities by classification is included in Note 8.

Long-term loans receivable

Long-term loans receivable are loans to employees. The amount is immaterial and the fair value is included as the carrying value.

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

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

Bonds

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

Long-term debt

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

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

The carrying amount of investments in unconsolidated subsidiaries and affiliates, and other cost method investments that do not have a quoted market price in an active market as of March 31, 2020 and 2021 were ¥3,929 million and ¥3,779 million ($34,134 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, 2021:

	Millions of Yen			
	2021			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and bank deposits	¥ 52,050	¥ —	¥ —	¥ —
Trade receivables	37,534	—	—	—
Long-term loans receivable	—	3	0	—
Total	¥ 89,584	¥ 3	¥ 0	¥ —

	Thousands of U.S. Dollars			
	2021			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and bank deposits	$ 470,147	$ —	$ —	$ —
Trade receivables	339,030	—	—	—
Long-term loans receivable	—	27	0	—
Total	$ 809,177	$ 27	$ 0	$ —

13. Income Taxes

At March 31, 2020 and 2021, significant components of deferred tax assets and liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	**2021**	**2021**
Deferred tax assets:			
Liability for retirement benefits	¥ 2,435	**¥ 2,294**	**$ 20,721**
Accrued bonuses	1,078	**1,032**	**9,322**
Directors' and Audit & Supervisory Board members' retirement benefits	62	**66**	**596**
Loss on write-off of fixed assets	165	**165**	**1,490**
Accrued legal welfare expenses	144	**150**	**1,355**
Accrued enterprise taxes	196	**145**	**1,310**
Allowance for bad debts	89	**93**	**840**
Impairment loss on fixed assets	110	**109**	**984**
Devaluation of inventories	363	**418**	**3,775**
Provision for losses on construction contracts	271	**333**	**3,008**
Provision for product warranties	61	**73**	**659**
Loss on valuation of shares of subsidiaries and affiliates	215	**328**	**2,963**
Provision for loss on guarantee for construction performance	62	**62**	**560**
Others	982	**940**	**8,491**
Subtotal	6,233	**6,208**	**56,074**
Valuation allowance	(490)	**(598)**	**(5,401)**
Total	¥ 5,743	**¥ 5,610**	**$ 50,673**
Deferred tax liabilities:			
Special depreciation of acquired assets	¥ (51)	**¥ (51)**	**$ (461)**
Unrealized gains on securities	(237)	**(388)**	**(3,504)**
Total	¥ (288)	**¥ (439)**	**$ (3,965)**
Net deferred tax assets	¥ 5,455	**¥ 5,171**	**$ 46,708**

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 year ended March 31, 2019, 2020 and 2021.

Since the differences between the statutory tax rate and effective tax rate for the fiscal years ended March 31, 2020 and 2021 is less than 5% of the effective tax rate, reconciliations of these two rates are not presented.

14. Contingent Liabilities

The Company and its consolidated subsidiaries were contingently liable for borrowings from financial institutions in the amount of ¥29 and ¥30 million ($271 thousand), trade notes endorsed for payment to third parties in the ordinary course of business in the amount of ¥66 million and ¥93 million ($840 thousand) and performance guarantees made for unconsolidated subsidiaries of ¥70 million and ¥60 million ($542 thousand) at March 31, 2020 and 2021, 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 five contracts are in progress.

Based on the terms of the contracts, the Company owes performance obligations to NTPC as a prime contractor, including contracts transferred to UML. With the financial deterioration of UML, a bank 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 construction because the Company owes performance obligations for the contracts transferred to UML.

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

15. Net Assets

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

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

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

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

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

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

At the annual shareholders' meeting held on June 25, 2021, the distribution of cash dividends amounting to ¥997 million ($9,006 thousand) was approved. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2021 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, 2021

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

(a) Total dividends .... ¥1,027 million ($9,276 thousand)
(b) Cash dividends per common share ¥17.00 ($0.15)
(c) Record date .... March 31, 2020
(d) Effective date .... June 26, 2020

The following was approved by the Board of Directors on November 6, 2020:

(a) Total dividends .... ¥997 million ($9,006 thousand)
(b) Cash dividends per common share ¥16.50 ($0.15)
(c) Record date .... September 30, 2020
(d) Effective date .... December 4, 2020

b) Dividends to be paid after March 31, 2021 but the record date for the payment belongs to the year ended March 31, 2021

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

(a) Total dividends .... ¥997 million ($9,006 thousand)
(b) Cash dividends per common share ¥16.50 ($0.15)
(c) Record date .... March 31, 2021
(d) Effective date .... June 28, 2021

16. Comprehensive Income

The amount of reclassification adjustments and tax effect relating to other comprehensive income for the years ended March 31, 2019, 2020 and 2021 comprised the following:

	Millions of Yen			Thousands of U.S. Dollars
	2019	2020	**2021**	**2021**
Unrealized gains on securities, net of taxes:				
Increase during the year	¥ 80	¥ (294)	**¥ 557**	**$ 5,031**
Reclassification adjustments	(21)	61	**(1)**	**(9)**
Amount before tax effect adjustment	59	(233)	**556**	**5,022**
Tax effect	(38)	57	**(151)**	**(1,364)**
Unrealized gains on securities, net of taxes	21	(176)	**405**	**3,658**
Foreign currency translation adjustments:				
Increase (decrease) during the year	(240)	(88)	**47**	**425**
Adjustments for retirement benefits, net of taxes:				
Increase (decrease) during the year	(274)	(298)	**223**	**2,014**
Reclassification adjustments	257	202	**268**	**2,421**
Amount before tax effect adjustment	(17)	(96)	**491**	**4,435**
Tax effect	17	19	**(150)**	**(1,355)**
Adjustments for retirement benefits, net of taxes	0	(77)	**341**	**3,080**
Share of other comprehensive income of affiliates accounted for under the equity method:				
Increase (decrease) during the year	(2)	(4)	**3**	**27**
Total other comprehensive income	¥ (221)	¥ (345)	**¥ 796**	**$ 7,190**

17. Segment Information

(a) Summary of reportable segments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Millions of Yen															
	2020															
	Reportable segments															
		Fire alarm systems		Fire extinguishing systems		Maintenance services		Subtotal		Others (Note 1)		Total		Adjustments (Note 2)		Consolidated (Note 3)
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							
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
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

	Thousands of U.S. Dollars							
	2021							
	Reportable segments							
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales:								
Outside customers	$ 342,805	$ 346,997	$ 241,053	$ 930,855	$ 43,745	$ 974,600	$ —	$ 974,600
Inter-segment	795	596	9	1,400	1,761	3,161	(3,161)	—
Total	343,600	347,593	241,062	932,255	45,506	977,761	(3,161)	974,600
Segment income	$ 54,006	$ 59,326	$ 48,713	$ 162,045	$ 2,294	$ 164,339	$ (64,493)	$ 99,846
Segment assets	$ 431,397	$ 296,432	$ 121,362	$ 849,191	$ 35,571	$ 884,762	$ 378,674	$ 1,263,436
Other:								
Depreciation	$ 8,310	$ 2,014	$ 1,292	$ 11,616	$ 1,237	$ 12,853	$ 6,766	$ 19,619
Amortization of goodwill	$ 99	$ —	$ —	$ 99	$ —	$ 99	$ —	$ 99
Affiliates accounted for under the equity method	$ —	$ 24,704	$ —	$ 24,704	$ —	$ 24,704	$ —	$ 24,704
Increase in property, plant and equipment and intangible assets	$ 23,503	$ 4,896	$ 4,281	$ 32,680	$ 614	$ 33,294	$ 7,407	$ 40,701

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 ($(64,493) 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) ¥41,923 million ($378,674 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) ¥749 million ($6,766 thousand) included in "Adjustments" for "Depreciation" is depreciation for corporate assets.

(4) ¥820 million ($7,407 thousand) included in "Adjustments" for "Increase in property, plant and equipment and intangible assets" is the increase in corporate assets.

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

Related information

(1) Information about products and services

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

(2) Information about geographical areas

(a) Sales

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

(b) Property, plant and equipment

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

(3) Information about major customers

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

(4) Amortization and unamortized balances of goodwill by reportable segment as of and for the years ended March 31, 2019, 2020 and 2021 were as follows:

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

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

	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**

	Thousands of U.S. Dollars							
	2021							
	Reportable segments							
	Fire alarm systems	Fire extinguishing systems	Maintenance services	Subtotal	Others	Total	Adjustments	Consolidated
Amortization during the year	**$ 99**	**$ —**	**$ —**	**$ 99**	**$ —**	**$ 99**	**$ —**	**$ 99**
Unamortized balance	**$ 181**	**$ —**	**$ —**	**$ 181**	**$ —**	**$ 181**	**$ —**	**$ 181**

18. 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, 2020 and 2021 and For the years ended March 31, 2019, 2020 and 2021, 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, 2021				Millions of Yen/Thousands of U.S. Dollars				
				Volume of transactions made in the year ended March 31			Resulting account balances as at March 31	
Paid-in capital	Principal business	Share of voting rights in the Company	Description of the Company's transactions	2019	2020	**2021**	2020	**2021**
¥66,410 million	Security service	Direct: 50.7% (*) Indirect: 0.1%	Sale of products and other transactions	¥1,576	¥1,580	**¥1,503 ($13,576)**	Trade receivables ¥174	Trade receivables **¥261 ($2,358)**

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

WATANABE PIPE Co., Ltd.

As of March 31, 2021				Millions of Yen/Thousands of U.S. Dollars				
				Volume of transactions made in the year ended March 31			Resulting account balances as at March 31	
Paid-in capital	Principal business	Share of voting rights in the Company	Description of the Company's transactions	2019	2020	**2021**	2020	**2021**
¥10,099 million	Industrial equipment wholesale	— (*)	Sale of products and other transactions	¥58	¥22	**¥19 ($172)**	Trade receivables ¥0	Trade receivables **¥0 ($0)**

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

KOATSU Co., Ltd.

As of March 31, 2021				
Paid-in capital	Principal business	Company's share of voting rights	Share of voting rights in the Company	Description of the Company's transactions
¥60 million	Fire extinguishing systems	Direct: 20.8%	Direct: 1.0%	Purchase of raw materials

Millions of Yen/Thousands of U.S. Dollars						
Volume of transactions made in the year ended March 31			Resulting account balances as at March 31			
2019	2020	**2021**	2020		**2021**	
¥5,216	¥7,734	**¥8,063 ($72,830)**	Trade notes payable ¥47	lectronically recorded obligations ¥1,250	Trade notes payable **¥2 ($18)**	Electronically recorded obligations **¥1,737 ($15,690)**
			Trade accounts payable ¥1,013	Non-trade accounts payable ¥594	Trade accounts payable **¥955 ($8,626)**	Non-trade accounts payable **¥448 ($4,047)**

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, 2021 and 2020, 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 31,2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the years in the three-year period ended March 31, 2021 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 Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

<table>
<tr><td colspan="2">Reasonableness of the Company's estimates of total construction costs and the progress toward completion of construction in applying the percentage-of-completion method</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As described in Note 3, "Significant Accounting Estimates" to the consolidated financial statements, NOHMI BOSAI LTD. and one of its consolidated subsidiaries applied the percentage-of-completion method of revenue recognition to the construction contracts. The construction revenue recognized using the percentage-of-completion method amounted to ¥22,519 million for the current fiscal year, representing approximately 20.8% of total revenue of ¥107,897 million in the consolidated financial statements.

The percentage-of-completion method is applied to construction contracts for which the realization of the completed portion is assured. In applying the percentage-of-completion method, it is necessary to reasonably estimate total construction revenue and costs, and the progress toward completion of construction at the end of the fiscal year.

The specifications of construction projects differ among individual properties. Therefore, the preparation of a project budget, which provided the basis for estimating total construction costs and the progress toward completion of construction, involved a high degree of uncertainty. Specifically, since the cost-to-cost method was used to estimate the progress toward completion of construction, management's determination of the following aspects of construction had a significant effect on the estimated total construction costs and the estimated progress toward completion of construction at the end of the fiscal year:
• 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</td><td>The primary procedures we performed to assess whether the Company's estimates of total construction costs and the progress toward completion of construction in applying the percentage-of-completion method were reasonable included the following:

(1) Internal control testing
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:
• controls to ensure compliance with the internal rules for preparing a project budget, including how to accumulate work hours of each construction project, what information and data to be used, and how to reflect the risk of any uncertainties within the budget; and
• controls to reflect any changes in circumstances that occur after the start of construction within the project budget in a timely and appropriate manner.

(2) Assessment of the reasonableness of the estimated total construction costs and the estimated progress toward completion of construction
In order to assess the reasonableness of key assumptions adopted in preparing the budget for each construction project, which was used as the basis for estimating 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:
• 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;</td></tr>
</table>

• whether the ratio of construction costs incurred to the estimated total construction costs reasonably reflected the actual progress of the construction at the end of the fiscal year. We, therefore, determined that our assessment of the reasonableness of the Company's estimates of total construction costs and the progress toward completion of construction in applying the percentage-of-completion method was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	• agreed the estimated costs of each activity included in the project budget with the supporting worksheet that calculated the accumulated costs, and compared the occurrence of the standard costs with that of the actual costs in similar construction projects in the past to assess the reasonableness of the estimated costs; • 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 evidence such as the revised specification sheets and quotations; and • inquired 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 inspected materials such as the construction timeline and the invoice that served as the basis for their responses to our inquiries.

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, 2021 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 12, 2021

Notes to the Reader of Independent Auditor's Report:

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

Fiscal Year
Ending March 31

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

Stock Exchange Listing
First Section, Tokyo Stock Exchange

Transfer 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	37	93,765	15.42
Japanese securities companies	24	2,173	0.36
Other Japanese corporations	199	350,746	57.67
Japanese individuals and others	2,657	95,934	15.78
Foreign institutions and individuals	142	61,400	10.10
Treasury stocks	1	4,102	0.67
Total	3,060	608,120	100.00

Major Stockholders

	Number of Shares Held (Thousands)	Percentage of Total Shares in Issue (%)*
SECOM Co., Ltd.	30,598	50.64
Shareholding Commission of NOHMI BOSAI Distributors	2,033	3.36
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,022	3.35
Shareholding Commission of NOHMI BOSAI Partners	1,568	2.60
Custody Bank of Japan, Ltd. (Trust Account)	1,269	2.10
MUFG Bank, Ltd.	1,000	1.66
Shareholding Commission of NOHMI BOSAI Employees	884	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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